



BOARD OF DIRECTORS : Dipak Gupta, K.V.S. Manian, R. Sundarraman.

DIRECTORS' REPORT

The Directors present their Fourteenth Annual Report together with the audited accounts of the Company for the year ended 31st March 2002.

I. FINANCIAL RESULTS AND OPERATIONS

During the year under review, the Company made a loss of Rs. 1,75,53,011 as compared to profit after tax of Rs. 1,37,83,242 in the previous year.

Your Company allotted 2,44,02,240 equity shares of Rs. 10 each fully paid-up to the equity shareholders of the Company in the ratio of 8 fully paid-up equity shares for every one equity share of Rs. 10 held on capitalization of the revenue reserves.

The High Court of Judicature at Bombay vide its order dated 13th December 2001, sanctioned the Scheme of Amalgamation of Kotak Mahindra Investment Limited (KMIL), a wholly owned subsidiary of Kotak Mahindra Finance Limited, your holding company, with the Company. Accordingly, the entire business and all the assets and liabilities of KMIL have been transferred to and vested in the Company with effect from 1st April 2001. In accordance with the Scheme of Amalgamation, 550110 fully paid-up equity shares of Rs. 10 each of the Company were allotted to Kotak Mahindra Finance Limited, being the equity shareholder of KMIL, in the ratio of 1 equity share of Rs. 10 each fully paid for every equity share held by KMFL in KMIL.

During the year, Komaf Securities (a company with unlimited liability) [Komaf] became a subsidiary of your company. On 6th June 2002, the High Court of Judicature at Bombay sanctioned the Scheme of Amalgamation of Komaf with your Company.

The High Court of Judicature at Chennai has also vide its order dated 15th July 2002 sanctioned the aforesaid Scheme. As provided in the Scheme of Amalgamation, 800200 equity shares of Rs. 10 each of Komaf held by the Company will be cancelled. Further, the difference between the amount of consideration (being the value of investments cancelled) and the value of net identifiable assets acquired amounting to Rs. 31,82,363 has been credited to Capital Reserve.

Concurrently and as an integral part of the Scheme of Amalgamation and pursuant to Section 100 of the Companies Act, 1956, with effect from 30th March 2002, the issued, subscribed and paid-up equity share capital of the Company has been reduced by Rs. 24,40,22,400. The corresponding reduction amount has been adjusted against provision for diminution in the value of investments in the books of the Company to the extent of Rs.24,30,18,422 and the balance Rs. 10,03,978 towards miscellaneous expenditure being amalgamation expenses. Accordingly, the reduction has been effected by reducing the paid-up equity capital of each equity share of Rs. 10 each, pro rata. Simultaneously, as approved by the Court, on reduction as aforesaid, 9 equity shares so reduced have been consolidated into 1 equity share of Rs. 10. The Court has also granted approval for not indicating the words "and reduced" in the name of the Company.

II. DIVIDEND

The Directors do not recommend any Dividend.

III. DIRECTORS

Mr. Dipak Gupta retires by rotation at the Annual General Meeting and, being eligible, offers himself for re-appointment.

IV. AUDITORS

The Company's Auditors, Messrs. V.C. Shah & Co., Chartered Accountants, Mumbai, retire at the Annual General Meeting and are eligible for re-appointment. You are requested to re-appoint them and fix their remuneration.

V. SUBSIDIARY COMPANIES

Consequent to the merger of KMIL with your Company, Business Standard Limited and Business Standard Digital Limited being subsidiaries of KMIL, are now subsidiary companies of your Company.

VI. STATUTORY INFORMATION

The Company did not have any employees falling within the scope of sub-section (2A) of Section 217 of the Companies Act, 1956, nor did it accept any deposits from the public during the year.

There were no earnings or outgo of foreign exchange and the other requirements pursuant to the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, do not apply since the Company is not a manufacturing company.

