



SMIFS CAPITAL MARKETS LIMITED

Board of Directors

Mr. Utsav Parekh, Executive Chairman

Mr. Ajay Kumar Kayan, Director

Mr. Ramesh Maheshwari, Director

Mr. Chandranath Mukherjee, Director

Mr. Santosh Kumar Mukherjee, Director

Mr. Kishor Shah, Whole-Time Director

Company Secretary cum Vice President (Legal)

Mr. Saibal Chandra Pal

Auditors

M/s. J.S. Vanzara & Associates,

Chartered Accountants

Bankers

HDFC Bank Ltd.

State Bank of India

AXIS Bank Ltd.

The Federal Bank Ltd.

Registered Office

"Vaibhav" 4F, 4, Lee Road,

Kolkata - 700 020

DIRECTORS' REPORT

TO THE MEMBERS,

Your Directors submit the Annual Report of the company together with the audited statement of accounts for the year ended March 31, 2008.

1(a). FINANCIAL HIGHLIGHTS

(Rupees in million)

	Year ended 31.03.2008	Year ended 31.03.2007
Profit / (Loss) before Interest, Depreciation & Tax	45.24	94.54
Less: Interest	2.86	6.99
Profit / (Loss) before Depreciation & Tax	42.38	87.55
Less: Depreciation	2.71	6.02
Profit / (Loss) before Tax	39.67	81.53
Less: Provision for Tax – current / earlier years	4.52	8.23
Less : Deferred tax for the year	(26.35)	(29.70)
Less: Fringe Benefit Tax	0.48	0.44
Profit / (Loss) after Tax	61.02	102.56
Profit / (Loss) Account brought forward from earlier year	57.88	(34.95)
Profit available for Appropriation	118.90	67.61
Proposed Dividend including Dividend Tax	6.54	6.53
Transfer to General Reserve	5.00	3.20
Profit / (Loss) carried to Balance Sheet	107.36	57.88

The operating profit (PBDIT) of the company was Rs.45.24 million during the year as compared to Rs.94.54 million in the previous year. Net Profit for the year was Rs. 39.67 million as compared to Rs. 81.53 million in the previous year. An amount of Rs. 5.00 million was transferred to the General Reserve during the year as against Rs. 3.20 million in the previous year.

The company's net worth as on March 31, 2008 stood at Rs. 651.94 million as against Rs. 597.46 million in the previous year. The company's debt at the beginning of the year stood at Rs. 56.66 million which stands reduced to Rs.39.07 million at the end of the year.

(b). CAPITAL

The paid up capital of the company as at March 31, 2008 stood at Rs. 5,58,50,000/- divided into 55,85,000 equity shares of Rs. 10/- each.

Your company is desirous of implementing a Stock Option Scheme for the employees as per the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 read with the applicable provisions of the Companies Act, 1956 and has accordingly proposed a special resolution at the ensuing Annual General Meeting of the company.

(c). DIVIDEND

Your Directors have recommended a dividend of Re. 1/- i. e. 10 per cent (previous year 10 per cent) per equity share on 55,85,000 equity shares of Rs. 10/- each, for the financial year ended March 31, 2008, which, if approved at the ensuing Annual General Meeting, will be paid to (i) all those members whose names appear in the Register of Members of the company after giving effect to all valid share transfers in physical form lodged with the Company before September 16, 2008 and (ii) to those members whose

names appear as beneficial owners, as furnished by the depositories namely. National Securities Depository Limited and Central Depository Services (India) Limited **for the purpose.**

(d). MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION

Management Discussion and Analysis of financial condition and results of operations of the Company for the year under review as required under clause 49 of the listing agreement with the Stock Exchanges, is included under the section of Corporate Governance elsewhere in the Annual Report.

2. SUBSIDIARY COMPANY

As on 31.03.2008 the Company had one wholly-owned subsidiary Company namely, SMIFS Capital Services Limited. The Statement under Section 212 of the Companies Act, 1956 in respect of the subsidiary company is attached.

3. YEAR IN RETROSPECT AND FUTURE GROWTH

Your Company is registered with the Securities and Exchange Board of India (SEBI) as a Category I Merchant Banker and Underwriter and undertook activities related to the securities market.

The growth of Indian economy has slowed down in the current year and the GDP growth is expected to be around 7% for the year 2008-2009 which is below the three year's average of 8.8%. The unprecedented increase in the prices of crude oil, petro products and agricultural products have started having its effect on the economy. Inflation for the week ended June 7, 2008 reached as high as 11.05%(year on year). Reserve Bank of India has already taken measures to tighten money supply and has increased the Repo rate to contain inflation. Meanwhile Foreign Institutional Investors continue to sell in the Indian market and have so far sold over US\$ 5.6 billion worth of Indian stocks as against having bought stocks of US\$ 51 billion between the beginning of the year 2003 and the end of the year 2007. Indian Rupee also weakened against the US \$ by 5% due to impact of high oil prices and FII outflows. BSE Sensex witnessed a downward slide since the month of January, 2008 after the sensex reached a high of 20873.33 on 8th January, 2008. In view of the above factors, it is expected that the current year will be a difficult and challenging year.

Your company is continuing to focus mainly in the areas of Mergers and Acquisitions, Loan Syndication, Corporate Advisory Services, Capital Market operations and Private Placement of Shares and continues to remain focused on these activities.

Your company proposes to combine its existing activities with the activities in the real estate sector by inclusion of the same under Clause III-C being 'Other Object for which the company is established' of the Memorandum of Association detail of which are included in the special resolution proposed to be passed in the ensuing Annual General Meeting, by postal ballot under section 192A of the Companies Act,1956.

4. PUBLIC DEPOSITS

Your Company discontinued acceptance of Public Deposits w.e.f. July 15, 1997 and complied with the rules applicable thereto. All fixed deposits have matured and have been repaid except an amount of Rs.1.48 lacs (previous year Rs. 1.48 lacs) which is lying against the matured but unclaimed amount of deposits. Pursuant to Section 205C of the Companies Act, 1956 unclaimed matured deposits on the expiry of seven years after maturity and lying unclaimed are deposited with the Investor Education and Protection Fund (IEPF) established by the Central Government.

5. LISTING OF SECURITIES OF THE COMPANY

The equity shares of your Company continue to be listed on the Stock Exchanges at Kolkata and Mumbai and the listing fees for the year 2008-09 have been paid.

The Equity Shares of the Company were compulsorily dematerialized with effect from December 26, 2000.

6. DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement under section 217(2AA) of the Companies Act, 1956 with respect to Directors' Responsibility Statement, it is hereby confirmed that:

- (i) in the preparation of the accounts for the financial year ended March 31,2008, the applicable accounting standards have been followed and that there are no material departures;
- (ii) the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at March 31,2008,and of the profit of the Company for the year ended on that date;
- (iii) the Directors have 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; and
- (iv) the Directors have prepared the annual accounts of the company on a 'going concern' basis.

7. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

The particulars required under Section 217(1)(e) of the Act, read with the Companies (Disclosure of particulars in the Report of the Board of Directors) Rules, 1988, under the heads (a) conservation of energy; and (b) technology absorption, are not applicable to the Company.

During the year there was no foreign exchange earning (previous year `nil'). Foreign Exchange outgo during the year aggregated to Rs. 0.68 million (previous year Rs. 0.74 million).

8. DIRECTORS

In the previous Annual General Meeting held on September 29, 2007, the appointment of Mr Ajay Kumar Kayan as director was confirmed.

Mr Utsav Parekh was appointed Executive Chairman w.e.f October 1, 2007 for a period of three years on the special resolution being passed in the previous Annual General Meeting held on September 29, 2007.

Mr Ramesh Maheshwari, Director retires by rotation in accordance with the requirement of the Companies Act, 1956 and Articles of Association of the Company and being eligible has offered himself for re-appointment.

The composition of the Board of Directors of the company fulfills the criteria fixed by clause 49 of the listing agreement with 50% of the Directors being independent directors. The Board is composed of six members with three Independent Directors, one Executive Chairman, one Whole-Time Director and one Non-Executive Non-Independent Director.

9. AUDITORS

M/s. J. S. Vanzara & Associates, Chartered Accountants, who are the statutory auditors of the company hold office, in accordance with the provisions of the Companies Act, 1956 upto the conclusion of the forthcoming Annual General Meeting and are eligible for re-appointment.

The Company received letter form M/s J.S. Vanzara & Associates, Chartered Accountants, to the effect that their appointment, if made, would be within the prescribed limits under section 224(1B) of the Companies Act,1956 and that they are not disqualified for such appointment within the meaning of section 226 of the Companies Act,1956.

10. AUDITORS' QUALIFICATION

The qualifications in the Auditors' Report have been dealt with in the Notes to Accounts and are self-explanatory.

11. PARTICULARS OF EMPLOYEES

Your Directors wish to acknowledge the support and valuable contribution made by the employees at all levels.

Particulars of employees as required under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 (as amended) are given in a separate annexure attached hereto and forms part of this report.

12. ACKNOWLEDGEMENTS

Your Directors express their sincere appreciation of the co-operation and assistance received from the shareholders, bankers, regulatory bodies and other business constituents during the year under review.

On behalf of the Board of Directors

(KISHOR SHAH)

(CHANDRANATH MUKHERJEE)

WHOLE-TIME DIRECTOR

DIRECTOR

Regd. Office: 'Vaibhav' 4F, 4 Lee Road,
Kolkata - 700 020

The 20th day of June, 2008

ANNEXURE TO DIRECTORS' REPORT

1. MANAGEMENT DISCUSSION AND ANALYSIS

Your Company is registered with the Securities and Exchange Board of India (SEBI) as Category I Merchant Banker and Underwriter and continued to undertake activities related to the securities market. The financial statements are in compliance with the requirements of the Companies Act, 1956 and the Accounting Standards. Readers are cautioned that this discussion may contain "forward-looking statements" that are not historical in nature. Such statements may include statements relating to future results, financial condition, business prospects, plans and objectives. They are based on the current beliefs, assumptions, expectations, estimates and projections about the sector of business in which the Company is engaged. The statements do not guarantee of future performance and are exposed to uncertainties, many of which are beyond the control of your company. Uncertainty could cause results to differ materially from the forward-looking statements. Such statements should not be construed, as representation of the future performance.

2. MACRO-ECONOMIC OVERVIEW

The Financial Year 2007 – 2008 was yet another challenging year for your Company having experienced a turbulent capital market.

The growth of Indian economy has slowed down in the current year and the GDP growth is expected to be around 7% for the year 2008-2009 which is below the three year's average of 8.8%. The unprecedented increase in the prices of crude oil above US \$130 per barrel has started having its effect on the economy as India imports substantial portion of its requirement of oil. Inflation for the week ended June 7, 2008 reached as high as 11.05%(year on year) and is expected to increase further in the near term. Reserve Bank of India has already taken measures to tighten money supply and has increased both the CRR and the Repo rate to contain inflation. (It is also expected that the Reserve Bank of India will resort to further tightening of money supply and increase repo rate further to contain inflation.) Meanwhile Foreign Institutional Investors continue to sell in the Indian market and have so far sold over US\$ 5.6 billion worth of Indian stocks as against having bought stocks of US\$ 51 billion between the beginning of the year 2003 and the end of the year 2007. Indian Rupee also weakened against the US \$ by 5% due to impact of high oil prices and FII outflows. BSE Sensex witnessed a downward slide since the month of January, 2008 after the sensex reached a high of 20873.33 on 8th January, 2008. The growth rate in corporate earnings is expected to come down and the corporate earnings are expected to grow by around 15% to 17% in the current year.

3. INDUSTRY DEVELOPMENT

In view of the above factors, activities have reduced considerably in the financial services industry and volumes have also dropped significantly in the stock markets.

4. BUSINESS OPPORTUNITIES AND THREATS

4.1. *Business Opportunities*

Many large corporates have announced investment plans and it is expected that atleast some will tap the capital market resulting in opportunities for investment bankers and capital market intermediaries.

