

**V. B. DESAI**  
**FINANCIAL SERVICES LIMITED**

TWENTY FOURTH  
ANNUAL REPORT  
2009-2010

# V. B. Desai Financial Services Limited

## BOARD OF DIRECTORS

Pradip R. Shroff - Managing Director  
Manoj T. Shroff  
Ashok Kumar Singh  
Khurshid Shaikh

## REGISTERED OFFICE

Cama Building, 1<sup>st</sup> Floor,  
24/26, Dalal Street, Fort,  
Mumbai – 400 001.

## AUDITORS

**M/s. A. N. DAMANIA & CO.**  
Chartered Accountants, Mumbai

## BANKERS

HDFC Bank Ltd.  
Corporation Bank  
Kapol Co-op. Bank Ltd.

## REGISTRAR & SHARE TRANSFER AGENT

**Purva Shareregistry (India) Pvt. Ltd.**  
9, Shiv Shakti Industrial Estate  
J.R.Boricha Marg, Lower Parel (East),  
Mumbai – 400 011.

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## NOTICE

NOTICE IS HEREBY GIVEN THAT the Twenty Fourth Annual General Meeting of the Members of V. B Desai Financial Services Limited will be held at M.C.Ghia Hall, Bhogilal Hargovindas Building, 2<sup>nd</sup> Floor, 18/20, Kaikhushru Dubash Marg, Mumbai – 400 001 on Tuesday, the 28<sup>th</sup> September 2010 at 10.30 a.m. to transact the following business.

### ORDINARY BUSINESS

1. To receive and adopt the Profit and Loss Account for the year ended on 31<sup>st</sup> March, 2010 and the Balance Sheet as on that date and the reports of Auditors and Directors thereon.
2. To appoint a Director in place of Mr. Manoj T. Shroff who retires by rotation and offers himself for reappointment.
3. To appoint Auditors to hold office from the conclusion of this meeting till the conclusion of the next Annual General Meeting and fix their remuneration.

### SPECIAL BUSINESS

4. To consider and if thought fit to pass the following resolution as a special resolution.

“Resolved that pursuant to Section 78 and 100 of the Companies Act, 1956, subject to confirmation of the Honorable Bombay High Court, and other appropriate authorities in this regard, consent of the Company be and is hereby accorded to the reduction of Share Premium Account from Rs.6,93,16,090/- to Rs. 2,12,90,975/- and to effect such reduction by adjusting the debit balance in the Profit & Loss Account amounting to Rs.4,80,25,115/- as on 31<sup>st</sup> March, 2010.”

### Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956

As on 31<sup>st</sup> March, 2010, the Company has Rs. 6,93,16,090/- in Share Premium Account. The Company has an accumulated loss of Rs. 4,80,25,115/- on 31<sup>st</sup> March, 2010. At the existing level of operations, it would take longer time to wipe out the accumulated losses. The amount available under Share Premium Account could be utilized to wipe out the accumulated losses. Approval of the shareholders is sought for the resolution for utilizing the Share Premium Account to wipe out the losses.

None of the directors is, in any way, concerned or interested in the said resolution.

### NOTES

- a) A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY.
- b) The form of proxy should be deposited at the registered office of the Company not less than 48 hours before commencement of meeting.
- c) The Register of members and Share Transfer Books of the Company will be closed from 24<sup>th</sup> September 2010 to 28<sup>th</sup> September 2010 (both days inclusive)
- d) Members are requested to please bring their copies of the Annual Report to the Meeting.

For and on behalf of the Board of Directors

PRADIP R. SHROFF  
Managing Director

### REGISTERED OFFICE

Cama Building, 1<sup>st</sup> Floor,  
24/26, Dalal Street, Fort,

Mumbai – 400 001

DATED: 26<sup>th</sup> August 2010

## DIRECTORS' REPORT

The Directors present their 24th Annual Report on the business and operations of the Company and the financial accounts for the year ended on 31<sup>st</sup> March, 2010.

### FINANCIAL RESULTS

*(Rs. In lacs)*

Particulars	For the year ended on 31/03/2010	For the previous year ended on 31/03/2009
Gross Income	124.02	82.58
Profit (before interest, depreciation & taxation)	66.28	45.61
Financial charges	0.05	0.28
Depreciation	2.14	1.06
Net profit	64.09	44.27
Provision for taxation & deferred tax	9.86	5.05
Deferred Tax	(2.03)	--
Prior period expenses and written offs	1.89	0.14
Income Tax of earlier years	0.43	0.30
Profit after adjustments	53.94	38.78
Add: Opening balance of Profit & Loss account	(534.19)	(572.97)
Loss carried to Balance Sheet	(480.25)	(534.19)
<b>APPROPRIATIONS / TRANSFERS</b>		
Profit/(loss) carried to Balance Sheet	(480.25)	(534.19)

### DIVIDEND

Your Directors do not recommend any dividend on equity shares in view of the carry forward loss incurred by the Company.

### OPERATION AND FUTURE OUTLOOK

The Company is a category I Merchant Banker registered with Securities and Exchange Board of India (SEBI). The merchant banking activities are taking momentum and the result of the same is progressive. During the year under review the gross income from the merchant banking activities rose to Rs. 97.19 lacs from Rs. 82.58 lacs in 2009 registering a growth of 17.69% compared to the previous year. The Profit after Tax also increased to Rs. 53.94 lacs from Rs. 38.78 lacs in 2009 registering a growth of 39.09% over the previous year. The management hopes to achieve better results from the merchant banking and related activities in the coming years.

### DIRECTORATE :

Mr. Manoj T. Shroff, a Director of the Company shall retire by rotation at the forthcoming Annual General Meeting and offer himself for re-appointment.

### MANAGEMENT DISCUSSION AND ANALYSIS

#### Industry structure and developments

The main activities of the Company are Merchant Banking and related activities. The improved performance of the industrial and service sector and strong capital inflows witnessed robust growth in primary and secondary capital market and is expected to hold in the coming years. With this, more Companies have tapped capital market during 2009-2010. The Company will continue to capitalize on Merchant Banking, Advisory Services and fund raising opportunities by the growing economic needs of the industries.

#### Opportunities and Threats

Your Company being a Financial Services Company (Merchant Banking and related activities), the Company seeks opportunities in the capital market. The likely increase in capital mobilization from the primary market and phenomenal growth in secondary market volumes provides significant business opportunities for the Company.

#### Segment wise performance

The Company has one segment i.e Merchant Banking and related services; therefore segment wise reporting has not given as per the Accounting Standard 17.

## **Outlook**

The Company looks forward in view of the reposed confidence of Investors in the capital market started in the second quarter of 2010. With strengthening of the economy and stable economic environment, the Indian capital market is expected to perform well. The management will continue to focus on Merchant Banking activities and Advisory Services and endeavor to deliver best solutions to the clients to their satisfaction.

## **Risks and Concerns**

The timely and effective risk management is of prime importance our Company. The Company is potentially exposed to increasing competition in capital market, newer and more complex products and transactions and stringent regulatory framework. With its past long experience in financial service industry, dedicated and trained professionals the Company counter the threats to the best possible extent in its business operation.

## **Internal control system**

The Company has a sound and adequate system of internal controls to monitor and control all the activities. The Company complies with all internal control policies and procedures as also other regulatory requirements.

## **DIRECTOR'S RESPONSIBILITY STATEMENT**

The Board of Directors of your Company confirms that:

- i) in the preparation of the annual accounts, applicable Accounting Standards have been followed ;
- ii) the Accounting Policies are consistently applied and reasonable, prudent judgment and estimates are 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 profit of the Company for that period;
- iii) that the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities.
- iv) That the Directors have prepared the Annual Accounts on a going concern basis.