VII. DIRECTORS' RESPONSIBILITY STATEMENT

In pursuance of Section 217 (2AA) of the Companies Act, 1956, ("the Act") the Directors state, as an averment of their responsibility, that :

- i) the Company has, in the preparation of the annual accounts, followed the applicable accounting standards along with proper explanations relating to material departures, if any;
- ii) the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March 2001 and of the loss of the Company for the financial year ended 31st March 2002;
- iii) the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- iv) the Directors have prepared the annual accounts on a going concern basis.

For and on behalf of the Board of Directors

Dipak Gupta
Director

R. Sundarraman
Director

Mumbai, July 30, 2002.



AUDITORS' REPORT

To,

The Members of HAMKO FINANCIAL SERVICES LIMITED

We have audited the attached Balance Sheet of **HAMKO FINANCIAL SERVICES LIMITED** as at 31st March, 2002 and the 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 an opinion on these financial statements based on our audit.

We have 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.

1. As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988 issued by the Central Government of India in terms of Section 227 (4A) 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.
2. 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 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 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 dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
 - e) On the basis of the written representations received from the directors, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2002 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
 - f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read with the notes thereon, *subject to Note No.5 of Schedule 11 to and forming part of the Balance Sheet and Profit and Loss Account, regarding uncertain effective date of amalgamation*, 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, 2002; and
 - (ii) In the case of Profit and Loss Account, of the Loss for the year ended on that date.

For V.C.Shah & Co.
Chartered Accountants

V.C.Shah
Partner.

Mumbai, 30th July, 2002.



ANNEXURE TO THE AUDITORS' REPORT REFERRED TO IN PARAGRAPH 1 OF OUR REPORT OF EVEN DATE

- (i) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets. The fixed assets of the Company were physically verified by the management and no material discrepancies were noticed on such verification.
- (ii) None of the fixed assets of the Company have been revalued during the year.
- (iii) The Company has taken unsecured loans from the holding company. The rate of interest and other terms and conditions of such loans are, prima facie, not prejudicial to the interest of the Company. The Company has not taken any loans, secured or unsecured, from companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956 and/or from companies under the same management as defined under sub-section (1B) of section 370 of the Companies Act, 1956.
- (iv) The Company has granted unsecured loans to the holding company and to a company under the same management as defined under sub-section (1B) of section 370 of the Companies Act, 1956. The rate of interest and other terms and conditions of such loans are, prima facie, not prejudicial to the interest of the Company. The Company has not granted loans, secured or unsecured, to companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956.
- (v) The parties to whom loans or advances in the nature of loans have been given by the Company are repaying the principal amounts as stipulated and are also regular in payment of interest, wherever applicable.
- (vi) The Company has not accepted any deposits from public.
- (vii) In our opinion, the Company has an adequate internal audit system commensurate with its size and the nature of its business.
- (viii) As informed to us, the provisions of the Provident Fund Act and Employee's State Insurance Act are not applicable to the Company.
- (ix) According to the information and explanations given to us, there are no undisputed amounts payable in respect of Income-Tax, Wealth-Tax, Sales-Tax, Custom Duty and Excise Duty as at 31st March, 2002 which were outstanding for a period of more than six months from the date they became payable.
- (x) In our opinion and according to the information and explanations given to us, no personal expenses have been charged to revenue account.
- (xi) According to the information and explanations given to us, the Company is not a sick industrial company within the meaning of clause (o) of sub-section (1) of section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985 (1 of 1986).
- (xii) The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures or other securities.
- (xiii) The Provisions of any special statute applicable to Chit Funds, Nidhi or Mutual Benefit Society are not applicable to the Company.
- (xiv) The Company has kept generally adequate records of its transactions in securities, debentures and other investments and timely entries have been made therein. The securities, debentures and investments, are held in the name of the Company or are in process of being transferred in the Company's name.
- (xv) In our opinion, clauses (iii), (iv), (v), (vi), (x), (xi), (xii), (xiv) and (xvi) of para 4(A) of the aforesaid order are not applicable to the Company for the year under report.