4.2. Threats

Most of the competitors of your Company have international affiliations or are a part of large global network. To compete successfully, it may become necessary for your Company also to look for such an alliance.

5. OUTLOOK

The global economy is facing recession particularly due to the recession in the US market owing to the sub prime crisis. Surging oil prices are also likely to dampen growth in the importing countries and likely to accelerate the inflation rate.

Infrastructure development is slated to continue and should gradually unshackle the Indian economy from supply constraints. Twin roles of funding investment and distributing its benefits widely will be played by Indian financial services sector.

The Stock Markets are currently attractively valued at approx 13 times 2008-2009 and any further decline will make the valuation of shares attractive for investment. Stock Markets may also rebound if oil prices come down to levels of US \$100 to US \$110 per barrel.

Your Company is executing assignments in the areas of resource mobilization, corporate advisory services, capital market operations. However, it is expected that the current year will be both difficult and challenging. Your Company views real estate development as an attractive opportunity of growth in the medium to long term and subject to the approval by the shareholders in the ensuing general meeting proposes to exploit the same.

6. INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

Internal control systems are aimed at promoting operational efficiencies while emphasizing adherence to the policies adopted by the Board of Directors.

7. CAUTIONARY STATEMENT

Statements in the Management Discussion and Analysis describing your Company's position and expectations may be "forward looking statements" within the meaning of applicable securities laws and regulations. Actual results may differ materially from those expressed or implied.

On behalf of the Board of Directors

(KISHOR SHAH)

(CHANDRANATH MUKHERJEE)

WHOLE-TIME DIRECTOR

DIRECTOR

Regd. Office: 'Vaibhav' 4F, 4 Lee Road,
Kolkata - 700 020
The 20th day of June, 2008

ANNEXURE TO DIRECTORS' REPORT

CORPORATE GOVERNANCE REPORT FOR THE YEAR 2007-08

(As required under Clause 49 of the Listing agreement entered into with the Stock Exchanges)

The Company believes that sound ethical practices, transparency in operations and timely disclosures go a long way in enhancing the long-term shareholder value while safeguarding the interest of all the stakeholders. The Board has developed corporate governance guidelines to help in fulfilling the corporate responsibility to various stakeholders.

I. Company's philosophy on Code of Governance

Your Company has implemented and is continuously improving the Corporate Governance procedures with the objective of fulfilling expectation of the shareholders and Company's social commitments through transparency, disclosures, accountability, compliances, ethical code, stakeholders' interests. Governance practices go beyond statutory and regulatory requirements. Your company is committed to follow the spirit of good governance than mere compliance with the conditions specified by regulatory authorities.

II. Compliance with clause 49 of the Listing Agreement

Your Company is fully compliant with the mandatory requirements of clause 49 of the listing agreement formulated by SEBI.

Your Board present report on compliance of governance conditions specified in clause 49.

III. Board of Directors

As on March 31, 2008 the Board of Directors of your company comprised of 6 Directors out of which 3 were Non-Executive Independent Directors and 1 was Non-Executive Non-Independent Director. Composition of the Board of your Company is in conformity with Clause 49 (as amended) of the Listing Agreement entered into with Stock Exchanges by having fifty per cent independent directors. Mr Ajay Kumar Kayan was appointed Director in the Annual General Meeting held on September 29, 2007. Composition of the Board of the company is given below:

Category	Particulars of Directors
Non-Executive-Independent Directors	Mr Ramesh Maheshwari Mr. Chandranath Mukherjee Mr. Santosh Kumar Mukherjee
Non-Executive –Non-Independent Director	Mr Ajay Kumar Kayan
Executive Non-Independent Directors	Mr. Utsav Parekh, Executive Chairman (w.e.f. 01/10/2007) Mr. Kishor Shah, Whole-Time Director

A special resolution was passed at the Annual General Meeting held on September 29, 2007 appointing Mr. Utsav Parekh as Executive Chairman.

None of the Directors on the Board are the member of more than 10 committees and Chairman of more than 5 Committees across all companies in which they are Directors. Necessary disclosures regarding Committee position in other public companies as on March 31, 2008 have been made by the Directors.

The Board members are responsible for the management of the business. The Board's role, functions, responsibility and accountability are clearly defined. In addition to its primary role of monitoring corporate performance, the functions of the Board include:

- (a) approving corporate philosophy and vision;
- (b) formulation of strategic and business plans;
- (c) reviewing and approving financial plans and budgets;
- (d) monitoring corporate performance against strategic and business plans, including overseeing operations;
- (e) ensuring ethical behavior and compliance with laws and regulations;
- (f) reviewing and approving borrowing limits;
- (g) formulating exposure limits; and
- (h) keeping shareholders informed regarding plans, strategies and performance.

Name and category of Directors on the Board, their attendance at Board Meetings held during the year and the number of their Directorship and Committee Chairmanship / Memberships held by them in other companies is given below. Other Directorship do not include alternate Directorship, Directorships of Private Limited Companies, Section 25 companies and of companies incorporated outside India. Chairmanship / Membership of Board Committees include only Audit and Shareholders / Investors Grievance Committees.

Name of the Director	Category	Year 2007 – 08 Attendance at Board Meetings	Year 2006 - 07 Attendance at last AGM	No. of outside Directorships	No of other Board Committees of which he is a member	No of other Board Committees of which he is a Chairman
Utsav Parekh – Executive Chairman	Promoter - Executive	4	No	12**	5	3
Ramesh Maheshwari	Independent	4	No	5***	2	1
Chandranath Mukherjee	Independent	4	Yes	1	1	1
Santosh Kumar Mukherjee	Independent	4	Yes	2	--	2
Ajay Kumar Kayan	Non-Independent	3	No	2	--	--
Kishor Shah	Whole-Time Director	4	Yes	2	1	1

**Chairman of 2 other Companies.

***Chairman of 1 Company.

Board Meetings

Four Board Meetings were held during the year and the gap between two meetings did not exceed four months. The dates on which the Board Meetings were held in each quarter are as follows:

Quarter	Date of Meetings
First	June 30, 2007
Second	July 30, 2007
Third	October 31, 2007
Fourth	January 31, 2008

IV. Audit Committee

- (i) Audit Committee of the Company is constituted in line with the provisions of Clause 49 of the Listing Agreement with the Stock Exchanges read with Section 292A of the Companies Act, 1956.
- (ii) Audit Committee has been vested with the following powers:
- a. To investigate any activity within its terms of reference.
 - b. To seek information from any employee.
 - c. To obtain outside legal or other professional advice.
 - d. To secure attendance of outsiders with relevant expertise, if it considers necessary.
- (iii) The terms of reference of the Audit Committee are broadly as under:
- a. Overview of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statements reflect a true and fair position and that sufficient and credible information disclosed.
 - b. Recommending the appointment and removal of external auditor, fixation of audit fee and also approval for payment for any other services.
 - c. Reviewing the financial statements, draft audit report, including quarterly / half yearly financial information.
 - d. Reviewing with management the annual financial statements before submission to the Board, focusing primarily on:
 - 1) any change in accounting policies and practices;
 - 2) major accounting entries based on exercise of judgment by management;
 - 3) qualifications in draft audit report;
 - 4) significant adjustments arising out of audit;
 - 5) the going concern assumption;
 - 6) compliance with accounting standards;
 - 7) compliance with stock exchange and legal requirements concerning financial statements;
 - 8) any related party transaction i.e. transaction of the Company of material nature with promoters or the management, their subsidiaries or relatives etc., that may have potential conflict with the interest of Company at large.
 - e. Review of the Company's financial reporting process, the financial statements and financial / risk management policies.
 - f. Review of the adequacy of the internal control systems and functioning of the internal audit team.
 - g. Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
 - h. Discussion with the management and the external auditors, the audit plan for the financial year and joint post-audit review of the same.
 - i. To look into the reasons for substantial defaults in the payment to the depositors, debenture-holders, shareholders (in case of non payment of declared dividends) and creditors.
- (iv) Audit Committee meetings are held at the registered office of the company and are usually attended by the Director in Charge of Finance, Chief Financial Officer, representatives of the Statutory Auditors and representatives of the Internal Auditors. The Company Secretary of the company acts as Secretary of the Audit Committee.
- (v) The composition of the Audit Committee and particulars of meetings attended by the members of the Audit Committee are given below:

Name	Category	No. of Meetings
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		during the year 2007-08	
		Held	Attended
Mr. Chandranath Mukherjee- <i>Chairman</i>	Independent, Non-Executive	5	4
Mr. Santosh Kumar Mukherjee	Independent, Non-Executive	5	5
Mr. Utsav Parekh	Non-Independent, Non-Executive	5	5

- (v) Five Audit Committee meetings were held during the year. The dates on which the said meetings were held in each quarter are as follows:

Quarter	Date of Meetings
First	May 5, 2007
Second	June 30, 2007
Third	July 30, 2007
Fourth	October 31, 2007
Fifth	January 31, 2008

V. Remuneration Committee

- (i) The company has constituted a Remuneration Committee of Directors.
- (ii) The broad terms of reference of the Remuneration Committee are as follows:
- To approve the Annual Remuneration Plan of the company.
 - To approve the remuneration payable to Whole-Time Director for each financial year;
 - Enhancement of sitting fees payable to Directors.
 - Such other matters as the Board may from time to time request the Remuneration Committee to examine and recommend / approve.
- (iii) The composition of the Remuneration Committee and the details of meetings attended by the members of the Remuneration Committee are given below:

Name	Category	No. of Meetings during the year 2007-08	
		Held	Attended
Mr. Ramesh Maheshwari - Chairman	Independent, Non-Executive	1	1
Mr. Chandranath Mukherjee	Independent, Non-Executive	1	1
Mr. Santosh Kumar Mukherjee	Independent, Non-Executive	1	1

- (iv) One meeting of the Remuneration Committee was held during the year on June 30, 2007.
- (v) A Stock Option Scheme is proposed to be approved by the shareholder by a special resolution in the ensuing Annual General Meeting.
- (vi) Details of Remuneration for the year ended March 31, 2008

a) Non-Executive Directors:

Name	No. of Board Meetings Attended	Sitting Fees for Board Meeting (RS.)	No. of Audit Committee Meetings Attended	Sitting Fees for Committee Meeting	No. of Remuneration Committee Meetings Attended	Sitting Fees for Committee Meeting	Commission	Total (Rs.)
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				(RS.)		(RS.)		
Mr. Utsav Parekh*	4	5,000	5	3,000	NA	NA	Nil	8,000
Mr. Ramesh Maheshwari	4	20,000	NA	NA	1	1,000	Nil	21,000
Mr. Chandranath Mukherjee	4	20,000	5	5,000	1	1,000	Nil	26,000
Mr. Santosh Kumar Mukherjee	4	20,000	5	5,000	1	1,000	Nil	26,000
Mr. Ajay Kumar Kayan	3	17,500	NA	NA	NA	NA	Nil	17,500

*Mr Utsav Parekh was Non-Executive Chairman of the company upto September 30, 2007. He has been appointed as the Executive Chairman of the company at the Annual General Meeting held on September 29, 2007 w.e.f 1.10.2007.

Sitting fee paid pursuant to Section 310 of the Companies Act, 1956 read with Clause 49 I(B) of the Listing Agreement, to Non-Executive Directors was increased from Rs 2500/- to Rs 7500/- per Board Meeting in the Annual General Meeting held on September 29, 2007. Fee of Rs. 1000/- paid for each committee meeting (e.g. remuneration, audit and shareholders grievance) remained unchanged.

b). Executive Chairman and Whole-Time Director

Managerial remuneration paid to Mr Utsav Parekh, Executive Chairman and Mr Kishor Shah, Whole-Time Director pursuant to section 269 of the Companies Act, 1956 read with Schedule XIII Part II, Section II (B) to the Companies Act, 1956 is given as under:

NAME	Salary, Benefits, Perquisites & Allowances	Commission	Stock Options
1. Mr Utsav Parekh	(1363000/- Including employer's P.F.Contribution)	NIL	NIL
2. Mr. Kishor Shah	(2353728/- Including employer's P.F. Contribution)		

Period of contract of the Executive Chairman and Whole-Time director is 3 years effective from 1st October,2007 and April 1, 2006 respectively.

