

**REPORT OF THE DIRECTORS FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2007**

Your Directors hereby present the Annual Report and Audited Accounts of the Company for the financial year ended 31st March, 2007.

	Year ended 31.03.2007 (Rs. Lakhs)	Year ended 31.03.2006 (Rs. Lakhs)
Gross operating Profit / (Loss)	123.79	136.06
Less : Interest and finance charges	0.04	0.02
Profit / (Loss) before depreciation and taxation	123.75	136.04
Less : Depreciation and Impairment loss	3.25	61.72
Profit / (Loss) before Taxation	120.50	74.32
Less : Provision for Taxation	—	—
Profit / (Loss) after Taxation	120.50	74.32
Brought forward from previous year	(6324.34)	(6398.66)
Transfer from General Reserve	—	—
Balance carried to Balance Sheet	(6203.84)	(6324.34)

The gross operating profit in the year ended March 31, 2007 was Rs. 123.77 lakhs, compared to a profit of Rs. 136.06 lakhs in the previous year and after providing depreciation, the net profit for the year was Rs. 120.50 lakhs as against a net profit of Rs. 74.32 lakhs in the previous year.

**Economic Scenario**

During the past there has been no turnaround in the status of the non-performing assets of the NBFC Industry and hence there has been no significant beneficial impact on the recovery of the monies due to your Company. During the year some clients have come forward for negotiated settlements and concluded the same. Some more settlements are under evaluation. Your Company continues to vigorously pursue various legal cases initiated against defaulting clients.

**Operations**

During the last ten years your Company has concentrated only on recoveries and has collected a total of Rs. 9370.84 lakhs including by way of property settlements. The collections were largely utilized for repayment of debts - Rs. 955.05 lakhs (Inter corporate deposits), Rs. 687.39 lakhs (Non-convertible debentures), Rs. 161.08 lakhs (Bill Rediscounting), Rs. 1571.43 lakhs (Fixed Deposits), Rs. 528.67 lakhs (Financial Institutions), Rs. 4371.72 lakhs (Banks) and Rs. 185 lakhs (Repayment of Loan from Holding Company), an aggregate of Rs. 8460.34 lakhs.

Your Company has already discharged all its external liabilities.

Your Company has prepared the annual accounts on a going concern basis. Your Company is presently concentrating on the recovery of its dues. It is being planned to further intensify the efforts for collection of dues through negotiated settlements, in the coming year. The Company will examine options for further opportunities, on improvement of collections from debtors.

**Reserve Bank of India directions to NBFCs**

Your Company has made provisions as per the Reserve Bank of India's Directions.

**Directors' Responsibility Statement**
**Your Directors have :**

- i. followed, in the preparation of the annual accounts, the applicable accounting standards with proper explanation relating to material departures;

- ii. selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that period;
- iii. taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv. prepared the annual accounts on a going concern basis.

**Dividend**

In view of the accumulated loss, your Board regrets that the Company is not in a dividend paying position.

**Particulars of Employees**

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

**Subsidiary Companies**
**BFIL Securities Limited**

Your Company's subsidiary is in the process of Members' voluntary winding up.

**MRR Trading & Investment Company Limited**

With a view to acquire office space in Mumbai, by way of tenancy rights, your Company had acquired the entire equity share capital of MRR Trading & Investment Company Limited after obtaining the necessary approval from the Central Government. The tenanted space is being utilized as Corporate Office of your Company.

**Directors**

Sri P. Dhobale retires at the forthcoming Annual General Meeting and being eligible, offers himself for re-appointment.

**Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988**

The Company has no activities relating to Conservation of Energy and Technology Absorption. There has been no foreign exchange earnings or outgo.

**Deposits**

The Company has not accepted any deposits during the year under the Companies (Acceptance of Deposits) Rules, 1975. With the permission of the Reserve Bank of India in 1998, the Company prepaid its Fixed Deposits and as at the beginning of the year, had 14 unclaimed deposits aggregating Rs. 1.99 lakhs which were placed in an escrow account with State Bank of India. During the year one deposit was repaid and the balance was remitted into the Investor Education & Protection Fund in accordance with the regulations. As at 31st March, 2007, the Company does not hold any Fixed Deposits.