## **CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION ETC.**

The particulars of conservation of Energy, Technology, Absorption, foreign Exchange Earnings and outgo as required under Section 217 (i)(e) of the Companies Act, 1956 have not been given since the same are not applicable to the Company.

## **PARTICULARS OF EMPLOYEES**

The Company did not have any employee falling within the purview of Section 217(2A) of the Companies Act, 1956.

## **PUBLIC DEPOSIT**

The Company has not accepted deposits from Public and there were no outstanding deposits payable by the Company.

## **CORPORATE GOVERNANCE**

A separate report on Corporate Governance along with the Auditor's Statement of its compliance is given in a separate annexure.

## **AUDITORS & AUDITOR'S REPORT**

The Company's Auditors M/s. A. N. Damania & Co, Chartered Accountants, will retire at the forthcoming annual General Meeting and is eligible for re-appointment. Members are requested to re-appoint M/s. A. N. Damania & Co., as Auditors of the Company and fix their remunerations.

The Auditors M/s. A. N. Damania & Co., have referred to certain notes forming part of Accounts in their report to the members. The notes referred to by Auditors are self explanatory.

## **ACKNOWLEDGEMENT**

The Directors wish to place on record their sincere appreciation for the continued co-operation by the Investors, Depositors, Clients and last but not the least the Shareholders of the Company.

On behalf of the Board of Directors

PLACE: MUMBAI  
DATE : 26<sup>th</sup> August 2010

PRADIP R. SHROFF  
Managing Director

## REPORT ON CORPORATE GOVERNANCE

In terms of clause 49 of the listing agreement with the Stock Exchanges, a report on Corporate Governance is given below:

### 1. BOARD OF DIRECTORS

The present strength of Board consist 4 Directors comprising 1 Executive and 3 non-executive Directors.

During the financial year ended on 31.3.2010, 5 board meetings were held. The attendance of each Director at the Board Meetings and last Annual General Meeting (AGM) and number of other Directorship and Membership/Chairmanship of Committee are as follows:

Name of the Director	Attendance Particulars		No. of directorship/and Committee Membership / Chairmanship in other Companies			
	Board Meetings	Last AGM	Directorship in private Companies	Directorship in public Companies	Committee Memberships	Committee Chairmanships
Mr. Pradip Shroff	5	Yes	6	9	1	1
Mr. Manoj Shroff	5	Yes	9	9	Nil	Nil
Mr. AshokKumar Singh	Nil	Nil	Nil	Nil	Nil	Nil
Mr. Khurshid Shaikh	5	Yes	1	Nil	Nil	Nil

### 2. REAPPOINTMENT OF DIRECTOR

Mr. Manoj T. Shroff, a director of the Company shall retire by rotation at the forthcoming Annual General Meeting and seeks for reappointment.

**The brief profile of Director being re-appointed (pursuant to clause 49 of the Listing Agreement):**

1. Name of the Director	Mr. Manoj T. Shroff
2. Age	46 years
3. Qualification	B.Com
4. Experience in specific area	Has morethan 20 years experience in Financial consultancy, Investment Banking, and other related business
5. Directorship in other Companies	Mindtree Industrial Finance Ltd. Pearl Housing Finance (I) Ltd. Shriyam Auto-Fin Ltd. Traityra Construction Finance Ltd, Valuecorp Securities & Finance Ltd, Vishvakarma Equipment Finance Ltd., Mahimna Mercantile Credits Ltd Merican Funds Limited Bombay Central Holding & Trading Co. Pvt. Ltd. Churchgate Investment & Trading Co. Pvt. Ltd. Guru Holding Private Limited Mahim Holding & Trading Co. Pvt. Ltd.

### 3. REMUNERATION OF DIRECTORS

The Board has not set up a Remuneration Committee. At present Independent Directors are not paid any remuneration except sitting fees paid for attending Board and Committee Meeting. Sitting fees paid to Independent Directors are as follows:

Name of the Director	Board Meeting	Transfer Committee	Audit Committee	TOTAL
Mr. Manoj Shroff	5,000	10,000	5,000	20,000
Mr. Ashok Kumar Singh	--	--	---	---
Mr. Khurshid Shaikh	5,000	--	5,000	10,000
TOTAL	10,000	10,000	10,000	30,000

### 4. AUDIT COMMITTEE

The Audit Committee has 2 Independent Directors and 1 Executive Director. During the financial year under review, 5 meetings were held on 28.04.2009, 30.07.2009, 11.08.2009, 29.10.2009 & 28.01.2010.

### 5. SHARE TRANSFER AND INVESTORS' GRIEVANCE COMMITTEE

The Share Transfer and Investors' Grievance Committee comprises of 2 Directors viz. Mr. Pradip R. Shroff, MD and Mr.

Manoj T. Shroff. The Committee meets for approval of transfers, transmissions, issue of duplicate share certificates and consolidation of shares etc. as and when such requests are received. The Committee also reviews the status of Investor Grievances and recommends measure to improve in solving Investor Services.

6 **GENERAL BODY MEETINGS**

Date	AGM/ EGM	Venue	Time	No. of Special Resolution
07.09.2009	AGM	M.C.Ghia Hall, Bhogilal Hargovindas Bldg. 2 <sup>nd</sup> Flr 18/20, K.Dubash Marg, Mumbai – 400 001	10.30 a.m	Nil
14.08.2008	AGM	M.C.Ghia Hall, Bhogilal Hargovindas Bldg. 2 <sup>nd</sup> Flr 18/20, K.Dubash Marg, Mumbai – 400 001	11.30 a.m.	1
19.09.2007	AGM	Kilachand Conference Room, Indian Merchant Chambers, 2 <sup>nd</sup> Floor, IMC Marg, Churchgate, Mumbai - 400020	11.30 a.m.	1

7. **GENERAL INFORMATION FOR SHAREHOLDERS**

	AGM: Date, Time & Venue	28 <sup>th</sup> September, 2010 at 10.30 a. m M.C.Ghia Hall, Bhogilal Hargovindas Bldg.2 <sup>nd</sup> Flr, 18/20, K.Dubash Marg, Mumbai – 400 001
a	Financial Year	1 <sup>st</sup> April 2009 - 31 <sup>st</sup> March, 2010
b	Book closure	24.09.2010 to 28.09.2010
c	Dividend payment date	No dividend recommended.
d	Listing on Stock Exchange	The Bombay Stock Exchange Ltd. (BSE) The Delhi Stock Exchange Ltd.(DSE)
e	Dematerialisation of shares	As on 27.08.2010, 77.97% of total paid-up equity capital is dematerialized
f	ISIN of the Company for dematerialisation	INE848D01018
g	Registrar & Share Transfer Agent	Purva Shareregistry (India) Pvt. Ltd. 9, Shiv Shakti Industrial Estate, J.R.Boricha Marg, Lower Parel (East), Mumbai – 400 011.