VI. Shareholders / Investors Grievance Committee

- The company has constituted a Shareholders / Investors Grievance Committee of Directors to look into the redressal of complaints of investors such as transfer or credit of shares to demat accounts, non-receipt of dividend / notices / annual reports, etc.
- The Shareholders / Investors Grievance Committee consist of 3 Directors of which 2 are Non-Executive. The Chairman is Non-executive.
- One meeting of Shareholders / Investors Grievance Committee Meeting was held during the year on September 26, 2007.

VII. Share Transfer Committee

- The company has constituted a Share Transfer Committee to look into the requests received for transfers, split, consolidation as well as issue of duplicate share certificates and completes the process and dispatches of the certificates, well within the stipulated time.
- The Share Transfer Committee comprises of Mr. Utsav Parekh, Mr. Santosh Kumar Mukherjee and Mr. Kishor Shah.
- Share Transfer Committee meetings were held from time to time to give effect to the transfer of shares.

- (iv) The Share Transfer Committee is prompt in dealing with all the requests received relating to transfer of shares and other related matters.

VIII. Committee of Directors

In addition to the above committees, the Board has constituted the Committee of Directors which considers matters of extreme urgent nature. The Committee comprises of Mr. Utsav Parekh, Mr. Santosh Kumar Mukherjee, Mr. Ajay Kumar Kayan and Mr. Kishor Shah.

IX. General Body Meetings

a) Location and time of general meetings held in the last 3 years:

YEAR	TYPE	DATE	VENUE	TIME
2006-07	AGM	29.09.2007	Registered Office: Vaibhav (4F), 4 Lee Road, Kolkata – 700 020.	10.00 A.M.
2005-06	AGM	16.09.2006	Registered Office: Vaibhav (4F), 4 Lee Road, Kolkata – 700 020.	10.00 A.M.
2004-05	AGM	24.09.2005	Registered Office: Vaibhav (4F), 4 Lee Road, Kolkata – 700 020.	10.30 A.M.

b) Special Resolutions:

At the Annual General Meeting of the company held on September 24, 2005 Special Resolutions were passed for (i) Increase of Sitting Fee, (ii) Renewal of Corporate Guarantee – Herbicure Private Limited, (iii) Renewal of Corporate Guarantee – SMIFS Securities Limited and (iv) Loan Facility to Consolidated Fibres and Chemicals Limited. All the resolutions were passed with requisite majority. The items nos. (ii) and (iii) were passed by postal ballot and the Companies (Postal Ballot) Rules, 2001 was complied.

At the Annual General Meeting of the company held on September 16, 2006 Special Resolutions were passed for (i) Re-Appointment of Mr. Kishor Shah, as Whole-Time Director and (ii) Issue of Shares on Right Basis. All the resolutions were passed with requisite majority. However, the company dropped the issue of share on right basis.

At the Annual General Meeting of the company held on September 16, 2006 Special Resolutions were passed for (i) Appointment of Mr. Utsav Parekh as Executive Chairman and (ii) Increase of Sitting Fee paid to Directors for attending Board Meeting. All the resolutions were passed with requisite majority.

No item of business, which required the members' approval through postal ballot, was transacted during 2006-07. Accordingly, the Companies (Postal Ballot) Rules 2001 was not applicable to the Company during the said year.

At the forthcoming Annual General Meeting the company proposes to pass following Special Resolution through postal ballot for (i) amendment of 'Clause III-C' being 'Other Objects for which the company is established' of the Memorandum of Association of the company, (ii) authority to commence and undertake business specified in sub-clause 27) of Clause III-C being 'Other Objects for which the company is established'. Mr. Mukesh Chaturvedi, Practicing Company Secretary has given his consent to act as the Scrutinizer for the postal ballot process.

X. Disclosure by the Management to the Board

The management made disclosures to the Board with regard to all material, financial and commercial transactions where they had personal interest and which may have had potential conflict with the interest of the Company at large:

- (a) Related party transactions viz. Promoters, Directors or the Management, their subsidiaries or relatives have been stated in Clause 13 of the Notes to Accounts in Schedule M.
- (b) There were no significant instance of non-compliance on any matter related to the capital market, during the last three years.

XI. Subsidiary Company

The company has one wholly-owned subsidiary company, SMIFS Capital Services Limited. Two independent directors on the Board of the company are the directors on the Board of the subsidiary company. The audit committee of the company reviews the financial statements in each meeting. Minutes of the Board meetings of the subsidiary are placed at the Board meetings and significant transactions, arrangements are placed at the Board meetings of your company at regular intervals.

XII. Compliance Certificate

Compliance Certificate for Corporate Governance from Auditors of the Company is annexed herewith.

XIII. Means of communication

Half-yearly report sent to each household of shareholders	:	Financial results of the Company are published in national dailies.
Quarterly and half-yearly results	:	i) First Quarter ended June 30, 2007, unaudited results published in The Financial Express (English) and Arthik Lipi (Bengali) on August 1, 2007.
		ii) Second Quarter and half yearly results ended September 30, 2007 published in The Financial

	Express (English) and Arthik Lipi (Bengali) on November 2, 2007.
	iii) Third Quarter ended December 31, 2007 unaudited results published in The Financial Express (English) and Arthik Lipi(Bengali) on February 2, 2008.
	iv) Fourth Quarter ended March 31, 2008 audited results published in The Financial Express (English) and Arthik Lipi (Bengali) on June 22, 2008.
Newspapers in which results are normally published :	The Financial Express (English), Arthik Lipi (Bengali).
Any website, where displayed :	The results are displayed on the company's website at www.smifscap.com
Whether it also displays official news releases :	Yes. The web site also displays the official news releases.
Management's Discussions & Analysis forms part of this annual report :	Yes

XIV. General Shareholder's Information

(i) <u>Annual General Meeting</u>	
Date	: September 27, 2008
Time	: At 10:00 A.M.
Venue	: At the Registered office at 'Vaibhav' (4F), 4 Lee Road, Kolkata – 700 020
(ii) <u>Financial Calendar</u>	: April to March
(iii) <u>Key Financial Reporting Dates for the Financial Year (FY) 2007-08.</u>	:
1. Unaudited results for the quarter ended June 30, 2007	On July 30, 2007
2. Unaudited results for the second quarter/half year ended Sept 30, 2007	On October 31, 2007
3. Unaudited results for the quarter ended Dec 31, 2007	On January 31, 2008
4. Audited results for the year ending March 31, 2008	On June 20, 2008
(iv) <u>Dividend Payment date</u>	: If approved in the Annual General Meeting to be held on September 27, 2008 to be paid on or after September 29, .2008.
(v) <u>Date of Book Closure</u>	: September 16, 2008 to September 27, 2008 (both days inclusive)
(vi) <u>Listing on Stock Exchange</u>	: Equity shares of the Company are listed on Calcutta and Mumbai Stock Exchanges.
(vii) <u>Stock Code</u>	: 508905 – Mumbai 29354– Calcutta
(viii) <u>ISIN Number for NSDL / CDSL</u>	: INE641A01013

(ix) Market Information:

Year	Bombay Stock Exchange (BSE)		Calcutta Stock Exchange (CSE)	
	High (Rs.)	Low (Rs.)	High (Rs.)	Low (Rs.)
2005-2006	33.40	15.05	No Trading	No Trading
2006-2007	48.80	18.00	No Trading	No Trading
2007-2008	199.90	26.50	No Trading	No Trading

(x) Registrar and Transfer Agents:

Name & Address : Maheshwari Datamatics Pvt. Ltd.,
6, Mangoe Lane, (2nd Floor),
Kolkata – 700 001

Telephone : 2243-5029, 2243-5809, 2248-2248

Fax : (033) 2248-4787,

E-mail : mdpl@cal.vsnl.net.in

(xi) EDIFAR:

As per the requirements of Clause 51 of the Listing Agreement with the Stock Exchanges all the data relating to the quarterly financial results are filed on the Electronic Data Information Filing and Retrieval (EDIFAR) website of SEBI (www.sebidifar.nic.in).

(xii) Share Transfer System:

Shares lodged for transfer at the Registrar's address are normally processed within 15 days from the date of lodgment, if the documents are clear in all respects. All requests for dematerialization of shares are processed and the confirmation is given to the depositories within 15 days. The Share Transfer Committee approves all transfers and transmissions. Grievances received from members, if any, and other miscellaneous correspondence on change of address, mandates, are processed by the Registrars within 21 days from the date of receipt of correspondence.

(xiii) Distribution of shareholding as on March 31st 2008:

Category	No. of shares held	% of shareholding
RESIDENT INDIVIDUALS	536755	9.6107
FINANCIAL INSTITUTIONS / BANK	101000	1.8084
FOREIGN INSTITUTIONAL INVESTORS	550000	9.8478
CORPORATE BODY-DOMESTIC	1609577	28.8196
INDIAN PROMOTERS:		
a) Individuals	840550	15.0501
b) Corporate Bodies	1492300	26.7198
NRIs / OVERSEAS CORP. BODIES (OCBs)	454818	8.1436
TOTAL	5585000	100

(xiv) Secretarial Audit for reconciliation of Capital:

The Securities and Exchange Board of India have directed vide circular no.D&CC/FITTC/CIR-16/2002 dated December 31, 2002 that all issuer companies shall submit a certificate of capital adequacy, reconciling the total shares held in both the depositories viz NSDL and CDSL and in physical form with the total issued / paid up capital.

The said certificate, duly certified by a Company Secretary in Practice is submitted to the stock exchanges where the securities of the company are listed within 30 days of the end of each quarter and the certificate is also placed before the Board of Directors of the company.

(xv) Policy on Insider Trading:

The company has formulated a code of conduct for prevention of insider trading ('Code') in accordance with the guidelines specified under the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992 as amended in February 20, 2002. The Board has appointed Mr S.C. Pal, Company Secretary-cum-Vice President (Legal) as the Compliance Officer under the Code responsible for complying with the procedures, monitoring adherence to the rules for the preservation of price sensitive information, pre-clearance of trade monitoring of trades and implementation of the code of conduct under the overall supervision of the Board. The SCML Code, inter alia, prohibits purchase and/or sale of shares of the company by an insider or by any other company, while in possession of unpublished price sensitive information in relation to the company during certain prohibited periods. The Code is available on the company's website.

(xvi) Details of use of Public Fund obtained in the last three years:

No fund has been raised from the public in the last three years.

(xvii) Plant location:

The company is engaged in the business of financial services and has no plant.

(xviii) Investor Correspondence:

Any queries relating to financial statements of the company may be addressed to the Chief Financial Officer of the company: Investors' Correspondence may be addressed to the Compliance Officer of the Company: of the

Financial Officer of the company:

Mr. S. Jhajharia	Mr. S.C. Pal
Vice-President (Finance)	Company Secretary cum Vice President (Legal)
SMIFS Capital Markets Limited	SMIFS Capital Markets Limited
Vaibhav, 4 F,	Vaibhav, 4 F,
4, Lee Road,	4, Lee Road,
Kolkata-700020	Kolkata-700020
Telephone: (033) 2290 7400/ 7401	Telephone: (033) 2290 7400/ 7401
Fax: (033) 2287 4042	Fax: (033) 2287 4042
E-mail: smifscap@vsnl.com	E-mail: smifscap@vsnl.com

(xix) Other Information:

a) Compliance

Compliance Certificate for Corporate Governance from Auditors of the company is annexed herewith.

b) Code of Conduct

In order to make the employees of the company knowledgeable and committed to follow highest level of integrity and to outline the company's value and principles and to set out the standards of the professional and ethical behavior expected of the employees in the organization, the Board of Directors of your company have laid down Code of Business Conduct and ethics.