For V.C.Shah & Co.
Chartered Accountants
V.C.Shah
Partner.

Mumbai, 30th July, 2002.

**BALANCE SHEET AS AT 31ST MARCH 2002**

	Schedule	As at 31st March 2002 Rupees	As at 31st March 2001 Rupees
SOURCES OF FUNDS			
1. Shareholders' Funds			
(a) Share Capital	(1)	130502800	125001700
(b) Reserves and Surplus	(2)	420299202	—
2. Loan Funds			
(a) Unsecured	(3)	295000000	130000000
TOTAL		845802002	255001700
APPLICATION OF FUNDS			
1. Fixed Assets	(4)		
(a) Gross Block		—	549430
(b) Less : Depreciation		—	88611
(c) Net Block		—	460819
2. Investments	(5)	587979685	247844625
3. Current Assets, Loans & Advances			
(a) Cash and Bank Balances	(6)	2607623	78821
(b) Loans & Advances	(7)	264329946	10212303
		266937569	10291124
Less: Current Liabilities & Provisions			
(a) Current Liabilities	(8)	7824603	2645858
(b) Provisions	(9)	11467928	3389170
		19292531	6035028
Net Current Assets		247645038	4256096
4. Profit and Loss Account		—	2440160
5. Deferred Tax Asset	(10)	10177279	—
TOTAL		845802002	255001700
Significant Accounting Policies and Notes to the Accounts	(11)		

As per our report attached

For V.C.Shah & Co.
Chartered AccountantsV.C.Shah
Partner

Mumbai, 30th July, 2002

For and on behalf of the Board of Directors

DIPAK GUPTA
DirectorR. SUNDARRAMAN
Director

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2002**

	Schedule	For the year ended 31st March 2002	For the year ended 31st March 2001
		Rupees	Rupees
INCOME			
Dividend		4022955	1190237
Interest (TDS Rs.5,278,096; P.Y. Rs.274,272)		25872449	1297765
Profit on Sale of Investments (net)		—	18329474
Income from share trading (net)		7147650	—
Other Income		109291	8009
TOTAL		37152345	20825485
EXPENDITURE			
Loss on Sale of Long Term Investments (net)		65512686	—
Loss on Sale of Current Investments (net)		1906522	—
Loss from share trading (net)		—	283617
Interest on Debentures		6519041	—
Interest - others		606426	5794176
Professional Charges		721272	1300
Share Issue expenses		1194573	—
Demat charges		179658	182743
Auditor's Remuneration (including Service Tax)		—	—
Audit fees		31500	10500
Tax Audit Fees		15750	5250
Filing fees		14550	4000
Depreciation		18164	(9110)
Loss on sale of assets		42655	—
Miscellaneous Expenses		357940	67168
Provision for bad deliveries/diminution in value of investments		—	2599
TOTAL		77120737	6342243
Profit/(Loss) before Tax		(39968392)	14483242
Provision for Taxation :			
Current Tax		(220000)	(700000)
Deferred Tax		22635381	—
Profit/(Loss) after Tax		(17553011)	13783242
Less : Prior Period Adjustments		(426582)	(254,559)
		(17979593)	13528683
Balance brought forward from previous year		(2440160)	(15968843)
Add : Transferred from Debenture Redemption Reserve		5000,000	—
Add : Transfer as per Scheme of Amalgamation (Refer Note No.3 of Schedule 11)		691892123	—
Less : Deferred Tax Liability as on 1st April 2001 adjusted (Refer Note No.8 of Schedule 11)		(12458102)	—
Less : Capitalised for Issue of Bonus Shares (Refer Note No.4 of Schedule 11)		(244022400)	—
Add : Transfer as per Scheme of Amalgamation (Refer Note No.5 of Schedule 11)		4924700	—
Less : Deduction for Non Performing Assets (Refer Note No.5 of Schedule 11)		(5002366)	—
Balance carried to Balance Sheet		419914202	(2440160)
Significant Accounting Policies and Notes to the Accounts	(11)		