**Acknowledgements:**

The Directors have pleasure in recording their appreciation of the assistance extended to the Company by various officials of the Central and State Governments and Commercial Banks.

On behalf of the Board

Secunderabad, 17th April, 2007

P. Dhobale  
Director

P. K. Talwar  
Director

**AUDITORS' REPORT TO THE MEMBERS OF BFIL FINANCE LIMITED**

1. We have audited the attached Balance Sheet of BFIL Finance Limited as at March 31, 2007 and the related Profit and Loss Account and Cash Flow Statement for the year ended on that date annexed thereto, which we have signed under reference to this report. 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. As required by the Companies (Auditor's Report) Order, 2003, as amended by Companies (Auditor's Report) (Amendment) Order, 2004 issued by the Central Government of India in terms of sub-section (4A) of Section 227 of 'The Companies Act, 1956' of India (the 'Act') and on the basis of such checks as we considered appropriate and according to the information and explanations given to us, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 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 and Cash Flow Statement 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 comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Act;
- (e) On the basis of written representations received from the Directors of the Company as on March 31, 2007 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on March 31, 2007 from being appointed as a Director in terms of clause (g) of sub-section (1) of Section 274 of the Act;
- (f) Reference is invited to note 1 on Schedule 13 to the financial statements regarding the Company's accounts being prepared on a going concern basis;

(g) In our opinion and to the best of our information and according to the explanations given to us, the said financial statements together with the notes thereon and attached thereto give in the prescribed manner the information required by the Act 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 March 31, 2007;
- (ii) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
- (iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For and on behalf of Lovelock & Lewes  
Chartered Accountants  
S. Gopalakrishnan  
Partner

Hyderabad, April 17, 2007

Membership No. 18863

**ANNEXURE TO AUDITORS' REPORT**

**[Referred to in paragraph 3 of the Auditors' Report of even date to the members of BFIL Finance Limited on the accounts for the year ended March 31, 2007]**

1. (a) The Company is maintaining proper records to show full particulars including quantitative details and situation of fixed assets.  
(b) All the fixed assets of the Company are physically verified by the management during the year, except for the leased assets where parties have defaulted in payment of lease rentals and the Company has initiated legal proceedings for recovering the dues, according to the information and explanations given to us, there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the company and the nature of its assets. No material discrepancies between the book records and the physical inventory have been noticed in respect of the assets physically verified during the year.  
(c) In our opinion and according to the information and explanations given to us, a substantial part of fixed assets has not been disposed off by the Company during the year.
2. (a) The stock-in-trade has been physically verified by the management at the year-end. However, in respect of stock-on-hire, the Company has initiated legal proceedings for recovering its dues and no physical verification was carried out. In our opinion, the frequency of verification of stock-in-trade is reasonable.  
(b) In our opinion, the procedures of physical verification of stock-in-trade followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.  
(c) On the basis of our examination of the inventory records, in our opinion, the Company is maintaining proper records of stock-in-trade. The discrepancies noticed on physical verification of inventory as compared to the book records were not material.
3. The Company has neither granted nor taken any loans, secured or unsecured, to / from companies, firms or other parties covered in the Register maintained under Section 301 of the Act.
4. In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of inventory, fixed assets and for the sale of goods and services. However, during the year, there are no purchases of inventory and fixed assets or sale of goods and services. Further, on the basis of our examination of the books and records of the Company and according to the information and explanations given to us, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the aforesaid internal control system.
5. According to the information and explanations given to us, there have been no contracts or arrangements referred to in Section 301 of the Act, during the year to be entered in the Register required to be maintained under that Section. Accordingly, commenting on transactions made in pursuance of such contracts or arrangements does not arise.
6. In our opinion and according to the information and explanations given to us, the Company has complied with the directives issued by the Reserve Bank of India and the provisions of Sections 58A and 58AA or any other relevant provisions of the Act and the Companies (Acceptance of Deposits) Rules, 1975 with regard to the deposits accepted from the public. According to the information and explanations given to us, no order has been passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal on the Company in respect of the aforesaid deposits.
7. Considering the limited number of transactions and the size of the company, the internal audit is being carried out once in two years.