8. **DISTRIBUTION OF SHAREHOLDING AS ON 31.03.2010**

No. of Equity Shares Held	No. of Shareholders	No. of Shares	% Total
1 - 500	4,546	6,97,669	15.41
501 - 1000	270	2,13,827	4.72
1001 - 2000	118	1,72,218	3.80
2001 - 3000	55	1,39,044	3.07
3001 - 4000	18	63,777	1.41
4001 - 5000	17	78,968	1.74
5001 - 10000	43	3,03,265	6.70
10001 and above	55	28,59,122	63.14
<b>TOTAL</b>	<b>5,122</b>	<b>45,27,890</b>	<b>100.00</b>

9. **SHAREHOLDING PATTERN AS ON 31.03.2010 IS AS FOLLOWS:**

SR.NO	CATEGORY	NO.OF SHARES HELD	% OF SHARE-HOLDING
1.	Promoters Holding		
2.	- Indian Promoters and Persons	20,86,892	46.09
3.	Acting in concert	--	--
4.	- Foreign Promoters	--	--
5.	Mutual Funds & UTI	200	0.00
6.	Banks & Financial Institutions	5,20,026	11.48
	Private Corporate Bodies	14,131	0.31
	NRI/OCBs	19,06,641	42.12
	Indian Public		
	<b>TOTAL</b>	<b>45,27,890</b>	<b>100.00</b>

On behalf of the Board of Directors

PLACE: MUMBAI  
DATE : 26<sup>th</sup> August 2010

PRADIP R. SHROFF  
Managing Director

**Auditors' Certificate on compliance with the conditions of Corporate Governance under Clause 49 of the Listing Agreement.**

**To the members of V.B.Desai Financial Services Ltd.**

We have examined the compliance of the conditions of Corporate Governance by V.B.Desai Financial Services Ltd. (the Company) during the period from 1<sup>st</sup> April, 2009 to 31<sup>st</sup> March, 2010, with the relevant records and documents maintained by the Company, furnished to us for our review and the report on Corporate Governance as approved by the Board of Directors.

The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an Audit nor an expression of opinion on the financial statements of the Company,

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the Management has conducted the affairs of the Company.

On the basis of our review and according to the information and explanations given to us, the conditions of Corporate Governance as stipulated in Clauses 49 of the Listing Agreements with the Stock Exchange have been completed with in all material respects by the Company.

**For A. N. DAMANIA & CO.**  
**CHARTERED ACCOUNTANTS**

**ASHVIN N. DAMANIA**  
Proprietor  
Membership No. 40166  
Firm Reg. No: 102077W

MUMBAI  
DATED : 26<sup>th</sup> August, 2010



## Auditors' Report

Auditors' Report to the Members of **V. B. DESAI FINANCIAL SERVICES LIMITED.**

1. We have audited the attached Balance Sheet of V. B. DESAI FINANCIAL SERVICES LIMITED as at 31st March, 2010, and also the Profit and Loss Account of the Company for the year ended on that date annexed thereto and cash-flow statement for the year ended on that date. These financial statements are the responsibility of the Company's management. Our responsibility is to express an 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. The Company's accumulated losses as on 31<sup>st</sup> March, 2010 have eroded the entire share capital and a portion of the reserves. The accounts are continued to be prepared on "going concern" basis.
4. As required by the Companies (Auditors' Report) Order, 2003, issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956,(the Act) and on the basis of such checks, as we considered appropriate, we give in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the said Order.
5. 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 purposes of our audit;
  - b) In our opinion, proper books of accounts 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 the Profit and Loss Account dealt with by this report are in agreement with the books of account.
  - d) In our opinion, the Balance Sheet and Profit and Loss Account and Cash Flow Statement dealt with by this report are in compliance with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956 to the extent applicable; except regarding provision of Gratuity / Leave encashment not being provided on actuarial basis, therefore we are unable to quantify the effect, if any, on the profits of the company for the year ended 31<sup>st</sup> March 2010. (Refer Note no. 5 of Schedule 14).
  - e) On the basis of written representations received from the directors, as on 31st March 2010, and taken on record by the Board of Directors, we report that none of the directors are disqualified as on 31st March, 2010 from being appointed as a director in terms of clause (g) of sub-section(1)of section 274 of the Companies Act, 1956.
6. 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 Significant Accounting Policies and other notes thereon and in particular Note No. 4 in Schedule No. 14 regarding receipt of professional fees are subject to 5(d) above, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
  - i) In the case of the Balance Sheet, of the state of affairs of the Company, as at 31st March, 2010,
  - ii) In the case of the Profit and Loss account, of the profit for the year ended on that date.
  - iii) In the case of cash flow statement, of the cash flow, for the year ended on that date.

**For A. N. DAMANIA & CO.**  
CHARTERED ACCOUNTANTS

**ASHVIN N. DAMANIA**  
Proprietor  
Membership No. 40166  
Firm Reg. No: 102077W

MUMBAI

DATED : 26<sup>th</sup> August, 2010

## ANNEXURE TO THE AUDITORS' REPORT

Re : **V.B. Desai Financial Services Limited**

Referred to in Paragraph 4 of our report of even date

1. (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.  
(b) The fixed assets have been physically verified by the management during the year. As explained to us no discrepancies were noticed on such verification.
2. (a) The inventories of shares/stock lying in physical forms have been verified by the management. In our opinion, the frequency of verification is reasonable;  
(b) The procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to size of the Company and the nature of its business;  
(c) The Company is maintaining proper records of inventories. No material discrepancy was noticed between physical verification of stocks and book records.
3. According to the information and explanations given to us the Company has neither given nor taken any loans secured or unsecured from Companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956 hence clauses (a) to (g) of paragraph 4(3) of the order are not applicable during the year under review.
4. 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 fixed assets and sale of services. During the course of our audit, we have neither come across nor have we been informed of any major weaknesses in the aforesaid internal control procedures.
5. Based on the audit procedures applied by us and according to the information and explanations given to us, there are no contracts that need to be entered into the Register maintained under Section 301 of the Companies Act, 1956.
6. The Company has not accepted any deposits from the public during the year and hence the directives issued by the Reserve Bank of India and the provisions 58A & 58AA or any other relevant provisions of the Companies Act, 1956 and the rules framed there under, are not applicable to the Company.
7. In our opinion, the Company has an internal audit system commensurate with the size of the company and nature of its business.
8. We are informed that the Central Government has not prescribed maintenance of cost records u/s.209(1)(d) of the Companies Act, 1956.
9. (a) There were no undisputed amounts payable in respect of Income Tax, Provident Fund, ESIC, Service Tax, Profession Tax, Sales-tax, Wealth-tax, Custom duty, Excise, Cess, etc. were outstanding as at 31<sup>st</sup> March 2010 for a period of more than six months from the date of becoming payable.  
(b) According to the information and explanations given to us by the Management and the records of the Company examined by us there were no disputed dues of Sales Tax, Wealth Tax and Income Tax etc. which have not been deposited as at 31<sup>st</sup> March 2010.
10. The accumulated losses of the Company as at 31<sup>st</sup> March 2010 are not more than 50% of its net worth. It has not incurred any cash losses during the financial year covered by our audit and in the immediately preceding financial year.
11. The Company has not availed of any loans either from bank or financial institutions. There are no debenture holders during the year.
12. As per the books and records of the company examined by us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. Clause 13 of the order is not applicable as the Company is not a Chit Fund company or nidhi /mutual benefit fund/society.
14. In our opinion the Company has maintained proper records of transactions and contracts in respect of dealing and trading in shares, securities, debentures and other investments during the year and timely entries have been generally made therein. All shares, debentures and other investments have been held by the company in its own name.
15. As informed to us, the Company has not given any guarantee for loans taken by others from bank or financial institutions.

16. On the basis of our review and related information and explanation as made available to us the company has not taken any term loans during the year.
17. According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that no funds raised on short term basis have been used for long term investments.
18. The Company has not made any preferential allotment of shares during the year and therefore, paragraph 4(18) of the Order is not applicable.
19. The Company has not issued any debentures during the year and therefore paragraph 4(19) of the Order is not applicable.
20. The Company has not raised any money by way of public issue during the year and therefore paragraph 4(20) of the Order is no applicable.
21. According to the information to and explanations given to us, no fraud on or by the company has been noticed or reported during the course of the audit.