The Affirmation of Compliance to the code has been made by the Board members and senior management of the company.

c) Annual declaration by CEO pursuant to Clause 49(I)(D)(ii) of Listing Agreements with Stock Exchanges

As the Chief Executive Officer of SMIFS Capital Markets Limited and as required by Clause (49)(I)(D)(ii) of the Indian Stock Exchange Listing Agreement, I hereby declare that all the Board members and the senior management personnel of the company have affirmed compliance with the Company's Code of Business Conduct and Ethics for the Financial Year 2007-08.

(Kishor Shah)
Whole Time Director

(xx) Information pursuant to Clause 49 VIA (C) of the Listing Agreements

Below is the detail of Mr Ramesh Maheshwari, Director who has consented to be re-appointed as Director at the ensuing Annual General Meeting is given .:

Qualification: Mr Ramesh Maheshwari is M.Com and L.L.B. He is President and Chief Executive of Texmaco Ltd., premier engineering company in India, having technical collaboration and tie-ups with several world-renowned companies. Mr Maheshwari serves on the board of many prestigious companies namely Lionel Edwards Ltd., Neora Hydro Ltd., Poddar Heritage Investments Ltd., Bengal Food Park Ltd., and Tim Products Ltd. and is on the Board of Birla Institute of Management Technology (IMT), New Delhi and Indian Institute of Management

(IIM), Bangalore. He was also the Chairman of Engineering Export Promotion Council (EEPC), National President of Confederation of Indian Industry (CII), member of the Tandon Committee of Reserve Bank of India to frame guidelines for bank credit.

On behalf of the Board of Directors

(KISHOR SHAH)

WHOLE-TIME DIRECTOR

(CHANDRANATH MUKHERJEE)

DIRECTOR

Regd. Office: 'Vaibhav' 4F, 4 Lee Road,

Kolkata - 700 020

The 20th day of June, 2008

Annexure to Directors' Report

Information as per Section 217(2A) of the Companies Act, 1956 and the Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report for the year ended March 31, 2008

Sl. No.	Name	Age (years)	Designation	Gross Remuneration	Net Remuneration	Qualification	Experience (years)	Date of Joining	Previous Employment
1	Mr. Utsav Parekh ²	51	Executive Chairman	1363000/-	823456/-	B. Com (Hons)	25	01/10/2007	Executive Chairman of SMIFS Capital Services Ltd.
2	Mr. Kishor Shah	51	Whole-Time Director	2353728/-	1434393/-	ACA, ACS, ACMA (UK)	27	01/04/2006	Whole-Time Director of SMIFS Capital Services Ltd.

Notes:

1. The appointments are contractual for a period of 3 years each.
2. Indicates part of the year. Mr. Utsav Parekh was appointed Executive Chairman w.e.f. October 1, 2007 prior to which he was Non-Executive Chairman of the Board.
3. Gross Remuneration includes salary & other allowances, benefits. Employers Contribution to Employees Provident Fund.
4. In addition to above gratuity and medical benefit are in accordance with the company rules.

On behalf of the Board of Directors

(KISHOR SHAH)

WHOLE-TIME DIRECTOR

(CHANDRANATH MUKHERJEE)

DIRECTOR

Regd. Office: 'Vaibhav' 4F, 4 Lee Road,
Kolkata - 700 020
The 20th day of June, 2008

Auditor's Report on the Consolidated Financial Statements of SMIFS Capital Markets Limited and its Subsidiary.

We have examined the attached Consolidated Balance Sheet of SMIFS Capital Markets Limited (the company) and its subsidiary SMIFS Capital Services Limited as at 31st March 2008, the consolidated Profit & Loss Account and the consolidated Cash Flow statement for the year then ended.

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 conducted our audit in accordance with generally accepted auditing standards in India. These Standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and are free of material misstatements. An audit includes, examining on a test basis, evidence supporting the amount and disclosure 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 statements. We believe that our audit provides a reasonable basis for our opinion.

We report that the consolidated Financial statements have been prepared by the company in accordance with the requirements of Accounting Standard (AS) 21, Consolidated Financial Statements, issued by the Institute of Chartered Accountants of India, and on the basis of the separate audited financial statements of the company and its subsidiaries included in the consolidated financial statements.

On the basis of the information and explanations given to us and on the consideration of the separate audit reports on individual audited financial statements of the Company and its aforesaid subsidiaries, we are of the opinion that the said consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the consolidated Balance Sheet, of the state of affairs of the Company and its subsidiaries as at 31st March 2008;
- (b) in the case of the Consolidated Profit and Loss Account, of the consolidated results of operations of the company and its subsidiaries for the year then ended; and
- (c) in the case of the consolidated Cash Flow Statement, of the consolidated cash flow of the Company and its subsidiaries for the year then ended.

For J. S. Vanzara & Associates
Chartered Accountants

Jinesh S. Vanzara
Partner
Membership No.300-53871

Date: The 20th day of June, 2008

AUDITOR'S REPORT TO THE MEMBERS OF SMIFS CAPITAL MARKETS LIMITED

We have audited the attached Balance Sheet of SMIFS Capital Markets Limited, as at 31st March 2008 and also the Profit and Loss Account and the Cash Flow Statement 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.

As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

Further to our comments in the Annexure referred to above, we report that:

- (i) 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;
- (ii) 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 and proper returns adequate for the purpose of our audit have been received from the branches not visited by us;
- (iii) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
- (iv) In our opinion, the Balance Sheet, 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 Companies Act, 1956;
- (v) On the basis of the written representations received from the directors, as on 31st March 2008, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2008, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
- (vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts 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:
 - (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March 2008;
 - (b) in the case of the Profit and Loss Account, of the Profit for the year ended on that date; and
 - (c) in the case of Cash Flow Statement, of the cash flows for the year ended on that date.

For J. S. Vanzara & Associates
Chartered Accountants

(Jinesh S. Vanzara)
Partner
Membership no. 300-53871

Date: The 20th day of June, 2008

ANNEXURE TO THE AUDITORS' REPORT

(Referred to in paragraph 3 thereof)

- i) In respect of its fixed assets:
 - a) The Company is generally maintaining proper records showing full particulars including quantitative details and situation of fixed assets.
 - b) As explained to us, some of the fixed assets have been physically verified during the year by the management in accordance with a phase programme of verification adopted by the Company. In our opinion, the period of verification is reasonable having regard to the size of the Company and nature of its business. No material discrepancies were noticed on such verification.
 - c) Based on our scrutiny of the records of the Company, we report that the Company has disposed off some fixed assets during the year. Based on the information and explanations given by the management and on the basis of audit procedures performed by us, we are of the opinion that the sale of the said fixed assets has not affected the going concern.
- ii) As the Company provides Investment Banking Service and deals in share and securities which do not fall under the definition of inventory as clarified by The Institute of Chartered Accountants of India in its statement on CARO 2003, the requirements of reporting on physical verification of stock or maintenance of inventory records in our opinion are not applicable.
- iii)
 - a) The Company has not granted any loans, secured or unsecured, to companies, firms or other parties listed in the Register maintained under section 301 of the Companies Act, 1956. As the Company has not granted any loans, secured or unsecured, to parties listed in the registers maintained under section 301 of the Companies Act, 1956 paragraphs (iii)(b), (c) and (d) of the Order, are not applicable.
 - b) 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. As the Company has not taken any loans, secured or unsecured, from parties listed in the registers maintained under section 301 of the Companies Act, 1956 paragraphs (iii)(e), (f) and (g) of the Order, are not applicable
- iv) Having regard to the nature of the Company's business and based on our scrutiny of the Company's records and according to the information and explanations given to us, we report that the Company's activities do not include purchase of inventory and sale of goods. In our opinion and according to the information and explanation received by us, there is adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of fixed assets and sale of services. Further, on the basis of our examination, and according to the information and explanations given to us, we have neither come across nor have we been informed of any instance of major weaknesses in the aforesaid internal control system.
- v)
 - a) Based on the audit procedures applied by us and according to the information and explanations provided by the management, we are of the opinion that the particulars of contracts or arrangements referred to in section 301 of the Act have been entered in the register required to be maintained under that section.
 - b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements entered in the registers maintained under section 301 and exceeding the value of rupees five lakh in respect of any party during the year have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.

- vi) The Company has discontinued acceptance of public deposits w.e.f. 15.07.1997. In our opinion and according to the information and explanations given to us, the Company has complied with the provision of sections 58A and 58AA of the Companies Act, 1956, and the Companies (Acceptance of Deposits) Rules, 1975 as applicable, with regards to the deposits accepted from the public. As per information and explanations given to us no order under the aforesaid sections 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.
- vii) In our opinion, the Company has internal audit system commensurate with its size and nature of its business.
- viii) According to the information and explanations provided by the management, the Company is not engaged in production, processing, manufacturing or mining activities. Hence the provision of section 209(1)(d) do not apply to the Company. Hence, in our opinion, no comment on maintenance of cost records under section 209(1)(d) is required.
- ix) Statutory and other dues: -
- According to the information and explanations given to us, the Company has been regularly depositing undisputed statutory dues, including Provident Fund, Investor Education and Protection Fund, Employees State Insurance, Income Tax, Sales Tax Wealth Tax, Service Tax, Customs Duty and Excise Duty as applicable with the appropriate authorities during the year.
 - According to the information and explanations given, no undisputed amounts payable in respect of Income Tax, Wealth Tax, Sales Tax, Customs Duty and Excise Duty were outstanding, as at 31st March, 2008 for a period of more than six months from the date they become payable.
 - According to the records of the Company and the information and explanations given to us, the following are the particulars of dues on account of Sales Tax, Income Tax, Customs Duty, Wealth Tax, Service Tax, Excise Duty and Cess matters that have not been deposited on account of any dispute:

Name of the Statute	Nature of Due	Amount (Rs)	Forum where Dispute is pending
Uttar Pradesh Sale Tax Act	Sales Tax Due	91,125	Commissioner of Appeal Sales Tax

- x) The company doesn't have any accumulated losses at the end of the financial year and has not incurred any cash losses during the current and the immediately preceding financial year.
- xi) According to the information and explanations given to us, the Company has not defaulted in repayment of dues to any financial institution or bank during the year.
- xii) According to the information and explanations given to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares during the year, so the requirement of maintenance of adequate documents and records is not applicable.
- xiii) In our opinion, and to the best of our information and according to the explanations provided by the management, we are of the opinion that the Company is neither a Chit Fund nor a Nidhi / Mutual benefit society. Hence, in our opinion, the provisions of any special statute as specified under paragraph 4(xiii) of the Order are not applicable to the Company.
- xiv) In our opinion and according to the information and explanation given to us, the Company has maintained proper records of transaction and contracts regarding its dealing as trading in shares, securities, debentures and other investments, and timely entries have been made therein; also the shares, securities, debentures and other investments, have been held by the Company in its own name except of the exemption granted under section 49 of the Companies Act, 1956 or the shares for which the Company held valid transfer forms or which are in the process of transfer in its name and as stated in note (B) (17) of schedule 'M'.

- xv) The Company has given guarantees in connection with loan taken by others from banks or financial institutions. In our opinion, the terms and conditions of the guarantees given are not prejudicial to the interest of the Company.
- xvi) In our opinion and according to the information and explanation given to us, the term loan obtained by the Company has been applied for the purpose for which it was obtained.
- xvii) Based on the information and explanations given to us and an overall examination of balance sheet of the Company, in our opinion, there are no funds raised on a short term basis which have been used for long term investment.
- xviii) According to the information and explanations given to us, the Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under section 301 of the Companies Act, 1956 during the year.
- xix) According to the information and explanations given to us and the records examined by us, the Company has not issued any debentures during the year.
- xx) The Company has not raised any money by public issues during the year.
- xxi) To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the year.