Accordingly, the internal audit has been planned in the next financial year.

8. (a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, there are no undisputed material statutory dues liable to be paid by the Company during the year and remaining un-paid at the end of the year.  
(b) According to the information and explanations given to us and the records of Company examined by us, there are no dues in respect of income-tax which have not been deposited on account of any dispute except as given below :

Name of the Statute	Nature of Dues	Amount (Rs.)	Period to which the amount relates	Forum where the dispute is pending
Income Tax Act, 1961	Demand for penalty u/s 271(1)(c) and interest thereon.	30,12,339/-	A.Y. 1998-99	Commissioner of Income Tax (Appeals), Mumbai

Sales tax, wealth tax, service tax, customs duty, excise duty, and cess are not applicable to the Company during the current year.

9. The Company's accumulated losses as at March 31, 2007 are more than fifty percent of its net worth and has not incurred cash losses during the financial year ended on date and in the immediately preceding financial year.
10. According to the records of the Company examined by us and the information and explanations given to us, the Company has not defaulted in repayment of dues to debenture holders as at the balance sheet date. There are no dues to financial institutions and bank.
11. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities during the year.
12. The provisions of any special statute applicable to chit fund / nidhi / mutual benefit fund/societies are not applicable to the Company.
13. In our opinion, the Company has not entered into any transactions and contracts relating to dealing or trading in shares, securities, debentures and other investments during the year. However, the Company as at March 31, 2007 holds certain securities as stock-in-trade and such securities have been held by the Company in its own name.
14. On the basis of an overall examination of the balance sheet of the Company, in our opinion and according to the information and explanations given to us, there are no funds raised on a short-term basis which have been used for long-term investment.
15. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by the management.
16. The Clauses (iii)(b), (iii)(c), (iii)(d), (iii)(f), (iii)(g), (viii), (xv), (xvi), (xvii), (xix) and (xx) of paragraph 4, of the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report)(Amendment) Order, 2004 are not applicable in the case of the Company for the current year, since in our opinion there is no matter which arises to be reported in the aforesaid order.

For and on behalf of Lovelock & Lewes  
Chartered Accountants  
S. Gopalakrishnan  
Partner

Hyderabad, April 17, 2007

Membership No. 18863

**BALANCE SHEET AS AT 31ST MARCH, 2007**

	Schedule	As at 31st March, 2007 (Rs. lakhs)	As at 31st March, 2006 (Rs. lakhs)
<b>I. SOURCES OF FUNDS</b>			
<b>1. Shareholders' Funds</b>			
Capital	1	2000.00	2000.00
<b>2. Loan Funds</b>			
Unsecured Loans	2	5039.11	5224.11
		<u>7039.11</u>	<u>7224.11</u>
<b>II. APPLICATION OF FUNDS</b>			
<b>1. Fixed Assets</b>	3		
(a) Gross Block		2977.53	2977.53
(b) Depreciation and Impairment		(1633.94)	(1630.69)
(c) Lease Terminal Adjustment		(416.11)	(416.11)
(d) Net Block		927.48	930.73
(e) Capital Work-in-Progress		281.73	281.73
(f) Provision for Doubtful Assets		(871.04)	(871.04)
		338.17	341.42
<b>2. Investments</b>	4	430.24	430.24
<b>3. Current Assets, Loans and Advances</b>			
(a) Stock-on-hire		670.17	940.15
Less : Provision for Doubtful Assets		510.36	733.14
		159.81	207.01
Less : Unmatured finance charges		159.81	207.01
(b) Stock-in-trade	5	0.01	0.01
(c) Sundry Debtors	6	—	—
(d) Cash and Bank Balances	7	51.65	134.46
(e) Loans and Advances	8	20.43	0.75
		<u>72.09</u>	<u>135.22</u>
<b>Less : Current Liabilities and Provisions</b>			
<b>Current Liabilities</b>	9	5.23	7.11
<b>Net Current Assets</b>		66.86	128.11
<b>4. Profit and Loss Account – Debit Balance</b>		6203.84	6324.34
		<u>7039.11</u>	<u>7224.11</u>

**Notes on Accounts**

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Schedules 1 to 9, 13 and Statement on Significant Accounting Policies form an integral part of the Balance Sheet. This is the Balance Sheet referred to in our Report of even date.