For **A. N. DAMANIA & CO.**  
CHARTERED ACCOUNTANTS

**ASHVIN N. DAMANIA**  
Proprietor

Membership No. 40166  
Firm Reg. No: 102077W

MUMBAI DATED : 26<sup>th</sup> August, 2010

## Compliance Certificate

The Members

V.B.Desai Financial Services Limited

Cama Building, 1<sup>st</sup> Floor

24/26, Dalal Street, Fort

Mumbai – 400 001

I have examined the registers, records, books and papers of M/s. V.B.Desai Financial Services 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 31<sup>st</sup> March 2010.

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. 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 therein 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 within the time prescribed under the Act and rules made there under.
3. The Company, being a public limited company, comments as per Sec. 3 (1) (iii) of the Act are not required.
4. The Board of Directors duly met 5 (Five) times on 29.04.2009, 31.07.2009, 12.08.2009, 31.10.2009 & 29.01.2010 in respect of which meetings proper notices were given and the resolutions passed were recorded in the Minutes Book maintained for the purpose.
5. The Company closed its Register of Members from 4<sup>th</sup> September 2009 to 7<sup>th</sup> September 2009 (both days inclusive) during the financial year.
6. The Annual General Meeting for the financial year ended on 31.03.2009 was held on 7<sup>th</sup> September 2009 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. It was informed that the Company has not advanced any loans to its directors and/or persons or firms or companies referred in the Section 295 of the Act during the financial year.
9. It was informed that the Company has not entered into any fresh contracts during the financial year falling within the provisions of Section 297 of the Act.
10. It was informed that since there were no contracts during the financial year the Company has not made 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, the Company has not obtained any approvals from the Board of Directors, members or Central Government.
12. That
  - i) the Company has not deposited any amount in a separate bank account as no dividend was declared during the financial year.
  - ii) The Company was not required to post any warrants to the members as no dividend was declared during the financial year.
  - iii) There are no amount lying in unpaid dividend account, application money due for refund, matured deposits and debentures and the interest accrued thereon and no amount has remained unclaimed or unpaid for a period of seven years for the requirement to transfer to Invest Education and Protection Fund.
  - iv) The requirement of Section 217 of the Act has been duly complied with.
13. The Board of Directors of the Company is duly constituted and the appointment of directors has been duly made. There was no appointment of alternate directors and directors to fill casual vacancies during the financial year.
14. The Company has not appointed any sole selling agents during the financial year.
15. The Company was not required to obtain any approvals of the Central Government, Company Law Board, Regional Director, Registrar or such other authorities as may be prescribed under the various provisions of the Act during the financial year.

16. The directors have disclosed their interest in other firms/companies to the Board of Directors pursuant to the provisions of the Act and the rules made there under.
17. The Company has not issued any shares, debentures or other securities during the financial year.
18. The Company has not bought back any shares during the financial year.
19. There was no redemption of preference shares / debentures during the financial year.
20. There were no transactions necessitating the Company to keep in abeyance rights to dividend, rights shares and bonus shares pending registration of transfer of shares.
21. The Company has not invited / accepted any deposits including any unsecured loan falling within the purview of Section 58A of the Act during the financial year.
22. The Company has not altered the provisions of the memorandum with respect to the name, share capital, situation of the registered office from one state to another during the year under scrutiny.
23. The Company has not altered its Articles of Association during the financial year.
24. It was informed that there were no prosecution initiated against or show cause notices received by the company and no fines or penalties or any other punishments was imposed on the company during the financial year for offences under the Act.
25. The Company has not received any amount as security from its employees during the financial year.
26. The Company has not created any trust as defined in Section 418 of the Act, hence the said section is not applicable.

P.V.Ramaswamy  
Company Secretary  
Membership No. 1708 C.P. No. 2087  
Place: Mumbai

Dated: 25<sup>th</sup> August, 2010

**Annexure 'A'**

Registers as kept by the Company

Statutory Registers:

1. Register of members u/s. 150
2. Register of share transfer u/s. 108
3. Register of Directors, Managing Director, Secretary u/s. 303
4. Register of Directors shareholding u/s. 307
5. Minutes Books of General Meetings and Board Meetings u/s. 193
6. Register of Charges u/s. 143
7. Books of Account u/s. 209
8. Registers and Returns u/s. 163
9. Register of Disclosure of Interest of Directors.

**Annexure 'B'**

Forms and Returns as filed by the Company with the Registrar of Companies or other authorities, during the financial year ending on 31<sup>st</sup> March, 2010.

S.No.	Form/Return No.	U/S Sec.	For	Date of filing	Filed in time Yes/No	Delay if any
1	Form 23 AC & 23 ACA	220	Balance Sheet and Profit & Loss Account for the year ended 31.3.2009 AGM date 7.9.2009	05.10.2009	Yes	N. A
2	Form 20-B	159	Annual Return AGM held on 7.9.2009	27.10.2009	Yes	N. A

<b>BALANCE SHEET AS AT 31ST MARCH, 2010</b>				
	<b>Schedule No.</b>	<b>Rupees</b>	<b>As at 31/03/2010 Rupees</b>	<b>As at 31/03/2009 Rupees</b>
<b>SOURCES OF FUNDS</b>				
<b>SHAREHOLDERS' FUNDS</b>				
Share Capital	<b>1</b>	<b>45,381,316</b>		45,381,316
Reserves and Surplus	<b>2</b>	<b>69,316,090</b>		69,316,090
			<b>114,697,406</b>	114,697,406
<b>TOTAL</b>			<b>114,697,406</b>	114,697,406
<b>APPLICATION OF FUNDS</b>				
<b>FIXED ASSETS</b>				
Gross Block	<b>3</b>	<b>3,778,283</b>		1,544,015
Less : Depreciation		<b>1,284,674</b>		1,070,710
Net Block		<b>2,493,609</b>		473,305
Add Capital Work in progress		-		2,181,546
			<b>2,493,609</b>	2,654,851
Deferred Tax Asset (Net)			<b>202,833</b>	-
<b>CURRENT ASSETS, LOANS &amp; ADVANCES</b>				
Stock-in-trade	<b>4</b>	<b>46,267,298</b>		46,415,430
Sundry Debtors	<b>5</b>	<b>6,991,400</b>		5,694,900
Cash & Bank Balances	<b>6</b>	<b>6,574,466</b>		4,470,370
Loans & Advances	<b>7</b>	<b>7,364,015</b>		7,672,735
		<b>67,197,179</b>		64,253,435
<b>LESS : CURRENT LIABILITIES AND PROVISIONS</b>				
Liabilities	<b>8</b>	<b>2,289,807</b>		4,721,758
Provisions	<b>9</b>	<b>931,523</b>		908,015
		<b>3,221,330</b>		5,629,773
<b>NET CURRENT ASSETS</b>			<b>63,975,849</b>	58,623,662
<b>Profit &amp; Loss Account</b>			<b>48,025,115</b>	53,418,893
<b>TOTAL</b>			<b>114,697,406</b>	114,697,406
Accounting Policies & Notes forming part of Accounts	<b>14</b>			