ORIENTAL HOUSE, SUITE # 3A
6C, ELGIN ROAD, 3RD FLOOR
KOLKATA – 700 020 .

For J. S. VANZARA & ASSOCIATES
Chartered Accountants

(Jinesh S. Vanzara)
Partner
Membership No-300-53871

Date: The 20th day of June, 2008

SMIFS CAPITAL MARKETS LIMITED

Balance Sheet as at 31st March, 2008

	SCH	As at <u>31st March, 2008</u>		As at <u>31st March, 2007</u>	
	No.	Rs.	Rs.	Rs.	Rs.
<u>SOURCES OF FUNDS</u>					
Shareholders' Funds					
a. Share Capital	A	55,850,000		55,850,000	
b. Reserve and Surplus	B	<u>596,088,962</u>		<u>541,606,609</u>	
			651,938,962		597,456,609
Loan Funds					
a. Secured Loans	C	2,926,808		1,879,865	
b. Unsecured Loans	D	<u>36,147,546</u>		<u>54,782,048</u>	
			39,074,354		56,661,913
			<u>691,013,316</u>		<u>654,118,522</u>
<u>APPLICATION OF FUNDS</u>					
Fixed Assets					
a. Gross Block	E	215,159,298		222,600,487	
b. Less: Depreciation		137,194,573		148,442,699	
Lease Terminal Adjustment Account		<u>1,709,528</u>		<u>1,709,528</u>	
c. Net Block			76,255,197		72,448,260
Investments					
	F		427,334,082		379,172,694
Current Assets, Loans & Advances					
a. Current Assets	G	47,644,510		28,693,685	
b. Loans & Advances		<u>423,916,407</u>		<u>428,716,998</u>	
			<u>471,560,917</u>		<u>457,410,683</u>
Less: Current Liabilities & Provisions					
a. Current Liabilities	H	149,990,371		147,687,737	
b. Provisions		<u>205,848,571</u>		<u>152,577,251</u>	
			<u>355,838,942</u>		<u>300,264,988</u>
Net Current Assets			115,721,975		157,145,695
Net Deferred Tax Assets			71,702,062		45,351,873
			<u>691,013,316</u>		<u>654,118,522</u>
ACCOUNTING POLICIES AND NOTES ON ACCOUNTS					
Schedules referred to above form an integral part of the Balance Sheet					
In terms of our attached report of even date					

For and on behalf of the board of Directors

In terms of our attached report of even date
For J. S. VANZARA & ASSOCIATES
 Chartered Accountants

(Chandranath Mukherjee)
 Director

(Kishor Shah)
 Whole Time Director

(JINESH S. VANZARA)
 Partner
 Membership no. 300-53871
 Kolkata
 The 20th day of June, 2008

(S. C. Pal)
 Company Secretary
 Cum Vice President (Legal)

(S. Jhajharia)
 Vice President - Finance

SMIFS CAPITAL MARKETS LIMITED

Profit & Loss Account for the year ended 31st March, 2008

	SCH No.	For the year ended <u>31st March 2008</u>	For the year ended <u>31st March 2007</u>
		Rs.	Rs.
<u>INCOME</u>			
Sales		739,774,980	687,904,253
Capital Market Operations		119,302,499	127,260,192
Investment Banking Operations(Net)		20,072,344	22,181,441
Other Income	I	15,033,496	3,510,516
Increase / (Decrease) in Stock	J	<u>(6,206,078)</u>	<u>1,031,759</u>
		<u>887,977,241</u>	<u>841,888,161</u>
<u>EXPENDITURE</u>			
Purchases		719,757,961	666,934,317
Operating & Administration Expenses	K	29,947,895	27,601,735
Interest	L	2,862,962	6,991,901
Depreciation		2,709,412	6,021,740
Provision against Investment /sub-standard assets		93,027,229	52,807,558
		<u>848,305,459</u>	<u>760,357,251</u>
PROFIT/ (LOSS) BEFORE TAX		39,671,782	81,530,910
Provision for Taxation (Including Wealth Tax)		4,522,004	8,016,775
Short / (Excess) provision of Tax for earlier years		60	214,101
Fringe Benefit Tax		483,384	436,216
Deferred Tax for the year		<u>(26,350,190)</u>	<u>(29,697,444)</u>
		(21,344,742)	(21,030,352)
PROFIT / (LOSS) AFTER TAX		61,016,524	102,561,262
(Debit) / Credit balance brought forward		57,881,609	(34,945,482)
Amount available for Appropriation		<u>118,898,133</u>	<u>67,615,780</u>
<u>Appropriations</u>			
Proposed Dividend 10%		5,585,000	5,585,000
Tax on Proposed Dividend		949,171	949,171
Transferred to General Reserve		5,000,000	3,200,000
Balance Carried to Balance Sheet		107,363,962	57,881,609
		<u>118,898,133</u>	<u>67,615,780</u>
Earning Per Share (Basic & Diluted)			
(Nominal Value of shares Rs.10/-)	M	10.93	18.36
ACCOUNTING POLICIES AND NOTES ON ACCOUNTS	M		

Schedules referred to above form an integral part of the Profit and Loss Account
In terms of our attached report of even date

For and on behalf of the board of Directors

For J. S. VANZARA & ASSOCIATES
Chartered Accountants

(Chandranath Mukherjee)
Director

(Kishor Shah)
Whole Time Director

(JINESH S. VANZARA)
Partner
Membership no. 300-53871
Kolkata
The 20th day of June, 2008

(S. C. Pal)
Company Secretary
Cum Vice President (Legal)

(S. Jhajharia)
Vice President - Finance

Schedules Annexed to and forming part of Accounts as at 31st March, 2008

	As at <u>31st March 2008</u>	As at <u>31st March 2007</u>
	Rs.	Rs.

SCHEDULE 'A'

SHARE CAPITAL

Authorised:

30,000,000 Equity shares of Rs. 10 each	300,000,000	300,000,000
2,000,000 Preference Shares of Rs. 100 each	200,000,000	200,000,000
	500,000,000	500,000,000

Issued, Subscribed & Paid up:

5,585,000 Equity Shares of Rs 10 each, fully paid	55,850,000	55,850,000
Out of the above shares, 2,400,000 shares of Rs. 10 each fully paid up has been issued by way of Bonus Shares by capitalisation of General Reserves		
	55,850,000	55,850,000

SCHEDULE 'B'

RESERVES & SURPLUS

Capital Redemption Reserve

As per last Balance Sheet	40,000,000	40,000,000
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Securities Premium Account:

As per last Balance Sheet	433,725,000	433,725,000
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General Reserve:

As per last Balance Sheet	10,000,000	6,800,000
Add: Transferred During the year	5,000,000	3,200,000
	15,000,000	10,000,000

Profit & Loss Account

Transferred from Profit & Loss A/c	107,363,962	57,881,609
	596,088,962	541,606,609

SCHEDULE 'C'

SECURED LOANS

Loans from Banks / Others

Vehicles Loans[Payable within One year Rs.1,168,917(Rs. 913,556)]	2,926,808	1,879,865
	2,926,808	1,879,865

SCHEDULE 'D'

UNSECURED LOANS

From Bodies Corporate (Short Term)	35,428,854	54,063,356
Fixed Deposits Matured but not claimed [Including Interest due Rs.54,692 (Rs. 54,692)]	110,692	110,692
Deposit from Customers	608,000	608,000
	36,147,546	54,782,048

Schedules to the Balance Sheet

SCHEDULE - 'E'

FIXED ASSETS

Particulars	Gross Block (Cost)				Depreciation				Lease Terminal Adjustment		Net Block	
	Rs.				Rs.						Rs.	
	As on 01.04.2007	Additions	Deductions	As on 31.03.2008	As on 01.04.2007	For the year	Adj. during the year	As on 31.03.2008	As on 31.03.2008	As on 31.03.2007	As on 31.03.2008	As on 31.03.2007
A. Assets on Lease												
Plant & Machinery	128,762,014	-	13,641,425	115,120,589	126,106,153	-	13,505,011	112,601,142	1,709,528	1,709,528	809,918	946,333
Sub Total (A)	128,762,014	-	13,641,425	115,120,589	126,106,153	-	13,505,011	112,601,142	1,709,528	1,709,528	809,918	946,333
<i>Previous Year</i>	<i>128,762,014</i>	<i>-</i>	<i>-</i>	<i>128,762,014</i>	<i>123,018,653</i>	<i>3,087,500</i>	<i>-</i>	<i>126,106,154</i>	<i>1,709,528</i>	<i>-</i>	<i>946,332</i>	
B. Other Assets												
Buildings	71,655,318	4,141,086	868,000	74,928,404	7,095,480	840,410	437,914	7,497,975	-	-	67,430,429	64,559,838
Furniture and Fixtures	6,140,878	-	-	6,140,878	5,170,255	175,683	-	5,345,938	-	-	794,940	970,622
Office Equipment	2,127,528	49,000	18,990	2,157,538	1,402,923	103,236	14,612	1,491,547	-	-	665,991	724,605
Vehicles	8,124,086	2,564,368	-	10,688,454	4,141,847	1,219,991	-	5,361,837	-	-	5,326,616	3,982,239
Electrical Installations	1,206,229	-	-	1,206,229	920,652	39,724	-	960,376	-	-	245,853	285,577
Computers	2,216,633	218,772	-	2,435,405	1,754,208	243,776	-	1,997,984	-	-	437,420	462,425
Air Conditioners	2,367,802	114,000	-	2,481,802	1,851,181	86,593	-	1,937,774	-	-	544,028	516,621
Sub Total (B)	93,838,473	7,087,226	886,990	100,038,709	22,336,546	2,709,412	452,526	24,593,431	-	-	75,445,278	71,501,927
<i>Previous Year</i>	<i>101,054,874</i>	<i>2,730,614</i>	<i>9,947,014</i>	<i>93,838,474</i>	<i>28,081,386</i>	<i>2,934,240</i>	<i>8,679,080</i>	<i>22,336,546</i>	<i>-</i>	<i>-</i>	<i>71,501,928</i>	
Total (A+B)	222,600,487	7,087,226	14,528,415	215,159,298	148,442,699	2,709,412	13,957,538	137,194,573	1,709,528	1,709,528	76,255,196	72,448,260
<i>Previous Year</i>	<i>229,816,888</i>	<i>2,730,614</i>	<i>9,947,014</i>	<i>222,600,488</i>	<i>151,100,039</i>	<i>6,021,740</i>	<i>8,679,080</i>	<i>148,442,700</i>	<i>1,709,528</i>		<i>72,448,260</i>	

Notes :

- i) Title Deeds for Office Premises at 6 Lyons Range, Kolkata has not been registered.
- ii) Provision to the extent of Rs. 809,919 (Rs. 946,333) has been made against doubtful leased assets at the end of 31.03.2008