For and on behalf of Lovelock & Lewes  
Chartered Accountants  
S. Gopalakrishnan, Partner  
Secunderabad, 17th April, 2007

On behalf of the Board  
P. Dhobale Director  
P. K. Talwar Director  
T. R. Shankar Manager  
V. Radhakrishnan Company Secretary

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2007**

	Schedule	For the year ended 31st March, 2007 (Rs. lakhs)	For the year ended 31st March, 2006 (Rs. lakhs)
<b>INCOME</b>			
Other Income	10	142.47	169.23
		<u>142.47</u>	<u>169.23</u>
<b>EXPENDITURE</b>			
Personnel, Operating and Administration Expenses	11	18.68	33.17
Interest and Finance Charges	12	0.04	0.02
Depreciation and Impairment loss		3.25	61.72
		<u>21.97</u>	<u>94.91</u>
<b>PROFIT/(LOSS) BEFORE TAXATION</b>		120.50	74.32
Provision for Taxation		—	—
<b>PROFIT/(LOSS) AFTER TAXATION</b>		120.50	74.32
Surplus / (Deficit) Brought forward from previous year		(6324.34)	(6398.66)
<b>Surplus / (Deficit) Carried forward to Balance Sheet</b>		<u>(6203.84)</u>	<u>(6324.34)</u>
<b>Notes on Accounts</b>	13		
<b>Basic and Diluted Earnings Per Share (Rs.)</b>		0.60	0.37

Schedules 10 to 13 and Statement on Significant Accounting Policies form an integral part of the Profit and Loss Account. This is the Profit and Loss Account referred to in our Report of even date.

For and on behalf of Lovelock & Lewes  
Chartered Accountants  
S. Gopalakrishnan, Partner  
Secunderabad, 17th April, 2007

On behalf of the Board  
P. Dhobale Director  
P. K. Talwar Director  
T. R. Shankar Manager  
V. Radhakrishnan Company Secretary

**SCHEDULES TO THE FINANCIAL STATEMENTS**

	As at 31st March, 2007 (Rs. lakhs)	As at 31st March, 2006 (Rs. lakhs)	As at 31st March, 2006 (Rs. lakhs)	As at 31st March, 2006 (Rs. lakhs)
<b>1. CAPITAL</b>				
<b>AUTHORISED</b>				
3,00,00,000 Equity Shares of Rs. 10/- each	3000.00		3000.00	
10,00,000 Cumulative Redeemable / Convertible Preference Shares of Rs. 100/- each	<u>1000.00</u>	<u>4000.00</u>	<u>1000.00</u>	<u>4000.00</u>
<b>ISSUED AND SUBSCRIBED</b>				
2,00,00,000 Equity Shares of Rs. 10/- each fully paid-up in cash. (all the above Shares are held by the Holding Company, ITC Limited)		<u>2000.00</u>		<u>2000.00</u>
		<u>2000.00</u>		<u>2000.00</u>
<b>2. UNSECURED LOANS</b>				
Fixed Deposits unclaimed	—		1.99	
Less : Amount in Escrow Account	<u>—</u>	<u>—</u>	<u>1.99</u>	<u>—</u>
15,00,000 — 0% Non-Convertible Debentures of Rs. 100/- each issued to the Holding Company, and repayable on 1st April, 2009		<u>1500.00</u>		1500.00
Loans from Holding Company		<u>3539.11</u>		<u>3724.11</u>
		<u>5039.11</u>		<u>5224.11</u>

**3. FIXED ASSETS**

(Rs. lakhs)