As per our attached report of even date

For and on behalf of Board of Directors

**For A. N. DAMANIA & CO.**  
CHARTERED ACCOUNTANTS

**(ASHVIN N. DAMANIA)**  
PROPRIETOR  
Membership No: 40166.  
Firm Reg. No: 102077W

PLACE : MUMBAI  
DATED : 26th August, 2010

**Pradip R. Shroff - Managing Director**  
**Manoj T. Shroff - Director**  
**Khurshid Shaikh - Director**

PLACE : MUMBAI  
DATED : 26th August, 2010

<b>PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2010</b>				
	<b>Schedule No.</b>	<b>Rupees</b>	<b>For the year ended 31/03/2010 Rupees</b>	<b>For the year ended 31/03/2009 Rupees</b>
<b>INCOME</b>				
Professional and Consultancy Fees	10		9,719,179	8,257,538
Other Income	11		2,682,683	303,678
<b>TOTAL</b>			<b>12,401,862</b>	<b>8,561,216</b>
<b>EXPENDITURE</b>				
Administrative & Other Expenses	12	5,774,469		3,820,340
Finance Charges	13	4,974		27,760
Depreciation		213,964		105,660
Loss arising out of dealing in shares, investments, etc		-		180,102
			<b>5,993,407</b>	<b>4,133,862</b>
Profit before Tax			<b>6,408,455</b>	<b>4,427,354</b>
<b>Provision for Taxation</b>				
Current Tax			986,000	475,000
Fringe benefit Tax			-	30,000
Deferred Tax			(202,833)	-
Profit after tax before prior year adjustments			<b>5,625,288</b>	<b>3,922,354</b>
Bad debts/loans and advances written off			181,927	-
Prior Period Expenses			7,132	14,353
Prior Years Tax Adjustment			42,451	29,782
Profit after prior year adjustments			<b>5,393,778</b>	<b>3,878,219</b>
Balance brought forward from Previous Year			(53,418,893)	(57,297,112)
<b>TOTAL</b>			<b>(48,025,115)</b>	<b>(53,418,893)</b>
<b>APPROPRIATIONS</b>				
Balance carried to Balance Sheet			(48,025,115)	(53,418,893)
<b>TOTAL</b>			<b>(48,025,115)</b>	<b>(53,418,893)</b>
<b>Earning per share (Basic)</b>			<b>1.19</b>	<b>0.86</b>
Accounting Policies & Notes forming part of Accounts	14			

As per our attached report of even date

For and on behalf of Board of Directors

**For A. N. DAMANIA & CO.**  
CHARTERED ACCOUNTANTS

**(ASHVIN N. DAMANIA)**  
PROPRIETOR  
Membership No: 40166.  
Firm Reg. No: 102077W

PLACE : MUMBAI  
DATED : 26th August, 2010

**Pradip R. Shroff** - **Managing Director**  
**Manoj T. Shroff** - **Director**  
**Khurshid Shaikh** - **Director**

PLACE : MUMBAI  
DATED : 26th August, 2010

**SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2010**

	As at 31/03/2010 Rupees	As at 31/03/2009 Rupees
<b>SCHEDULE - I</b>		
<b>AUTHORISED SHARE CAPITAL</b>		
50,00,000(50,00,000) Equity shares of Rs.10/- each	50,000,000	50,000,000
<b>ISSUED AND SUBSCRIBED</b>		
45,27,890(45,27,890) shares of Rs.10/- each fully paid-up.	45,278,900	45,278,900
Add : Shares Forfeited	102,416	102,416
<b>TOTAL</b>	<b>45,381,316</b>	<b>45,381,316</b>
<b>SCHEDULE - 2</b>		
<b>RESERVES &amp; SURPLUS</b>		
<b>SHARE PREMIUM ACCOUNT</b>		
As per last Balance Sheet	69,316,090	69,316,090
<b>TOTAL</b>	<b>69,316,090</b>	<b>69,316,090</b>

**SCHEDULE - 3**

**FIXED ASSETS**

ASSETS	GROSS BLOCK			Depreciation				NET BLOCK			
	As on 31.03.09	Addition during the year	Deduction during the year	As on 31.03.10	As on 31.03.09	For the year	Deduc- tion	As on 31.03.10	As On 31.03.10	As On 31.03.09	
Furniture & Fixtures	56,161	2,186,272	-	2,242,433	41,829	105,764	-	147,593	2,094,840	14,332	
Office Equipments	1,206,791	47,996	-	1,254,787	747,818	108,200	-	856,018	398,769	458,973	
Motor Vehicle	281,063	-	-	281,063	281,063	-	-	281,063	-	-	
<b>Total</b>	<b>1,544,015</b>	<b>2,234,268</b>	<b>-</b>	<b>3,778,283</b>	<b>1,070,710</b>	<b>213,964</b>	<b>-</b>	<b>1,284,674</b>	<b>2,493,609</b>	<b>473,305</b>	
Previous Year	1,520,373	23,642	-	1,544,015	965,050	105,660	-	1,070,710	473,305	-	
Capital work in progress in respect of office premises (including advances)										-	2,181,546

**SCHEDULE - 4**

**STOCK IN TRADE**

Name of the Script	Face Value	No. of Shares	Rupees	No. of Shares	Rupees
(Non-Trade) (Quoted)					
ABG Shipyard Ltd.	10	-	-	100	8,285
Bajaj Auto Ltd	10	-	-	100	57,526
Bajaj Financial Services Ltd.	5	-	-	200	33,810
Bajaj Holding & Inv. Ltd.	10	-	-	100	29,790
Bombay Burma Trading Corp. Ltd.	10	-	-	200	27,120
Cairn India Ltd.	10	-	-	500	65,525
Chokani Securities Ltd	10	248	1,501	248	1,501
Coromandal Fertilisers Ltd	2	-	-	7	560
Enso Secutrack Ltd.	10	1,000	16,150	1,000	18,950
Essar Steel Ltd. (Pref.)	10	172	258	172	258



Name of the Script	Face Value	No. of	Rupees	No. of	Rupees
		Shares		Shares	
		As at 31/03/2010		As at 31/03/2009	
GMR Ltd (S)	1	500	31,350	-	-
Hindustan Copper Ltd.	10	-	-	100	11,080
Indag Products Ltd.,	10	9,500	1	9,500	1
Infosys Technology Ltd.	5	-	-	25	33,097
Larsen & Toubro Ltd.	2	-	-	100	67,139
Mafatlal Spg. & Wvg. Co.Ltd.	10	1	1	1	1
Nandan Exim Ltd.	1	5,000	4,500	5,000	4,500
Orient Paper Ltd.	1	-	-	1,000	24,350
Penar Steel Ltd.	10	2,500	2,500	2,500	2,500
PIX Transmissioin Ltd (S)	10	400	6,000	-	-
Petronet LNG Ltd.	10	-	-	1,000	38,850
Reliance Indus. Infrastructure Ltd.	10	20	5,803	20	5,803
Reliance Industries Ltd.	10	50	38,119	25	38,119
Reliance Natural Resources Ltd.	5	500	13,350	500	13,350
Sakthi Finance Ltd.	10	10,000	53,900	10,000	53,900
Setco Auto Ltd.	10	2,000	276,000	2,000	276,000
Sika Interplant System Ltd.	10	4,500	61,425	5,000	68,250
Sunpharma Advance Research Ltd.	1	750	39,600	750	39,600
Sunraj Diamond Ltd	10	500	2,750	500	2,750
Tata Tea Ltd	10	50	48,980	-	-
Yokogawa Ltd	10	5	2,357	5	2,357
(Non-Trade) (Un-Quoted)					
Bodh Gaya Ceramics	10	500	1	500	1
Bombay Central Holding & Trad.co.Pvt.Ltd.	100	100	23,000	-	-
Churchgate Investments & Trading Co.Pvt.Ltd.	100	80	60,000	-	-
Dupont Sportswear	10	42	1	42	1
Duropack Ltd	10	13,400	1	13,400	1
Fairgrowth Fin. Ser. Ltd. (S)	10	80,000	1	80,000	1
Fairgrowth Home Finan. Ltd., (S)	10	20,000	1	20,000	1
Mahimna Mercantile Credits Ltd.	10	500,000	5,478,419	500,000	5,478,419
Matunga Inv. & Trad. Co.Pvt.Ltd.	100	438	72,270	-	-
Motorol (I) Ltd.	10	688	1	688	1
(Non-Trade) (Un-Quoted)					
Neptune Steel Strips Ltd.	10	256,000	6,400,000	256,000	6,400,000
Niwas Spinning Mills Ltd.	10	72,440	1	72,440	1
Panchmahal Cement Co. Ltd.	10	800	1	800	1
Pearl Housing Finan. Ltd.	10	500,000	5,478,419	500,000	5,478,419
Rajinder Steel Ltd.	10	640	1	640	1
Rinki Hydro Carbons Ltd.	10	2,000	1	2,000	1
Serentronics Ltd.	10	200	1	200	1
Shriyam Auto Fin. Ltd.	10	500,000	5,478,419	500,000	5,478,419
SM Dyechem Ltd,	10	201	1	201	1
Suchitra Tubes Ltd.	10	31,880	1	31,880	1
Sumex Chemicals Ltd	10	7,050	1	7,050	1
Superforging & Steel Ltd.	10	80	1	80	1
Traitrya Construction Fin.Ltd.	10	500,000	5,478,419	500,000	5,478,419
V B Desai Indl.Fin.Ltd.	10	500,000	5,478,419	500,000	5,478,419
V B Desai Securities & Fin.Ltd.	10	500,000	5,478,419	500,000	5,478,419
Vishvakarma Equipment Fin.Ltd.	10	500,000	5,478,429	500,000	5,478,429
			45,934,673		46,099,830
ICICI Bank Ltd. 9.8% Bonds	10,000	35	315,600	35	315,600
Reliance Gold Exchange Traded Fund.	100	11	17,025	-	-
			46,267,298	35	46,415,430