Schedules Annexed to and forming part of Accounts as at 31st March, 2008

	As at <u>31st March 2008</u>		As at <u>31st March 2007</u>	
	Quantity Nos.	Amount Rs.	Quantity Nos.	Amount Rs.
<u>SCHEDULE 'F'</u>				
INVESTMENTS (at cost)				
IN BODIES CORPORATE				
Equity Shares of Rs.10 each (Unless otherwise stated)				
<u>Fully paid up : Quoted</u>				
Aravali Securities Ltd.	100	60	100	60
Asian Vegipro Industries Ltd.	300,000	300,000	300,000	300,000
Birla VXL Limited	17	170	17	170
Cambridge Soluations Ltd.(Formerly Scandent Solutions Ltd.)	60,097	1,500,000	60,097	1,500,000
Coventry Springs & Engg.Co.Ltd.	52,323	175,282	52,323	175,282
Mangalam Cement Limited #	367,307	28,475,701	1,242,807	37,230,701
Melstar Information Technologies Ltd.	300	63,675	300	63,675
Moulik Finance & Resorts Ltd.	7,100	71,000	7,100	71,000
Neogem India Limited	132,800	597,600	132,800	597,600
Nicco-Uco Alliance Credit Ltd.	114	650	114	650
Punsumi Foils & Components Ltd.	15,800	19,750	15,800	19,750
PTC Industries Ltd.	1,000	16,850	14,200	30,050
KEC International Ltd.(formly RPG Transmission Ltd.)	88,887	65,104,264	0	0
R.S.Software India Limited	77,150	5,014,750	97,150	6,317,350
Shez Leather Ltd.	35,900	359,000	35,900	359,000
Sujana Universal Limited	0	0	25,000	381,761
Swad Industries & Leasing Ltd.	141	268	141	268
Texmaco Ltd.	681	20,430	681	20,430
Titagarh Steels Ltd.	185	1,644	185	1,644
VCK Capital Markets Services Ltd.	200	220	200	220
<u>Partly Paid up: Quoted</u>				
Malvika Steels Ltd. (Paid up Rs. 2.50 each)	91,200	912,000	91,200	912,000
<u>Fully paid up : Unquoted</u>				
Andaman Plantations.& Development Corporation Ltd.	64,880	6,488,000	64,880	6,488,000
Bhatpara Papers Limited	44	391	44	391
C. Mackertich Ltd.	4,250,000	42,500,000	4,250,000	42,500,000
Exquisite Exports Ltd.	5,000	50,000	5,000	50,000
Spencer Retails Limited(Formly Great Wholesale Ltd.)	5,329	969,612	236,329	43,000,062
Gujarat Securities Ltd.	20	200	20	200
Kanco Enterprises Limited	500,000	5,000,000	500,000	5,000,000
Pilot Consultants Ltd.	200,000	53,200,000	0	0
Patriot Automation Projects Ltd.(Bonus)	65,350	0	65,350	0
Patriot Automation Projects Ltd.	2,000,000	500,000	0	0
Silver Cross Ltd.	13,000	1,300,000	13,000	1,300,000
Smifs Securities Ltd.	10,300,000	103,000,000	10,300,000	103,000,000
Smifs Finance Limited	240,000	3,360,000	240,000	3,360,000
Tarkeshwar Properties Pvt.Ltd.	42,500	8,075,000	25,000	4,750,000
Vaibhav Services Pvt. Ltd.	4,580	45,800	4,580	45,800
Zoom Export Ltd.(Formerly MDC Infoway Ltd.)	200,000	2,000,000	200,000	2,000,000
<u>Partly Paid up: Unquoted</u>				
Smifs Finance Limited [Paid up Rs. 7.50 (Rs.7.50) each]	1,511,600	15,174,000	1,511,600	15,174,000

Schedules Annexed to and forming part of Accounts as at 31st March, 2008

	Aa at <u>31st March 2008</u>		Aa at <u>31st March 2007</u>	
	Quantity Nos.	Amount Rs.	Quantity Nos.	Amount Rs.
<u>Fully paid up : Unquoted</u>				
<u>(Wholly owned Subsidiary Company)</u>				
Smifs Capital Services Ltd.	7,500,070	75,000,700	7,500,070	75,000,700
Units of Mutual Fund				
<u>Fully paid up : Quoted</u>				
Unit Trust of India - Unit 64 (Paid up Rs. 10 each)	0	0	25	365
Preference Share of Rs. 100/- each				
<u>Fully paid up : Unquoted</u>				
12% Andaman Plantations.& Development Corporation Ltd.	140,000	4,100,000	40,000	4,000,000
Non-cumulative Preference Share				
0.01% Suttlej Cotton Mills Supply Co.Ltd.	0	0	525,000	25,000,500
Non-cumulative Preference Share				
Sub Total :	28,273,675	423,397,017	27,557,013	378,651,629
<u>Preferential Warrant</u>				
<u>Partly paid up : Unquoted</u>				
Southern Online Biotech Ltd. (Unsecured Optionally Fully Convertible)	800,000	3,416,000	0	0
Sub Total :	800,000	3,416,000	0	0
<u>In Government Securities : Listed</u>				
	Face Value Rs.	Amount Rs.	Face Value Rs.	Amount Rs.
6.05% Govt.of India Loan - 2019 *	500,000	521,065	500,000	521,065
Sub Total	500,000	521,065	500,000	521,065
Total :	29,573,675	427,334,082	28,057,013	379,172,694
* In Escrow account against public deposit held with Indusind bank				
# 3.50 Lacs Shares of Mangalam Cement Ltd.				
has been kept as margin money with broker				
Aggregated of unquoted Investments - at book value		324,700,767		332,102,717
Aggregated of Quoted Investments - at book value		102,633,315		47,069,977
Aggregated of Quoted Investments - at market value		114,685,277		180,507,979

Schedules Annexed to and forming part of Accounts as at 31st March, 2008

	As at <u>31st March 2008</u>	Rs.	As at <u>31st March 2007</u>	Rs.
SCHEDULE 'G'				
CURRENT ASSETS, LOAN & ADVANCES				
A. CURRENT ASSETS				
Interest Accrued on Govt. Securities		10,833		10,833
Stock in trade: Shares & Securities		4,048,178		10,254,256
Sundry Debtors				
Exceeding six months				
- Considered good	0		3,616,857	
- Considered doubtful	87,177,015		42,345,087	
Less : Provision for doubtful debts.	87,177,015		42,345,087	
	<u>0</u>		<u>3,616,857</u>	
Other Debts				
- Considered Good	22,484,896		1,010,042	
		22,484,896		4,626,899
CASH & BANK BALANCES:				
Cash and Cheques on hand	320,637		134,831	
With Scheduled Banks				
In Current Accounts	15,192,546		8,442,901	
In Dividend Accounts	53,000		0	
In Deposit Accounts (Including accrued interest)	5,534,420		5,223,965	
(Certificate Pledged with Bank / Sales Tax)		<u>21,100,603</u>		13,801,697
		<u>47,644,510</u>		<u>28,693,685</u>
B. LOANS & ADVANCES				
LOANS				
Considered Doubtful	875,000		875,000	
Less : Provision for doubtful loans	875,000		875,000	
		<u>0</u>		<u>0</u>
To Staff (Considered Good)		1,997,936		2,166,759
[Secured by charge against property Rs. 1,405,165(Rs. 1,179,359)]				
ADVANCES				
(Recoverable in cash or in kind or for value to be received)				
To Others				
- Considered good	293,212,976		293,390,477	
- Considered doubtful	10,000,000		10,000,000	
Less: Provision for doubtful advances	10,000,000		10,000,000	
		<u>293,212,976</u>		<u>293,390,477</u>
Income Tax Payments		18,279,860		12,683,312
Considered Good -				
Capital Advances		0		10,915,000
Security & other deposits	3,136,084		3,095,381	
Less: Provision for doubtful advances	1,200,000		1,200,000	
		<u>1,936,084</u>		<u>1,895,381</u>
Service Tax Input		989,551		602,285
Share Application Money paid		107,500,000		107,500,000
		<u>423,916,407</u>		<u>429,153,214</u>
		<u>471,560,917</u>		<u>457,846,899</u>
SCHEDULE 'H'				
CURRENT LIABILITIES AND PROVISIONS				
A. CURRENT LIABILITIES				
Sundry Creditors		8,092,491		6,442,586
Other Liabilities		11,256,051		8,856,396
Advances against Shares & Securities / Others		130,588,829		132,388,755
Unclaimed dividend (06-07)		53,000		0
		<u>149,990,371</u>		<u>147,687,737</u>
B. PROVISIONS				
- for Proposed Dividend		5,585,000		5,585,000
- for Tax on Proposed Dividend		949,171		949,171
- for Fringe Benefit Tax		483,383		436,216
- for Diminution in the value of Investments		183,623,270		135,291,554
- for Doubtful and Sub Standard assets		809,919		946,333
- for Taxes (Including for Wealth Tax)		13,235,630		9,024,000
- for Leave Salary		1,162,198		781,193
		<u>205,848,571</u>		<u>153,013,467</u>
		<u>355,838,942</u>		<u>300,701,204</u>

Schedules Annexed to and forming part of Accounts as at 31st March, 2008

	For the year ended 31st March 2008		For the year ended 31st March 2007	
	Rs.	Rs.	Rs.	Rs.
<u>SCHEDULE 'I'</u>				
OTHER INCOME				
Miscellaneous Income		7,341,612		267,557
Rent		936,000		1,590,329
Profit on Sale of Fixed Assets		4,297,422		0
Dividend Income : - Investments	2,455,763		1,622,348	
-Trading	<u>2,699</u>	<u>2,458,462</u>	<u>30,282</u>	<u>1,652,630</u>
		<u>15,033,496</u>		<u>3,510,516</u>
<u>SCHEDULE 'J'</u>				
INCREASE / (DECREASE) IN STOCK				
Closing Stock		4,048,178		10,254,256
Less : Opening Stock		<u>10,254,256</u>		<u>9,222,497</u>
		<u>(6,206,078)</u>		<u>1,031,759</u>

Schedules Annexed to and forming part of Accounts as at 31st March, 2008

	<u>For the year ended</u> <u>31st March 2008</u>	<u>Rs.</u>	<u>For the year ended</u> <u>31st March 2007</u>	<u>Rs.</u>
SCHEDULE 'K'				
OPERATING & ADMINISTRATIVE EXPENSES				
Expenses on personnel :				
Salaries, Bonus & Allowances	11,210,779		9,291,510	
Contribution to Provident & other Funds (Including Administrative Charges)	912,674		644,354	
Training, Development & Recruitment Exp.	12,800		10,300	
Staff Welfare	1,527,738		1,280,091	
	13,663,991		11,226,255	
Group Gratuity Scheme	568,709		450,000	
Telephone Charges	1,244,556		1,176,512	
Printing & Stationeries	1,445,387		944,563	
Professional, Legal & Consultancy Charges	470,216		2,055,240	
Business Promotion Expenses	1,067,791		748,264	
Rent	521,790		519,790	
Repairs & Maintenance				
- Building	427,210		622,849	
- Plant & Machinery	138,660		119,076	
- Others	536,734		255,972	
Advertisement	303,057		318,511	
Electricity	320,162		312,915	
Vehicle Expenses	1,401,123		1,007,822	
Subscription & Membership Fees	429,594		1,241,813	
Miscellaneous Expenses	1,736,436		1,349,521	
Sundry Balances Written off (Net)	155,745		314,047	
Loss on Sale of Fixed Assets	0		748,719	
Rates & Taxes	438,692		342,230	
Travelling Expenses	4,156,319		3,451,823	
Directors Fees	100,500		92,500	
Insurance	86,223		71,163	
Donation	550,000		47,150	
Auditor's Remuneration	185,000		185,000	
	29,947,895		27,601,735	
SCHEDULE 'L'				
INTEREST				
<u>Interest Paid</u>				
- Banks	179,926		145,409	
- Others	3,518,520		7,533,315	
	3,698,446		7,678,724	
Less : <u>Received</u>				
- Debentures	0		98,630	
- Govt. Securities - Investments	30,250		30,250	
- Others	805,234		557,943	
	835,484		686,823	
	2,862,962		6,991,901	

SCHEDULE 'M':

A. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The financial statements have been prepared to comply, in all material respects, with the mandatory Accounting Standards issued by the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 1956.

The financial statements have been prepared under the historical cost convention on an accrual basis.

The accounting policies have been consistently applied by the Company and except for the changes in accounting policy discussed more fully below, are consistent with those used in the previous year.

(b) Fixed Assets

Fixed assets are stated at cost, less accumulated depreciation and Lease Terminal Adjustment account. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use.