	Gross Block (at cost)				Depreciation***				Lease Terminal Adjustment		Net Block	
	As at 31st March, 2006	Additions during the year	Deductions during the year	As at 31st March, 2007	As at 31st March, 2006	For the year	On withdrawals and adjustments	As at 31st March, 2007	As at 31st March, 2006	As at 31st March, 2007	As at 31st March, 2006	As at 31st March, 2006
	Buildings	1,08.59			1,08.59	65.41	2.16		67.57			41.02
Office Equipment	30.02			30.02	27.02	0.41		27.43			2.59	3.00
Furniture and Fixtures	1,48.05			1,48.05	1,48.05			1,48.05			—	—
Leasehold Improvement*	66.10			66.10	52.60	0.68		53.28			12.82	13.50
<b>LEASED ASSETS</b>												
Plant and Machinery	26,24.77			26,24.77	13,37.61			13,37.61	4,16.11	4,16.11	8,71.05	8,71.05
Total	29,77.53			29,77.53	16,30.69	3.25		16,33.94	4,16.11	4,16.11	9,27.48	9,30.73
Previous Year	34,39.59		4,62.06	29,77.53	18,07.84	61.72	2,38.87	16,30.69	4,93.21	4,16.11	9,30.73	

Capital Work-in-Progress\*\*

2,81.73 2,81.73

**Notes**

\* Leasehold Improvement represents the amount incurred on renovation of the premises of the wholly owned subsidiary, MRR Trading &amp; Investment Co. Ltd. which holds the tenancy rights.

\*\* Capital Work-in-Progress includes Rs. 281.73 lakhs (2006 : Rs. 281.73 lakhs) being value of property received towards settlement of dues pending registration.

\*\*\* Depreciation for the year and as at the year end include impairment loss as under :

	For the Year		As at	
	2006-07	2005-06	31.03.2007	31.03.2006
Buildings	—	—	32.01	32.01
Furniture and Fixtures	—	48.87	48.87	48.87
	—	48.87	80.88	80.88

	As at 31st March, 2007 (Rs. lakhs)	As at 31st March, 2006 (Rs. lakhs)	As at 31st March, 2007 (Rs. lakhs)	As at 31st March, 2006 (Rs. lakhs)
<b>4. INVESTMENTS</b>				
<b>Unquoted (At Cost)</b>				
<b>Long Term :</b>				
<b>Government/Trust Securities (other than trade)</b>				
National Savings Certificate fully paid (deposited with Government Authorities)	0.05		0.05	
Kisan Vikas Patra fully paid (deposited with Government Authorities)	<u>0.05</u>		<u>0.05</u>	
	<u>0.10</u>		<u>0.10</u>	
Less : Provision for doubtful investments	<u>0.10</u>		<u>0.10</u>	
<b>Trade Investments :</b>				
<b>Subsidiary Company</b>				
MRR Trading & Investment Company Limited	506.46		506.46	
50,000 Equity Shares of Rs. 10/- each fully paid				
Less : Diminution in value of investments	<u>(76.22)</u>	<u>430.24</u>	<u>(76.22)</u>	<u>430.24</u>
		<u>430.24</u>		<u>430.24</u>
<b>5. STOCK-IN-TRADE</b>				
(Valued at Cost or Market Value whichever is lower)				
Stock of Shares & Securities Quoted - Fully paid				
3 Equity Shares of Rs. 10/- each of Ultra Tech CemCo Limited.			0.01	0.01
Unquoted - Fully paid				
5,40,000 Optionally Fully Convertible Debentures of G Tech Ltd.			594.00	594.00
Less : Provision for erosion in value	<u>594.00</u>		<u>—</u>	<u>594.00</u>
			<u>0.01</u>	<u>0.01</u>
<b>6. SUNDRY DEBTORS</b>				
(Unsecured, considered doubtful)				
Over six months :				
Lease and hire purchase debtors			556.98	580.63
Trade debtors			<u>1055.56</u>	<u>1142.25</u>
			<u>1612.54</u>	<u>1722.88</u>
Less: Provision for doubtful debts			<u>1612.54</u>	<u>1722.88</u>
			<u>—</u>	<u>—</u>