	As at 31/03/2010 Rupees	As at 31/03/2009 Rupees
<b>SCHEDULE - 5</b>		
<b>SUNDRY DEBTORS</b>		
(Unsecured considered good)		
Debts outstanding for a period exceeding six months	5,212,717	4,939,727
Other debts	1,778,683	755,173
<b>TOTAL</b>	<b>6,991,400</b>	<b>5,694,900</b>
(Dues from Debtors include Rs.18,05,083/- (Rs.9,85,715/-) where Directors are interested)		
<b>NOTES :</b>		
Considered good	4,408,636	3,112,136
Considered doubtful	2,582,764	2,582,764
	<b>6,991,400</b>	<b>5,694,900</b>
<b>SCHEDULE - 6</b>		
<b>CASH AND BANK BALANCES</b>		
Cash on Hand	1,011,010	456,193
Bank Balances with Scheduled Banks in Current Accounts	63,456	614,177
In Deposit Accounts	5,500,000	3,400,000
<b>TOTAL</b>	<b>6,574,466</b>	<b>4,470,370</b>
<b>SCHEDULE - 7</b>		
<b>LOANS AND ADVANCES (Unsecured)</b>		
1) Advances recoverable in cash or in kind or for value to be received (Advances include Loans to Companies Rs.20,71,471/- (Rs.15,54,486/-) where directors are interested)	6,593,581	6,745,709
2) Advance payment of taxes etc (Net off Provisions)	770,434	927,026
<b>TOTAL</b>	<b>7,364,015</b>	<b>7,672,735</b>
<b>NOTE : LOANS AND ADVANCES INCLUDES</b>		
Considered good	7,077,502	7,386,222
Considered doubtful	286,513	286,513
<b>TOTAL</b>	<b>7,364,015</b>	<b>7,672,735</b>
<b>SCHEDULE - 8</b>		
<b>CURRENT LIABILITIES</b>		
Sundry Creditors (Other than SSI)	2,289,807	4,721,758
<b>TOTAL</b>	<b>2,289,807</b>	<b>4,721,758</b>
<b>SCHEDULE - 9</b>		
<b>PROVISIONS</b>		
Provision for Gratuity	931,523	908,015
<b>TOTAL</b>	<b>931,523</b>	<b>908,015</b>

	<b>For the year ended 31/03/2010 Rupees</b>	<b>For the year ended 31/03/2009 Rupees</b>
<b>SCHEDULE - 10</b>		
<b>PROFESSIONAL AND CONSULTANCY FEES</b>		
Professional Fees	<b>9,719,179</b>	8,257,538
(Tax deducted at source Rs.10,70,715/-, Previous year Rs.10,51,881/-)		
<b>TOTAL</b>	<b><u>9,719,179</u></b>	<b><u>8,257,538</u></b>
<b>SCHEDULE - 11</b>		
<b>OTHER INCOME</b>		
Income from investments (other Investments)		
Dividend (Gross)	<b>27,363</b>	28,174
Interest (Gross)	<b>317,415</b>	275,504
(Tax deducted at source Rs.23,884/-, Previous Year Rs.56,453/-)		
<b>TOTAL</b>	<b>344,778</b>	303,678
Profit/Loss on sale of shares/securities (Net)	<b>392,858</b>	-
Earlier Years Provisions written back	<b>1,846,131</b>	-
Excess Remuneration Refunded	<b>32,495</b>	-
Miscellaneous Income	<b>66,421</b>	-
<b>TOTAL</b>	<b><u>2,682,683</u></b>	<b><u>303,678</u></b>

	Rupees	For the year ended 31/03/2010 Rupees	For the year ended 31/03/2009 Rupees
<b>SCHEDULE - 12</b>			
<b>ADMINISTRATIVE AND OTHER EXPENSES</b>			
Payment to and provisions for employees			
Directors Remuneration	<b>250,000</b>		227,500
Salaries and Bonus	<b>613,250</b>		623,120
Contribution to Provident and Other Funds	<b>98,058</b>		99,319
Gratuity	<b>115,153</b>		177,239
Staff Welfare Expenses	<b><u>97,915</u></b>		<u>124,286</u>
		<b>1,174,376</b>	
Rent		<b>105,000</b>	-
Rates & Taxes		<b>12,175</b>	4,828
Printing and Stationery		<b>146,119</b>	168,240
Auditor's Remuneration			
- Audit Fees		<b>30,000</b>	20,000
- Tax Audit Fees		<b>10,000</b>	5,000
Legal and Professional Fees		<b>3,121,509</b>	1,282,286
Postage and Telephone charges		<b>91,318</b>	108,690
Membership and subscription		<b>5,000</b>	5,000
Business promotion		<b>803</b>	18,828
Electricity charges		<b>233,394</b>	270,523
Motor car expenses		-	47,417
Repairs & Maintenance		<b>111,493</b>	68,973
Registration Fees		<b>333,333</b>	208,653
Travelling & Conveyance		<b>133,968</b>	147,048
Miscellaneous Expenses		<b>235,981</b>	175,390
Directors' Sitting Fees		<b>30,000</b>	38,000
<b>TOTAL</b>		<b><u>5,774,469</u></b>	<u>3,820,340</u>
Note : Miscellaneous expenses includes demat charges, office expenses etc.			
<b>SCHEDULE - 13</b>			
<b>FINANCE CHARGES</b>			
Interest and Bank charges		<b>4,974</b>	27,760
<b>TOTAL</b>		<b><u>4,974</u></b>	<u>27,760</u>

**SCHEDULE - 14****1. SIGNIFICANT ACCOUNTING POLICIES****(a) BASIS OF PREPARATION OF FINANCIAL STATEMENTS :**

The financial statements are prepared as a going concern on historical cost convention and on accrual method of accounting in accordance with the generally accepted accounting principles, Companies Accounting Standards notified by the Central Government of India under the Companies (Accounting Standard) Rules, 2006 and the provisions of the Companies Act, 1956 as adopted consistently by the company.