As per our report attached

For V.C.Shah & Co.
Chartered AccountantsV.C.Shah
Partner

Mumbai, 30th July, 2002

For and on behalf of the Board of Directors

DIPAK GUPTA
DirectorR. SUNDARRAMAN
Director

**SCHEDULES FORMING PART OF THE BALANCE SHEET**

	As at 31st March 2002	As at 31st March 2001
	Rupees	Rupees
SCHEDULE 1 - SHARE CAPITAL		
Authorised		
58000000 Equity Shares of Rs. 10/- each	58000000	58000000
1200 Non Cumulative Redeemable Preference Shares of Rs. 1,00,000/- each	12000000	12000000
TOTAL	70000000	70000000
Issued, Subscribed and Paid up		
3050280 (PY 2,500,170) Equity Shares of Rs. 10/- each fully paid up	30502800	25001700
1000 8% (PY. 12%) Non Cumulative Redeemable Preference Shares of Rs.100000/- each fully paid up (Redeemable, at par, on 20th March, 2007, with an option to the Company to redeem earlier)	10000000	10000000
TOTAL	130502800	125001700
Notes :		
(i) The above shares are held by Kotak Mahindra Finance Ltd, the holding company, and its nominees		
(ii) The terms of redemption of the above shares and the rate of dividend were revised pursuant to variation thereof		
(iii) Paid up capital includes 550,110 (PY. NIL) Equity shares of Rs.10/- each allotted pursuant to the scheme of amalgamation of Kotak Mahindra Investments Ltd. with the Company (Refer Note No.3 of Schedule 11)		
(iv) 24,402,240 (PY.NIL) Equity shares of Rs.10/- each allotted as fully paid up bonus shares by capitalisation of Profit and Loss Account (Refer Note No.4 of Schedule 11)		
(v) Reduction of share capital (Refer Note No.6 of Schedule 11)		
SCHEDULE 2 - RESERVES AND SURPLUS		
Debenture Redemption Reserve		
As per last Balance Sheet	—	
Add: Transfer as per the scheme of amalgamation (Refer Note No.3 of Schedule 11)	500000	
Less: Transferred to Profit and Loss Account	(500000)	
Capital Redemption Reserve		
As per last Balance Sheet	—	
Add: Transfer as per the scheme of amalgamation (Refer Note No.3 of Schedule 11)	385000	385000
Capital Reserve		
As per last Balance Sheet	—	
Add: Transfer as per the scheme of amalgamation (Refer Note No.5 of Schedule 11)	3182363	
Less: Deduction for Non Performing Assets (Refer Note No.5 of Schedule 11)	(3182363)	
Profit and Loss Account		
Balance in Profit and Loss Account	419914202	
TOTAL	420299202	
SCHEDULE 3 - UNSECURED LOANS		
450,000 (PY.1,300,000) Unsecured Fully Convertible Debentures of Rs.100/- each, fully paid (Redeemable at issue price, at the exercise of put or call option on or before 1st February, 2006. If option to redeem is not exercised, the debentures shall be convertible at par into equity shares on the said date)	45000000	130000000
2,100,000 (PY.NIL) Unsecured Fully Convertible Debentures of Rs.100/- each, fully paid (Redeemable at issue price, at the exercise of put or call option on or before 1st February, 2006. If option to redeem is not exercised, the debentures shall be convertible at par into equity shares on the said date)	210000000	
400,000 (PY.NIL) Unsecured Fully Convertible Debentures of Rs.100/- each, fully paid (Redeemable at issue price, at the exercise of put or call option on or before 29th May, 2006. If option to redeem is not exercised, the debentures shall be convertible at par into equity shares on the said date)	40000000	
(All the above debentures are held by Kotak Mahindra Finance Ltd., the Holding Company)		
TOTAL	295000000	130000000