(c) Depreciation

Depreciation on Fixed assets is provided on written down value method at the rates prescribed in Schedule XIV of the Companies Act 1956, (as amended), except for leased assets which is written off on straight-line method at the rates prescribed in Schedule XIV of the Companies Act, 1956. For lease contracts, which have become non-performing assets, depreciation has been provided at accelerated rate of depreciation calculated on principal recovery method.

Immovable property held on time-sharing basis is being proportionally depreciated over its time-sharing period contracted for.

Depreciation on Fixed assets added/disposed during the year is provided on a pro-rata basis with reference to the date of addition/disposal.

(d) Lease Equalisation Charges:

Lease rental income is recognised on accrual basis over the lease period. Except in cases where lease contracts have become non-performing assets, the cost of all leased assets is fully amortised during the lease period as per the Guidance Note issued by the Institute of Chartered Accountants of India. Lease Equalisation charge is accordingly accounted for.

(e) Investments

As per the guidelines issued by The Institute of Chartered Accountants of India, investments in shares and securities have been valued at cost. Provision is made for diminution in value of long term investments if such diminution is permanent in nature.

(f) Stock-in-trade

Stock-in-trade consisting of shares and securities has been individually valued script wise at lower of cost and market rate, in case they are quoted. Other Stock-in-trade are valued at cost / net asset value whichever is lower or where balance sheet of investee Company is not available for past two years, value of such unquoted Stock-in-trade have been taken at rupee one per share as per prudential norms issued by the Reserve Bank of India.

(g) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

In respect of lease rentals arising out of lease agreements, it is the company's policy to recognise income as per the terms of the agreements entered into with lessees. However, where lease rentals are past due for more than one year, the Company has not recognised any income as per the past practice followed by the company. Similarly, the company has not recognised any income in cases where there is a delay of more than six months in the case of income from interest.

(h) Retirement Benefits

The Company has taken an appropriate group gratuity policy with Life Insurance Corporation of India to provide for its liabilities for gratuity. Premium paid on policy is charged to revenue.

Provision has been made for the monetary value of the leave due to staff.

SMIFS CAPITAL MARKETS LIMITED

(i) Income Taxes

The accounting treatment for income tax in respect of the income is based on the Accounting Standards on 'Accounting for Taxes on Income' (AS 22) issued by the Institute of Chartered Accountants of India.

A provision is made for the current tax based on tax liability computed in accordance with relevant tax rates and tax laws. A provision is made for deferred tax liability / asset for all timing differences arising between taxable income and accounting income at currently enacted tax rates.

Deferred tax assets are recognized only if there is reasonable certainty that they will be realised and are reviewed for the appropriateness of their respective carrying values at each balance sheet date.

Fringe benefit tax has been calculated in accordance with the provisions of the Income Tax Act, 1961.

(j) Contingencies

Liabilities which are material and whose future outcome cannot be ascertained with reasonable certainty are treated as contingent and disclosed by way of notes to the accounts.

(k) Impairment of Assets

In compliance with Accounting Standard (AS) 28- "Impairment of Assets" issued by the Institute of Chartered Accountants of India, the carrying amounts of Cash Generating Units/Assets are reviewed at Balance Sheet date to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount is estimated at the higher of net selling price and value in use. Impairment loss is recognised wherever carrying amount exceeds the recoverable amount.

(l) Provisions, Contingent Liabilities and Contingent Assets

Provisions are recognised in respect of obligations where, based on the evidence available, their existence at the Balance Sheet date is considered probable. Contingent liabilities are shown by way of Notes to the accounts in respect of obligations where, based on the evidence available, their existence at the balance Sheet date is considered not probable. Contingent assets are not recognised in the Accounts.

B. NOTES FORMING PART OF THE ACCOUNTS

1. Contingent Liabilities not provided for:
 - a. Sales Tax demand net of payment under appeal Rs.91,125 (Rs. 91,125).
 - b. Uncalled liabilities on partly paid shares Rs.17,016,300 (Rs. 17,016,300).
 - c. Employees State Insurance Rs.142,274 (Rs. 142,274).
 - d. Guarantees given to banks on behalf of others Rs.18,500,000 (Rs. 18,500,000).
2. The Company applied to the Government of West Bengal for exemption from the provision of Employees State Insurance Act, 1948, since the medical facilities / benefits provided by the Company to the Employees are superior to those covered by E.S.I. Scheme. Government of West Bengal, Labour Department in consultation with Employees State Insurance Corporation granted exemption for one year effective from 25th November, 1997. Prayer seeking exemption on permanent basis with retrospective effect is pending with the Government of West Bengal. The Employees State Insurance Corporation has raised demand for the period from June 1991 to 24th November 1997 amounting to Rs. 142,274. The Company has filed a petition against the demand before E.S.I. Court and the same has been partly heard.
3. The Company has specifically earmarked certain investment in liquid assets to cover the liability in full against public deposits held (including interest thereon till maturity).
4. Balances lying as sundry debtors, creditors and loans & advances are subject to confirmation to be received from the concerned parties.
5. Physical verification of investments has been done by the management and a certificate in this regard has been issued to the auditors.
6. Suitable provisions have been made against sundry debtors, loans and advances which are considered doubtful. In certain cases legal proceedings have been initiated for recovery of the dues.
7. Although legally all debtors are unsecured, the Company, in the case of debts arising from lease transactions, has recourse to the assets given to the lessees.
8. Expenses on Personnel includes Whole Time Director's Remuneration (w.e.f. 01.10.2006)

SMIFS CAPITAL MARKETS LIMITED

	<u>2007-2008</u>	<u>2006-2007</u>
	<u>(Rs.)</u>	<u>(Rs.)</u>
Salaries & Allowances	2,209,728	1,189,768
Contribution to Provident Fund	144,000	66,240
Value of perquisites in cash or kind	-	6,000
Total	2,353,728	1,262,008

Note:-

The contribution to gratuity fund has been made on a group basis and separate figure applicable in this case is not available and therefore, contribution to gratuity fund has not been taken into account in the above calculations.

9. Executive Chairman's Remuneration (w.e.f. 01.10.2007):

	<u>2007-2008</u>	<u>2006-2007</u>
	<u>(Rs.)</u>	<u>(Rs.)</u>
Salaries & Allowances	1,270,120	-
Contribution to Provident Fund	92,880	-
	1,363,000	-

Note:-

The contribution to gratuity fund has been made on a group basis and separate figure applicable in this case is not available and therefore, contribution to gratuity fund has not been taken into account in the above calculations.

10. Auditor's remuneration includes:

	<u>2007-2008</u>	<u>2006-2007</u>
	<u>(Rs.)</u>	<u>(Rs.)</u>
Audit Fees	175,000	175,000
Tax Audit	10,000	10,000
Total	185,000	185,000

11. Total outstanding dues of small scale industrial undertakings Rs. Nil (Nil).

12. Miscellaneous Income includes Rs 7,175,776 (Rs. 200,000) towards compensation charges for non - fulfillment of contracts.

13. **Related Party Disclosures**

Related party disclosures as required under Accounting Standard on "Related Party Disclosures" issued by the Institute of Chartered Accountants of India are given below:

a. Subsidiary Companies:
SMIFS Capital Services Limited

b. Key Management Personnel:
Mr. Utsav Parekh, Chairman
Mr. Kishor Shah, Whole time Director
Mr. Ajay Kayan, Director

c. Entities over which Key Management Personnel / their relatives are able to exercise significant influence:

Stewart & Co.
SMIFS Finance Limited
SMIFS Securities Limited
Lend Lease Co.(India) Ltd.
S & M Advisory & Broking Pvt. Ltd.
Shah Investment Consultants Pvt.Ltd.
Stewart Investments & Financial Consultants Pvt. Ltd.

SMIFS CAPITAL MARKETS LIMITED

Smt. Ichhagauri Charitable Trust
Mackertich Consultancy Services Pvt. Ltd.
Andaman Plantations & Development Corporation Pvt. Ltd.
Chengmari Tea Company Limited
Pee Lee Investments Private Limited
Stewart & Mackertich Advisors and Brokers Limited
Stewart & Mackertich Financial Distributions Limited
Stewart & Mackertich Commodities Limited
BullsEye FinAdvisors Limited
BullsEye Insurance Brokerage Limited
BullsEye Insurance Advisors Limited
C. Mackertich Ltd.
Satellite Inter Continental Pvt. Ltd.
Vincent Commercial Co. Ltd.
Bogota Farms Pvt. Ltd.
Casper Agro Pvt. Ltd.
Megha Towers Pvt. Ltd.
Pushya Towers Pvt. Ltd.
Vishakha Towers Pvt. Ltd.
Balaji Recreations Pvt. Ltd.

Disclosure of transactions between the Company and related parties and their outstanding balances on 31st March'2008.

	<u>Subsidiary Companies</u>	<u>Key Management Personnel</u>	<u>Entities where control exists</u>
Purchase of Shares & Securities	-	-	75,108,255
Sale of Shares & Securities	(472,500)	(-)	(315,605,576)
Purchase of Property	(4,430,000)	(1,155,000)	(278,475,265)
Directors' Sitting Fee	-	25,000	-
Service Charges Paid	-	(21,500)	-
Rent Received	(5,000,000)	-	353,177
Expenses Reimbursed	-	-	157,099
Director's Remuneration	-	3,716,728	-
	(-)	(1,262,008)	(-)
<u>Balance at the end of the year</u>			
- Creditors / Payables	57,188,527	3,026,758	17,340,095
- Debtors / Receivable	(59,644,513)	(-)	(5,251,222)
- Advances	-	-	4,894,645
	(-)	(-)	(12,151,827)
	-	-	-
	(-)	(-)	(7,500,000)
- Investments	-	-	18,534,000
	(-)	(-)	(-)

SMIFS CAPITAL MARKETS LIMITED

14.

Stock in trade : Shares & Securities

(At Cost or market value whichever is lower)

	As at 31st March,2008		As at 31 st March,2007	
	Quantity	Amount	Quantity	Amount
	No.	Rs.	No.	Rs.
Equity share : Quoted				
Rs. 10/- each (Un less other wise stated)				
Fully paid up				
Avon Industries Ltd.	9,800	19,600	9,800	19,600
Cable Corporation of India Limited	0	0	281,000	4,416,000
CESC Ltd.	758	34,959	758	34,959
General Exports & Credits Ltd.	45,900	45,900	45,900	45,900
Gillanders Arbuthnot Limited	88	8,039	88	7,172
H B Estate Developers Ltd.	25	451	25	451
H.B.Portfolio Ltd.	25	451	25	451
ITC Hotels Ltd.	100	5,974	100	5,974
KHSL Industries Ltd.	27,000	9,450	27,000	9,450
Kilburn Office Automation Ltd.	16,400	86,428	16,400	108,240
Kotak Mahindra Bank Ltd	800	0	800	0
Lloyds Finance Ltd.	50	25	50	25
Madras Spinners Ltd.	4,000	98,000	4,000	98,000
PTC Industries Ltd.	29,000	29,000	29,000	29,000
Sellalids Publications (I) Ltd.	3,400	16,592	3,400	23,256
Siddhi Vinayak Metal Ltd.	400	500	400	500
Sinclairs Hotels & Transportation Ltd.	40	5,760	40	5,770
T & I Global Ltd.	146,100	879,522	146,100	948,189
Tyche Peripheral Ltd.	2,500	25,000	2,500	25,000
Vipras Corporation Ltd.	500	750	500	750
Welspun Syntex Ltd.	5,178	33,761	5,178	25,579
Worldlink Finance Ltd.	100	140	100	140
Partly paid up				
Metropoli Overseas Ltd *	29,800	149,000	29,800	1,49,000
(Paid up Rs. 5 each)				
Sub Total :	321,964	1,449,301	602,964	5,953,406