**(b) FIXED ASSETS**

Fixed assets are stated at cost less accumulated depreciation.

**(c) DEPRECIATION**

Depreciation on fixed assets is charged on straight line method as per the rates prescribed in schedule XIV to the Companies Act, 1956.

**(d) INVESTMENTS**

Investments in shares are shown as stock-in-trade. Quoted Shares are valued at Cost or Market Price whichever is lower. Un-quoted, un-traded shares are valued at cost as certified by the Board of Directors of the Company.

**(e) USE OF ESTIMATES:**

The presentation of financial statements requires estimates and assumptions to be made that affect the reported amount of assets and liabilities on the date of financial statements and the reported amount of revenues and expenses during the reporting period. Differences between the actual results and the estimates are recognized in the period in which the results are known/materialized.

**(f) RETIREMENT BENEFITS**

Provident Fund and Employees Pension Scheme Contributions are accounted for on accrual basis. Incremental Gratuity Liability on the basis of 15 days salary for each completed year service is charged to revenue. As per the terms of appointment the employees are not entitled to encash the unutilized leave.

**(g) REVENUE RECOGNITION**

- i. Refunds from government department are accounted for on receipt basis.
- ii. Sale of shares are booked on the basis of broker's note / debit note raised
- iii. Professional fees are accounted on the basis of bills raised

**(h) TAXES ON INCOME**

The provision for current taxation is computed in accordance with the relevant tax regulations taking into account available deductions and exemptions.

The tax effect of the timing differences that result between taxable income and accounting income and are capable of reversal in one or more subsequent periods are recorded as a deferred tax asset or deferred tax liability. They are measured using the substantively enacted tax rates and tax regulations as of the Balance Sheet date.

Deferred tax assets arising mainly on account of brought forward losses and unabsorbed depreciation under tax laws, are recognized, only if there is virtual certainty of its realization, supported by convincing evidence. Deferred tax assets on account of other timing differences are recognized only to the extent there is a reasonable certainty of its realization.

**(i) CONTINGENT LIABILITIES**

These are disclosed by way of notes on Account. Provision is made in the accounts in respect of liabilities which are likely to materialize after the year till the finalisation of accounts and have material effect on the position stated in the Balance Sheet.

**(j) PROVISIONS AND CONTINGENT LIABILITIES:**

The Company recognizes a provision when there is a present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is a possible obligation or a present obligation that the likelihood of outflow of resources is remote, no provision or disclosure is made.

**NOTES ON ACCOUNT**

<b>2. CONTINGENT LIABILITIES IN RESPECT OF:</b>	<b>As at 31/03/2010</b>	<b>As at 31/03/2009</b>
Income Tax disputed in Appeal	NIL	Rs. 21.43 lac

## V. B. Desai Financial Services Limited

### 3. PROFESSIONAL FEES

Professional fees are accounted on accrual basis. However, in one of the cases, the Company has accounted professional fees on the basis of bill raised for the future period resulting into over-statement of income by Rs. 32.50 lac. The same practice of accounting will be followed till the expiry of such agreement.

### 4. EMPLOYEES BENEFIT

The Company has not provided gratuity on the basis of actuarial valuation as required by Accounting Standard 15 (revised). We are unable to quantify the effect on profits / loss, if any, had such gratuity been provided on the basis of actuarial valuation.

### 5. LOANS AND ADVANCES

Rs. Nil (Previous Year Rs.15.54 lac) due from a Company where directors of the company are interested.

### 6. SUNDRY DEBTORS

Rs.25.331 lac (Previous Year Rs.25.83 lac) is considered doubtful of recovery. No provision is made for the same. Current year Nil (Previous year Rs. 9.86 Lacs is due from the private companies where the Directors are interested

7. Confirmation letters are being obtained from some of the debtors, creditors, certain loans taken and for certain bank accounts and loans and advances given. Hence, the balances of these accounts are subject to confirmation, reconciliation and consequent adjustments, if any.

### 8. Managerial Remuneration

Calculation of Net Profit U/s.198 read with section 309(5) of the Companies Act, 1956:

	31.03.2010	31.03.2009
Net Profit before tax	64,08,455	44,27,354
Add : Managerial Remuneration	3,08,846	2,69,223
Sitting Fees	30,000	38,000
Profit as per Section 198 of the Companies Act, 1956.	67,47,301	47,34,577
5% of the above (See Section 309 of the Companies Act, 1956)	3,37,365	2,36,728
Managerial Remuneration paid	3,08,846	2,69,223
Excess Refunded	--	32,495

### 9. INVESTMENT HELD UNDER STOCK IN TRADE

The Investments are shown as Stock-in-Trade and valued at cost or market /realization value whichever is lower. The Book Value of quoted and un-quoted investments is Rs.6.47 lac, Rs.456.20 lac, respectively (previous year Rs.12.64 lac, Rs.451.52 lac). The Market/realisable value of quoted and un-quoted investments are Rs.11.44 lac and Rs.453.04 lac respectively. Loss of Rs.0.45 lac has been provided on account of fall in market price of quoted investments.

### 10. AMOUNT DUE TO SME

The Company does not owe any sum payable to Creditors registered under Micro, Small and Medium Enterprises Development Act, 2006.

### 11. DEFERRED TAX ASSETS(NET)

Major components of deferred tax assets and liabilities arising on account of timing differences as on 31<sup>st</sup> March, 2010 are mentioned below :

Particulars	As at 31.03.2010 (Rs.)		As at 31.03.2009 (Rs.)	
	Deferred Tax Assets	Deferred Tax Liabilities	Deferred Tax Assets	Deferred Tax Liabilities
Depreciation		51,230	--	--
Provision for Gratuity	2,87,841	--	--	--
Total	2,87,841	51,230	--	--
Deferred Tax Assets (Net)	2,36,611		--	

12. In the opinion of the Board of Directors, Current Assets, Loans and Advances are approximately of the value stated, if realized in the ordinary course of business.

### 13. RELATED PARTY DISCLOSURE

Related party disclosure as required by Accounting Standard No.18 is given below :

List of related parties and the transactions taken place during the year:

S r . No.	Name of the Related Party	Nature of Relationship
1.	Mr. Pradip R. Shroff	Key Managerial Personnel
2.	Mr. Raj Shroff	Relatives of Key Managerial Personnel
3.	Mr. Satyam Shroff	Relatives of Key Managerial Personnel
4.	Mr. Thakorlal R. Shroff	Relatives of Key Managerial Personnel
5.	Mr. Jitendra R. Shroff	Relatives of Key Managerial Personnel
6.	Mr. Girish R. Shroff	Relatives of Key Managerial Personnel
7.	Mr. Thakorlal R. Shroff	Relatives of Key Managerial Personnel
8.	Desai Investments Pvt. Ltd.	Substantial interest in voting power
9.	Arodyne Chemicals Limited	Related Party Company.
10.	Aum Financial Consultants	Related Party Company.
11.	Avdhoot Finance & Investment Pvt. Ltd.	Related Party Company.
12.	Citi Securities & Financial Services Pvt. Ltd.	Related Party Company.
13.	Govardhan Holding & Trading Co. Pvt. Ltd.	Related Party Company.
14.	Mahim Holding & Trading Co. Pvt. Ltd.	Related Party Company.
15.	Saundaraya Investment & Trading Co. Pvt. Ltd.	Related Party Company.