SCHEDULES FORMING PART OF THE BALANCE SHEET

SCHEDULE 4 - FIXED ASSETS

DESCRIPTION	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As at 01.04.2001	Additions	Deductions	As at 31.03.2002	As at 01.04.2001	For the year	Withdrawn	As at 31.03.2002	As at 31.03.2002	As at 31.03.2001
PREMISES	549,430	—	549,430	—	88,611	18,164	106,775	—	—	460,819
TOTAL	549,430	—	549,430	—	88,611	18,164	106,775	—	—	460,819
Previous Year	549,430	—	—	549,430	97,721	(9,110)	—	88,611	460,819	

SCHEDULE 5 - INVESTMENTS (Non-Trade)

	Face Value	As at 31.03.02 Quantity	As at 31.03.02 Amount	As at 31.03.2001 Quantity	As at 31.03.2001 Amount
	Rs.		Rs.		Rs.
I. LONG TERM (At Cost)					
A. SUBSIDIARY COMPANIES					
Unquoted and fully paid up Equity Shares in:					
Business Standard Limited	10	31989558	537631798	—	—
Less: Provision for Diminution (Refer Note No.6 of Schedule 11)			(217736218)		
SUB TOTAL (A)			319895580		—
B. OTHERS - EQUITY SHARES					
(i) Unquoted and fully paid up in:					
Amitabh Bachchan Corporation Limited	10	325000	26000000	325000	26000000
Fascel Limited	10	20025000	200250000	—	—
Friday Content Solutions Limited	10	12275	25404954	—	—
Komaf Financial Services Limited	10	31,000	10,000	—	—
Trumac Engineering Company Limited	10	—	—	1459304	130738017
Less: Provision for Diminution (Refer Note No.6 of Schedule 11)			(51282204)		(26000000)
SUB TOTAL (i)			200382750		130738017
(ii) Quoted and fully paid up in:					
Bank of Madura Limited	10	—	—	121285	12356365
Century Textiles and Industries Limited	10	—	—	50	9,210
Ion Exchange Limited	10	—	—	193011	7961079
Mahindra & Mahindra Limited	10	—	—	173762	32908514
Madras Cements Limited	100	—	—	8000	63871440
SUB TOTAL (ii)			—		117106608
SUB TOTAL (B) (i) + (ii)			200382750		247844625
C. OTHERS - BONDS					
8.70% Rural Electrification Corporation Bonds			65280000	—	—
SUB TOTAL (C)			65280000		—
TOTAL (I)			585558330		247844625
II. CURRENT					
(At Cost or Market Value, whichever is lower)					
Unquoted and fully paid up Units in :					
Kotak Mahindra Mutual Fund :					
K-Bond (Wholesale Plan) - Growth Scheme	10	106104	1475000	—	—
K-Bond (Wholesale Plan) - Dividend Scheme	10	92972	946355	—	—
TOTAL (II)			2421355		—
GRAND TOTAL			587979685		247844625
Aggregate value of Quoted Investments :	At Cost		—		117106608
	At Market Value		—		90840015
Aggregate value of Unquoted Investments:	At Cost		587979685		130738017

**SCHEDULES FORMING PART OF THE BALANCE SHEET**

	As at 31st March 2002	As at 31st March 2001
	Rupees	Rupees
SCHEDULE 6 - CASH AND BANK BALANCES		
Balances with Scheduled Banks in current account	2607623	78821
TOTAL	2607623	78821
SCHEDULE 7 - LOANS & ADVANCES		
(Unsecured, considered good)		
Advances Recoverable in cash or in kind or for value to be received	236088675	5205577
Advance Tax paid including tax deducted at source	28241271	5006726
TOTAL	264329946	10212303
SCHEDULE 8 - CURRENT LIABILITIES		
Sundry Creditors (Other than Small Scale Industries)	1305527	26790
Other Liabilities	6519076	2619068
TOTAL	7824603	2645858
SCHEDULE 9 - PROVISIONS		
Provision for Taxation	11467928	3389170
TOTAL	11467928	3389170
SCHEDULE 10 - DEFERRED TAX ASSET		
Deferred tax liability as at 1st April, 2001	(12458102)	—
For the year	22635381	—
TOTAL	10177279	—