	As at 31st March, 2007 (Rs. lakhs)	As at 31st March, 2006 (Rs. lakhs)	As at 31st March, 2006 (Rs. lakhs)
<b>7. CASH AND BANK BALANCES</b>			
Cash on hand	—		—
With Scheduled Banks			
on current accounts	51.65		134.36
on short term deposit	—		0.10
	<u>51.65</u>		<u>134.46</u>
<b>8. LOANS AND ADVANCES</b> (Unsecured, considered good)			
Dues from the Holding Company maximum amount due at any time during the year Rs. 5.19 lakhs (2006 - Rs. 8.48 lakhs)	5.19		0.75
Deposits with Government bodies	15.00		—
Other advances	0.24		—
	<u>20.43</u>		<u>0.75</u>
<b>9. CURRENT LIABILITIES</b>			
Sundry Creditors			
Due to Small Scale Industries	—		—
Others	—		1.48
	<u>—</u>		<u>1.48</u>
Other Liabilities	5.23		5.63
	<u>5.23</u>		<u>7.11</u>
	<b>For the year ended 31st March, 2007 (Rs. lakhs)</b>	<b>For the year ended 31st March, 2006 (Rs. lakhs)</b>	<b>For the year ended 31st March, 2006 (Rs. lakhs)</b>
<b>10. OTHER INCOME</b>			
Provision no longer required written back	120.84		138.62
Other Income	21.63		30.61
	<u>142.47</u>		<u>169.23</u>
<b>11. PERSONNEL, OPERATING AND ADMINISTRATION EXPENSES</b>			
Provision for doubtful investments/deposits	—		0.20
Professional Charges	5.14		17.57
Legal Expenses	10.72		10.08
Remuneration to Auditors :			
Audit Fee	0.86		0.86
Other services	0.26	1.12	0.28
Miscellaneous [includes Rs. 1.30 lakhs (2006 - Rs. 1.41 lakhs) paid towards reimbursement of expenses incurred by the Subsidiary Company]	1.70		4.18
	<u>18.68</u>		<u>33.17</u>
<b>12. INTEREST AND FINANCE CHARGES</b>			
Bank / Other financial charges	0.04		0.02
	<u>0.04</u>		<u>0.02</u>

**13. NOTES ON ACCOUNTS**

- The financial statements have been prepared on a going concern basis. While there has been a business disruption due to problems prevailing in the Non-Banking Finance Industry, the Company continued recovery of its dues in the normal course of business. The Company will examine options for further business opportunities, on improvement of collections from debtors. No provision has been made for Income Tax during the current financial year as there would be no Income Tax liability.
- Claims against the Company not acknowledged as debts represents lease tax on account of non-accrual of lease rental (as per Reserve Bank of India guidelines on Non Performing Assets) Rs. 34.63 lakhs (2006 – Rs. 34.63 lakhs) and with respect to Income Tax matters Rs. 45.12 lakhs (2006 – Rs. Nil).
- The Company has initiated legal proceedings against various parties for recovery of dues and such legal proceedings are at different stages as at the date of the Balance Sheet and upon culmination, are expected to result in recovery of part of the dues in the future.
- The Company has not recognized the net deferred tax assets, in respect of accumulated losses and unabsorbed depreciation in view of the uncertainty of availing the benefit in future.
- The earnings considered in ascertaining the Company's Earnings Per Share (EPS) comprise net profit / (loss) after taxation. The number of shares used in computing basic and diluted EPS is the weighted average number of shares outstanding during the year.

	2006-2007	2005-2006
Profit / (loss) after taxation (Rs. lakhs)	120.50	74.32
Weighted average number of equity shares outstanding	2,00,00,000	2,00,00,000
Basic and diluted earnings per share in rupees (face value – Rs.10/- per share)	0.60	0.37

- Information with regard to matters in clauses 3, 4(A), 4(C) and 4(D) of part II of Schedule VI of the Companies Act, 1956 to the extent that they are either Nil or not applicable to the Company, have not been given.
- Segment Reporting – The Company operates in a single business segment, and hence no further disclosure is being made.