(Rs. In lac)

Sr. No.	Nature of Transaction	31.03.2010	31.03.2009
1.	Remuneration paid	3.09	2.69
2.	Consultancy Fees paid to Relatives of Key Managerial Personnel.	--	2.80
3.	Advance given to Related Party Companies	--	35.31
4.	Receipt from Related Party Companies	--	2.03
5.	Advance given to the Company having substantial interest in voting power	3.65	0.47
6.	Receipt from the Company having substantial interest in voting power.	0.26	1.72
7.	Advances/Repayment to Relatives of Key Managerial Personnel	0.10	2.53
8.	Receipt from Relatives of Key Managerial Personnel	--	1.30

**14. EARNINGS PER SHARE**

	31.03.2010 (Rs.)	30.03.2009 (Rs.)
Net Profit attributable to equity shareholders	53,93,778	38,78,219
Weighted Average no. of shares	45,27,890	45,27,890
Basic E.P.S.	1.19	0.86
Face Value of Equity Shares	10	10

15. No personal expenses have been debited to Profit and Loss Account except those payable under contractual obligation or normal business practices.

16. Previous year's figures are regrouped/rearranged wherever found necessary.

As per our attached report of even date

For **A. N. DAMANIA & CO.**

Chartered Accountants

Ashvin N. Damania

Proprietor

Membership No. 40166

Firm Reg. No.102077W

PLACE : MUMBAI

DATED : 26<sup>th</sup> August, 2010

For and on behalf of the Board of Directors

Pradip R. Shroff

Manoj T. Shroff

Khurshid Shaikh

Managing Director

Director

Director

PLACE : MUMBAI

DATED : 26<sup>th</sup> August, 2010

**BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE**

I	<b>Registration details</b>			
	Registration No.	37218	State Code	11
	Balance Sheet Date	31.03.2010		
II	<b>Capital raised during the year (Amount in Rs. Thousands)</b>			
	Public Issue	Nil	Rights Issue	Nil
	Bonus Issue	Nil	Private Placement	Nil
III	<b>Position of mobilisation and deployment of funds (Amount in Rs. Thousands)</b>			
	<b>Total Liabilities</b>	<b>114697</b>	<b>Total Assets</b>	<b>114697</b>
	<b>Sources of funds</b>			
	Paid up Capital	45381	Reserves & Surplus	69316
	Secured Loans	Nil	Unsecured Loans	Nil
	<b>Application of Funds</b>			
	Net Fixed Assets/Capital work in progress	2494	Stock in trade	46267
	Deferred Tax Asset	203		
	Net Current Assets	17,708	Accumulated Loss	(48,025)
	IV	<b>Performance of Company (Amount in Rs. Thousands)</b>		
Turnover		12402	Total Expenditure	5994
+ - Profit/Loss Before Tax		6408	+ - Profit/Loss After Tax	5625
V	<b>Generic Names of three Principal Products /Services of Company</b>			
	Item Code No.(ITC Code)	NA	Product Designation	Consultancy Services

As per our attached report of even date

For and on behalf of Board of Directors

**For A. N. DAMANIA & CO.**  
CHARTERED ACCOUNTANTS

**ASHVIN N. DAMANIA**  
PROPRIETOR

**Pradip R. Shroff** - **Managing Director**  
**Manoj T. Shroff** - **Director**  
**Khurshid Shaikh** - **Director**

MUMBAI  
DATED : 26th August, 2010

MUMBAI  
DATED : 26th August, 2010



**CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2010**

A	<b>CASH FLOW OPERATING ACTIVITIES</b>	<b>(Rs. in lacs)</b>	
	NET PROFIT BEFORE TAX AND EXTRA ORDINARY ITEMS		64.08
	<b>Adjustments for :</b>		
	Depreciation	2.14	
	Reduction in value of Investments	0.45	
	Provision for taxation	(9.86)	
	Provision for Deferred Tax	2.03	
	Bad debts written off	(1.82)	
	Prior period expenses	(0.49)	(7.57)
			56.53
	<b>OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES</b>		
	<b>Adjustments for :</b>		
	(Increase)/Decrease in Sundry Debtors	(12.83)	
	(Increase)/Decrease in Loans and Advances	2.95	
	(Increase)/Decrease in Bank Deposits	(21.00)	
	Increase(Decrease) in Current Liabilities	(24.08)	
	<b>Net Cash flow from operating activities</b>		(54.96)
			1.57
B	<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
	Purchase of Fixed Assets	(0.53)	
	Purchase of Investments/Stock in trade	(11.37)	
	Cost of Investments sold	12.40	
	Increase in Deferred Tax Assets	(2.03)	
	<b>Net Cash flow from Investing Activities</b>		(1.53)
	<b>NET INCREASE IN CASH AND EQUIVALENTS (A+B)</b>		0.04
	Opening Balance of Cash		10.70
	Closing Balance of Cash		10.74

**For V.B.DESAI FINANCIAL SERVICES LIMITED**PLACE : MUMBAI  
DATED : 26th August, 2010Pradip R. Shroff  
Managing Director

We have examined the attached Cash Flow Statement of V.B.Desai Financial Services Limited, for the period ended 31st March 2010. The statement has been prepared by the Company in accordance with the requirements of clause 32 of the listing agreement with the Stock Exchange and is based on and derived from the audited accounts of the Company for the period ended 31st March 2010.

**For A. N. DAMANIA & CO.**  
Chartered AccountantsPLACE : MUMBAI  
DATED : 26th August 2010ASHVIN DAMANIA  
Proprietor

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## V. B. DESAI FINANCIAL SERVICES LIMITED

Registered Office : Cama Bldg, 1st Floor, 24/26, Dalal Street, Mumbai - 400 001

24th Annual General Meeting on 28th September, 2010 at 10.30 a.m.

### ATTENDANCE SLIP

Joint Shareholders may obtain additional Attendances Slips on request.

Folio No./ Client ID	Name & Address of the Shareholder	Shareholder's Signature	If proxy, sign here

I hereby record my presence at the 24th Annual General meeting of Members of the Company at M.C.Ghia Hall, Bhogilal Hargovindas Building, 18/20, Kaikushroo Dubash Marg, Mumbai - 400 001 on 28th September, 2010.

#### Note

- Please complete this attendance slip and hand it over at the entrance of the meeting place.
- Joint Shareholders may obtain additional attendance slips on request.

## V. B. DESAI FINANCIAL SERVICES LIMITED

Registered Office : Cama Bldg, 1st Floor, 24/26, Dalal Street, Mumbai - 400 001

### PROXY

L. F. NO./ Client ID

No. of Shares

DP Name

I/We

\_\_\_\_\_ of \_\_\_\_\_ being a member/members of V. B. DESAI FINANCIAL SERVICES LTD appoint \_\_\_\_\_ of \_\_\_\_\_ or failing him/her \_\_\_\_\_ of \_\_\_\_\_ as my/our proxy to vote for me/us on my/our behalf at the 24th Annual General Meeting of the Company to be held at 10.30 a m. on Tuesday, the 28th September 2010 and at any adjournement, thereof.

As witness my/our hand(s) this \_\_\_\_\_ day of \_\_\_\_\_ 2010.

Affix  
Re.1  
Revenue  
Stamp

(Signature of the shareholder)

Note : The Proxy Form must be returned so as to reach the Registered Office of the Company not less than 48 hours before holding the aforesaid meeting.

BOOK - POST

To,

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If undelivered please return to:

**V.B.DESAI FINANCIAL SERVICES LIMITED**

*Cama Building, 1st floor,*

*24/26, Dalal Street. Fort*

*Mumbai - 400 001*