SCHEDULES FORMING PART OF THE BALANCE SHEET AND THE PROFIT AND LOSS ACCOUNT**SCHEDULE 11 – SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE ACCOUNTS****1. SIGNIFICANT ACCOUNTING POLICIES****A. ACCOUNTING METHODOLOGY**

The Accounts have been prepared on historical cost basis of accounting. The Company adopts the accrual system of accounting.

B. REVENUE RECOGNITION

- a. Dividend from investments is recognized when the right to receive payment is established.
- b. The Company has followed the prudential norms for income recognition and provisioning for non-performing assets as prescribed by Reserve Bank of India for Non-Banking Financial Companies.

C. FIXED ASSETS

- a. Fixed Assets are stated at cost, less accumulated depreciation.
- b. The Company adopts the Straight Line Method of depreciation at rates higher than those prescribed under Schedule XIV to the Companies Act, 1956 based on the management's estimate of useful life of Premises of 30 years.

D. INVESTMENTS

- a. Investments of the Company, being long term, have been valued at weighted average cost of acquisition and provision for decline in value, other than temporary, is made in the accounts.
- b. Current investments are valued at weighted average cost of acquisition or fair/market value, whichever is lower.

E. BORROWING COST

Borrowing costs other than those directly attributable to qualifying Fixed Assets are recognised as an expense in the period in which they are incurred.

F. TAXES ON INCOME

Current tax is determined as the amount of tax payable in respect of taxable income for the year. Deferred tax is recognized, subject to the consideration of prudence in respect of deferred tax assets, on timing differences, being the difference between taxable income and accounting income that originates in one period and is capable of reversal in one or more subsequent periods.

2. CONTINGENT LIABILITIES:

Claims made against the Company not acknowledged as debts – Rs.500000/- (Previous Year Rs.NIL).

3. Pursuant to the scheme of amalgamation (the scheme) of Kotak Mahindra Investments Limited with the Company as



sanctioned by the High Court of Judicature at Mumbai vide order dated 13th December 2001, the entire business and all the assets and liabilities, duties and obligations of the erstwhile Kotak Mahindra Investments Limited have been transferred to and vested in the Company, with effect from 1st April 2001. The scheme has accordingly been given effect to in these financial statements.

The amalgamation has been accounted for under the 'Pooling of Interests' method as prescribed by the Accounting Standard (AS 14) "Accounting for Amalgamation" issued by the Institute of Chartered Accountants of India. Accordingly the assets and liabilities and other reserves of the erstwhile Kotak Mahindra Investments Limited have been taken over at their book values.

In accordance with the scheme of amalgamation, 550110 fully paid up equity shares of Rs.10/- each of the Company are issued and allotted to the shareholders of Kotak Mahindra Investments Limited (viz. Kotak Mahindra Finance Limited, the holding company) in the ratio of 1 equity share of Rs.10/- each fully paid up for every equity share held by them in Kotak Mahindra Investments Limited. The value of net identifiable assets acquired of Kotak Mahindra Investments Limited, being equivalent to the paid up share capital issued by the Company, no Goodwill / Capital Reserve has arisen on the said amalgamation.