**8. RELATED PARTIES DISCLOSURES :**
**a) Relationships :**

Holding Company - ITC Limited

Subsidiary Company – MRR Trading &amp; Investment Company Limited

Key Management Personnel –

Mr. P. Dhobale – Non-Executive Director

Mr. P. K. Talwar – Non-Executive Director

Mr. J. Singh – Non-Executive Director

Mr. T. R. Shankar – Manager

Mr. V. Radhakrishnan – Company Secretary

**b) Disclosure of transactions between the Company and related parties and the status of outstanding balances as at the year end :-**

Particulars	2006-07 (Rs. Lakhs)	2005-06 (Rs. Lakhs)
<b>Holding Company</b>		
Contribution towards office improvement	21.60	21.60
Repayment of unsecured loan	185.00	—
<b>Balance as at the year end</b>		
Receivables	5.19	0.75
0 % Non-Convertible Debentures	1500.00	1500.00
Loans from Holding Company	3539.11	3724.11
<b>Subsidiary Company</b>		
Re-imburement of expenses	1.30	1.41
<b>Balance as at the year end</b>		
Payables	0.11	0.33

- Previous year's figures have been regrouped wherever necessary to conform to the current year's classification.





	(Rs. In Lakhs)		(Rs. In Lakhs)		
	Amount Outstanding		Amount net of Provisions		
(ii) Stock on hire including hire charges under sundry debtors :		<b>6. Borrower group-wise classification of all leased assets, stock-on-hire and loans and advances:</b>			
(a) Assets on hire	766.60	Category	Secured	Unsecured	Total
Less : Provision for doubtful debts/assets	(606.79)	1. Related parties **			
Less : Unmatured Finance Charges	(159.81)	(a) Subsidiaries	Nil	Nil	Nil
(iii) Hypothecation loans counting towards EL/HP activities		(b) Companies in the same group	Nil	Nil	Nil
(a) Loans where assets have been repossessed		(c) Other related parties	Nil	5.19	5.19
(b) Loans other than (a) above		2. Other than related parties	Nil	Nil	Nil
<b>5. Break-up of Investments :</b>		TOTAL	Nil	5.19	5.19
Current Investments:		<b>7. Investor group-wise classification of all investments (current and long term) in shares and securities (both quoted and unquoted) :</b>			
1. <b>Quoted :</b>		Category	Market Value/Break-up or Fair Value or NAV	Book Value (Net of provisions)	
(i) Shares: (a) Equity		1. Related parties **			
(b) Preference		(a) Subsidiaries	430.24	430.24	
(ii) Debentures and Bonds		(b) Companies in the same group			
(iii) Units of Mutual Funds		(c) Other related parties			
(iv) Government Securities		2. Other than related parties			
(v) Others		TOTAL	430.24	430.24	
2. <b>Unquoted :</b>		** As per Accounting Standard of ICAI			
(i) Shares: (a) Equity		<b>8. Other information</b>			
Less: Provision for diminution in value		<b>Particulars</b>			
(b) Preference		(i) Gross Non-Performing Assets			
(ii) Debentures and Bonds		(a) Related parties			
Less: Provision for diminution in value		(b) Other than related parties			4907.48
(iii) Units of Mutual Funds		(ii) Net Non-Performing Assets			
(iv) Government Securities		(a) Related parties			Nil
(v) Others		(b) Other than related parties			Nil
Long Term Investments:		(iii) Fixed assets acquired in satisfaction of debt			390.32
1. <b>Quoted :</b>					
(i) Shares : (a) Equity					
(b) Preference					
(ii) Debentures and Bonds (OFCD)					
(iii) Units of Mutual Funds					
(iv) Government Securities					
(v) Others					
2. <b>Unquoted :</b>					
(i) Shares : (a) Equity					
(b) Preference					
(ii) Debentures and Bonds (OFCD)					
(iii) Units of Mutual Funds					
(iv) Government Securities					
(v) Others - Investment in subsidiary Company	430.24				