4. The Company has allotted Bonus shares to its equity shareholders in the ratio of 8 fully paid up equity shares of Rs. 10/- each for every equity share of Rs. 10/- each held by them, totaling to 24402240 equity shares of Rs.10/- each fully paid up amounting to Rs.244022400, on capitalization of the revenue reserves.
5. Pursuant to the scheme of amalgamation (the scheme) of Komaf Securities (a Company with Unlimited Liability) with the Company as sanctioned by High Court of Judicature at Mumbai vide order dated 11th July, 2002, and by High Court of Judicature at Chennai vide order dated 30th July, 2002, but awaiting filing of certified copies thereof with the Registrar of Companies, Maharashtra and Tamil Nadu, the entire business and all the assets and liabilities, duties and obligations of the erstwhile Komaf Securities (a Company with Unlimited Liability) have been transferred to and vested in the Company, with effect from the Appointed Date viz. 30th March 2002. The scheme has accordingly been given effect to in these financial statements, though the effective date shall be the date of filing of the certified copies of the aforesaid orders with the Registrar of Companies, Maharashtra and Tamil Nadu.

The amalgamation has been accounted for under the 'Pooling of Interests' method as prescribed by the Accounting Standard (AS 14) "Accounting for Amalgamation" issued by the Institute of Chartered Accountants of India. Accordingly the assets and liabilities and other reserves of the erstwhile Komaf Securities (a Company with Unlimited Liability) have been taken over at their book values subject to adjustments as specified in the scheme of amalgamation and adjustments to ensure uniformity of accounting policies.

As provided in the Scheme of amalgamation, 800200 Equity Shares of Rs.10/- each of Komaf Securities (a Company with Unlimited Liability) held by the Company are to be cancelled. Further, the difference between the amount of consideration (being the value of investments cancelled) and the value of net identifiable assets acquired, amounting to Rs.3182363/- has been credited to Capital Reserve, as per the terms of scheme of amalgamation. The Company has made adjustments to ensure uniformity of accounting policies and consequently the fixed assets taken over, having a net book value of Rs.8184729/- are considered non-performing assets by the management and the said amount is adjusted against the Capital Reserve to the extent of Rs.3182363/- and the balance of Rs.5002366/- against the revenue reserves.

6. Further, concurrently and as an integral part of the Scheme of Amalgamation of Komaf Securities (a Company with Unlimited Liability) with the Company and pursuant to Section 100 of the Companies Act, 1956, with effect from the Appointed Date viz. 30th March 2002, the issued, subscribed and paid up equity share capital of the Company has been reduced by Rs. 244022400. The corresponding reduction amount has been adjusted against provision for diminution in value of investments carried in the books of the Company to the extent of Rs.243018422/- and balance Rs.1003978/- towards Miscellaneous Expenses being Amalgamation expenses, in accordance with the terms of scheme of amalgamation. Accordingly, the reduction has been effected by reducing the paid up equity capital of each equity share of Rs. 10/- pro rata. Simultaneously as approved by the Court, on reduction as aforesaid, 9 equity shares so reduced have been consolidated into 1 equity share of Rs. 10/- each.

As part of the order of the Honourable High Court of Judicature, Mumbai, notwithstanding the reduction of capital of the Company, it is not required to add " and reduced" as suffix to the name of the Company and the Company will continue to use its existing name.

7. The Company has traded in equity shares during the year, details are as given below:

Particulars	Qty.	Amount	Qty.	Amount
	31 st March 2002	(Rs. in lakhs) 31 st March 2002	31 st March 2001	(Rs. in lakhs) 31 st March 2001
Opening stock	Nil	Nil	Nil	Nil
Purchases	2546000	3301	110646	1452
Sales	2546000	3372	110646	1449
Closing Stock	Nil	Nil	Nil	Nil

8. Consequent to the Accounting Standard 22 on Accounting for Taxes on Income becoming mandatory, the Company recorded the cumulative net deferred tax liability of Rs.124.58 lakhs, in respect of timing differences, as at 1st April, 2001, in Profit and Loss Account. The deferred tax credit of Rs.226.35 lakhs for the year is included in provision for taxation in the Profit and Loss Account.



Components of net deferred tax asset as at 31st March, 2002:

	Amount (Rs.in lakhs)
Deferred tax assets	
Amalgamation Expenditure allowed over 5 years	270857
Provision for Diminution in value of Investments	5460000
Unabsorbed business loss	3702338
Others	744084
Total Deferred Tax Assets	10177279
Deferred tax liabilities	NIL
Net deferred tax asset	10177279

9. Previous year's figures have been regrouped / reclassified wherever necessary to confirm to figures of the current year.
 10. In view of the amalgamations stated above, taking place in the current year, the figures of the current year and those of the previous year are not strictly comparable.

As per our report attached

For V.C.Shah & Co.
Chartered Accountants

V.C.Shah
Partner

Mumbai, 30th July, 2002

For and on behalf of the Board of Directors

DIPAK GUPTA
Director

R. SUNDARRAMAN
Director

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

Additional information pursuant to Part IV of Schedule VI of the Companies Act, 1956.

(a) Registration Details	
Registration Number	47986
State Code	11
Balance Sheet Date	31 st March 2002
(b) Capital raised during the year (Amount in Rs. '000)	
Public Issue	NIL
Rights Issue (Including Share Premium)	NIL
Bonus Issue	244022.40
Private Placement	NIL
(c) Position of Mobilisation and Deployment of Funds (Amount in Rs.)	
Total Liabilities	845802002
Total Assets	845802002
Source of Funds	
Paid up Capital	130502800
Reserves & Surplus	420299202
Secured Loans	Nil
Unsecured Loans	295000000
Application of Funds	
Net Fixed Assets	Nil
Investments	587979685
Net Current Assets	247645038
Miscellaneous Expenditure	Nil
Accumulated losses	Nil
Deferred Tax Asset	10177279
(d) Performance of Company (Amount in Rs.)	
Turnover	37152345
Total Expenditure	77120736
Loss before tax	-39968392
Loss after tax	-17553011
Earnings per share in Rs. (Basic)	(5.8944)
Earnings per share in Rs. (Diluted)	(0.2872)
Dividend rate (%)	Nil
(e) Generic Names of Three Principal Products/Services of Company (as per monetary terms)	
Item Code No. (ITC)	NA
Product description	Investment Company

For and on behalf of the Board of Directors

DIPAK GUPTA
Director

R. SUNDARRAMAN
Director

Mumbai, 30th July, 2002



STATEMENT PURSUANT TO SECTION 212(1)(e) OF THE COMPANIES ACT, 1956, RELATING TO SUBSIDIARY COMPANIES

Sr. No.	Name of the Subsidiary Company	Financial year ending of the Subsidiary	Holding Company's interest. Number of shares held. (Equity Shares of Rs.10 each unless stated otherwise)	Extent of Holding	For the financial year of the Subsidiary		For the previous financial years of the Subsidiary since it became a Subsidiary	
					profits/(losses) so far as it concerns the members of the Holding Company and not dealt with in the Books of Account of the Holding Company	profits/(losses) so far as it concerns the members of the Holding Company and dealt with in the Books of Account of the Holding Company	profits/(losses) so far as it concerns the members of the Holding Company and not dealt with in the Books of Account of the Holding Company	profits/(losses) so far as it concerns the members of the Holding Company and dealt with in the Books of Account of the Holding Company
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1	Business Standard Limited	31/03/2002	31989538	62.61%	Rs. in lakhs (404.58)	Rs. in lakhs —	Rs. in lakhs (3413.40)	Rs. in lakhs —
2	Business Standard Digital Ltd.	31/03/2002	6000070	100% (Note)	(53.73)	—	(295.22)	—

Note: Business Standard Digital Limited is a 100% subsidiary of Business Standard Limited. BSL, being a subsidiary of the Company, the ultimate holding Company of BSDL, is the Company.

For and on behalf of the Board of Directors

Dipak Gupta
Director

R.Sundaraman
Director

Mumbai, 30th July, 2002