Govt.Securities/ Bonds: Quoted

Fully paid up

07.00% Central Govt.Loan - 2009	0	0	3,600	332,750
07.46% Govt.of India Loan- 2017	100	10,745	100	10,745
08.15% Special Food Bond - 2022	1,000	101,464	0	0
08.80% SBI Bonds - 2021	0	0	4	3,750,356
09.00% Central Govt.Loan – 2013	3,250	346,856	0	0
09.90% Union Bank – 2017	1	1,049,643	0	0
10.00% Central Govt.Loan – 2014	2,000	225,722	0	0
10.25% Central Govt.Loan – 2012	1,000	110,977	0	0
10.50% Central Govt Loan - 2014	0	0	306	37,022
11.50% Central Govt.Loan - 2014	2,000	245,456	0	0
11.80% A.P.S.D.L. Loan – 2010	2,000	218,246	0	0
12.40% Central Govt.Loan – 2013	1,000	119,792	0	0
Sub Total :	12,351	2,428,900	4,010	4,130,873

SMIFS CAPITAL MARKETS LIMITED

Unquoted:

Fully paid up Rs. 10/- each

Procam International Ltd.	19,977	19,977	19,977	19,977
Software Frontiers Ltd.	50,000	50,000	50,000	50,000
Tata Ceramics Ltd.	100,00	100,000	100,000	100,000
<i>Sub Total :</i>	<u>169,977</u>	<u>169,977</u>	<u>169,977</u>	<u>169,977</u>
Total :	504,292	4,048,178	776,951	10,254,256

15. Particulars regarding Purchases, Sales, Opening & Closing Stocks:

	<u>Purchases</u>		<u>Sales</u>	
	Qty. (Nos.)	Rs.	Qty. (Nos.)	Rs.
Shares / Mutual Fund Units	-	-	281,000	13,200,290
	(7,950,017)	(94,000,170)	(8,824,000)	(111,210,910)
Bonds / Govt. Securities	-	719,757,961	-	726,574,690
	(-)	(572,934,147)	(-)	(576,693,343)
Total	-	719,757,961	281,000	739,774,980
	(7,950,017)	(666,934,317)	(8,824,000)	(687,904,253)

	<u>Opening Stock</u>		<u>Closing Stock</u>	
	Qty. (Nos.)	Rs.	Qty. (Nos.)	Rs.
Shares / Mutual Fund Units	772,941	6,123,383	491,941	1,619,276
	(1,646,941)	(6,488,033)	(772,941)	(6,123,383)
Bonds / Govt. Securities	4,010	4,130,873	12,351	2,428,900
	(25,406)	(2,734,464)	(4,010)	(4,130,873)
Total	776,951	10,254,256	504,292	4,048,178
	(1,672,347)	(9,222,497)	(776,951)	(10,254,256)

16. Prudential Norms:

- a) Interest for the year amounting to Rs. 140,000 (Rs. 140,000) has not been recognized as the interest has become past due for more than six months.
- b) Provision against Investment/substandard assets amounting to Rs. 93,027,229 (Rs. 52,807,558) has been made during the year.

17. Following equity shares held as investment have not been transferred in the name of the company:

- a) 91,200 Equity Shares of Malvika Steels Limited (partly paid Rs. 2.50 per share) cost Rs. 912,000 have not been transferred in the name of the Company as the manner of allotment of such shares are sub-judice before the Honorable Calcutta High Court.
- b) 35,900 Equity Shares of Rs. 10 each of Shez Leather Ltd., cost Rs. 359,000, as the company is reported to be under liquidation.

18. Earning Per Share

	<u>2007-2008</u>	<u>2006-2007</u>
Net Profit / (Loss) attributable to shareholders	Rs.61,016,524	Rs.102,561,262
Weighted average number of equity shares in issue	5,585,000	5,585,000
Earning per share of Rs. 10/- each (Basic & Diluted)	Rs.10.93	Rs.18.36

SMIFS CAPITAL MARKETS LIMITED

19. Segment Reporting: Information about Primary Business Segments

	<u>2007-2008</u>	<u>2006-2007</u>
<u>Segment Revenue</u>		
a) Capital Market Operations	133,013,440	149,261,887
b) Investment Banking Operations	20,072,344	22,181,441
c) Others	<u>15,033,496</u>	<u>3,510,517</u>
Net Sales / Income from Operations	<u>168,119,280</u>	<u>174,953,845</u>
<u>Segment Results: Profit / (Loss) before tax & interest</u>		
a) Capital Market Operations	133,013,440	149,261,887
b) Investment Banking Operations	20,072,344	22,181,441
c) Others	<u>15,033,496</u>	<u>3,510,517</u>
Total	<u>168,119,280</u>	<u>174,953,845</u>
Less : Interest	2,862,962	6,991,901
Other un-allocable exp. net of un-allocable income	<u>125,584,536</u>	<u>86,431,034</u>
Total Profit before tax	<u>39,671,782</u>	<u>81,530,910</u>

Capital employed

Fixed Assets used in the Company's Operations or liabilities contracted have not been identified to any of the reportable segments, as the fixed assets are used interchangeably between segments. The company believes that it is currently not practicable to provide segment disclosures relating to total assets and liabilities since a meaningful segregation of data is onerous.

20. (a) Deferred tax assets on unabsorbed depreciation and carry forward losses have not been recognized since there is no virtual certainty of sufficient future taxable income available to realize such assets. Net deferred tax Assets of Rs.26,350,190 [(Rs. 29,697,444)] for the year ended 31.03.2008 has been recognized in the Profit & Loss Account.

(b) Major components of deferred tax arising on account of timing differences are:

	<u>As on</u> <u>31.03.2008</u>	<u>As on</u> <u>31.03.2007</u>
	Rs.	Rs.
<u>Deferred Tax Assets</u>		
i) Provisions for Non-Performing Assets/ Diminution	75,620,084	49,476,112
ii) Employee Benefits	395,032	265,528
iii) Others	-	62,897
	<u>76,015,116</u>	<u>49,804,537</u>
Less:		
<u>Deferred Tax Liabilities</u>		
i) Depreciation	<u>4,313,053</u>	<u>4,452,664</u>
	<u>71,702,063</u>	<u>45,351,873</u>

21. Tax Deducted at Source on:

	<u>2007-2008</u>	<u>2006-2007</u>
Interest on Government Securities	260,733	83,401
Interest on Fixed Deposit	88,980	22,133
Rent	195,688	210,048
Other Receipts	<u>2,914,264</u>	<u>3,024,743</u>
	<u>3,459,665</u>	<u>3,340,325</u>

SMIFS CAPITAL MARKETS LIMITED

22. Expenditure in Foreign Currency:

	<u>2007-2008</u>	<u>2006-2007</u>
Membership Subscription	106,334	116,986
Traveling Expenses	575,130	619,974
23. Earnings in Foreign Currency	Nil	Nil

24. Figures in brackets pertain to the previous year.

25. Previous year's figures have been re-arranged, regrouped & re-classified wherever necessary to confirm to this year's classification.

Signature to Schedules 'A' to 'M'

For **J. S. Vanzara & Associates**
Chartered Accountants

For and on behalf of the Board

(Chandranath Mukherjee)
Director

(Kishor Shah)
Whole Time Director

(Jinesh S. Vanzara)
Partner
Membership no. 300-53871
The 20th day of June, 2008

(S. C. Pal)
Company Secretary
Cum Vice President (Legal)

(S. Jhajharia)
Vice President - Finance

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

Balance Sheet Abstract and Company's General Business Profile

I Registration Details

Registration No.

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

State Code

	2	1
--	---	---

Balance Sheet

Date

	3	1	0	3	2	0	0	8
--	---	---	---	---	---	---	---	---

II Capital Raised during the year (Amount in Rs.Thousands)

Public Issue

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

Rights Issue

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

Bonus Issue

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

Private Placement

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

III Position of Mobilisation and Deployment of Fund(Amount in Rs.Thousands)

Total Liabilities

					1	0	4	6	8	5	2
--	--	--	--	--	---	---	---	---	---	---	---

Total Assets

					1	0	4	6	8	5	2
--	--	--	--	--	---	---	---	---	---	---	---

Sources of Funds

Paid-Up Capital

						5	5	8	5	0
--	--	--	--	--	--	---	---	---	---	---

Reserves & Surplus

						5	9	6	0	8	9
--	--	--	--	--	--	---	---	---	---	---	---

Secured Loans

								2	9	2	7
--	--	--	--	--	--	--	--	---	---	---	---

Unsecured Loans

								3	6	1	4	8
--	--	--	--	--	--	--	--	---	---	---	---	---

Application of Funds

Net Fixed Assets

							7	6	2	5	5
--	--	--	--	--	--	--	---	---	---	---	---

Investments

							4	2	7	3	3	4
--	--	--	--	--	--	--	---	---	---	---	---	---

Net Current Assets

						1	1	5	7	2	2
--	--	--	--	--	--	---	---	---	---	---	---

Deferred Tax Asset Net

								7	1	7	0	2
--	--	--	--	--	--	--	--	---	---	---	---	---

Accumulated Losses

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

IV Performance of Company (Amount in Rs. Thousands)

Turnover (Gross Revenue)

						8	8	7	9	7	7
--	--	--	--	--	--	---	---	---	---	---	---

Total Expenditure

						8	4	8	3	0	6
--	--	--	--	--	--	---	---	---	---	---	---

+													
+													

Profit / Loss Before Tax

								3	9	6	7	2
--	--	--	--	--	--	--	--	---	---	---	---	---

+													
+													

Profit / Loss After Tax*

								6	1	0	1	7
--	--	--	--	--	--	--	--	---	---	---	---	---

+													
+													

Earning Per Share in Rs

								1	0	.	9	3
--	--	--	--	--	--	--	--	---	---	---	---	---

Dividend Rate

V Generic Name of Three Principal Products/Services of Company (As per monetary Terms)

Item Code

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

Product

Description

F	I	N	A	N	C	I	A	L	S	E	R	V	I	C	E	S					
M	E	R	C	H	A	N	T	B	A	N	K	I	N	G							
C	A	P	I	T	A	L	M	A	R	K	E	T	O	P	E	R	A	T	I	O	N

Signature to Schedules 'A' to 'M'

For J.S. VANZARA & ASSOCIATES

Chartered Accountants

For and on behalf of the Board of Directors

(Kishor Shah)

Whole Time Director

(JINESH S VANZARA)

Partner

(S C Pal)

Company Secretary
Cum - Vice President (Legal)

(S. Jhajharia)

Vice President – Finance

(Chandranath Mukherjee)

Director

Kolkata

Membership No.300-53871

The 20th day of June, 2008

SMIFS CAPITAL MARKETS LIMITED**CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2008**

	<u>31st March 2008</u>	<u>31st March 2007</u>
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit before Tax, Extra-ordinary items, interest & Loss on sale of Fixed Assets (net)	131,294,802	142,079,088
Adjustment for		
1. Depreciation	2,709,412	6,021,740
2. (Profit) / Loss on sale of Investments	(119,302,499)	(127,260,192)
3. Dividend on Investment	(2,455,763)	(1,622,348)
4. Interest on Govt. Securities	(30,250)	(30,250)
	<u>(119,079,100)</u>	<u>(122,891,050)</u>
<i>Operating profit before W/Capital change</i>	12,215,702	19,188,038
Adjustment for		
1. Trade & Other Receivable	(51,856,570)	57,439,399
2. Inventories	6,206,078	(1,031,759)
3. Trade payable	2,302,634	(152,886,924)
	<u>(43,347,858)</u>	<u>(96,479,284)</u>
<i>Cash Generated from Operations</i>	(31,132,156)	(77,291,246)
Interest paid	(2,893,212)	(6,991,901)
Direct Tax paid	(5,906,982)	(8,693,142)
FBT Paid	(436,216)	(605,600)
	<u>(9,236,410)</u>	<u>(16,290,643)</u>
<i>Cash Flow before Extra-ordinary items</i>	(40,368,566)	(93,581,889)
Extra-ordinary items (Prov.for Leave Salary)		
Provision for Leave Salary	381,005	344,551
Liabilities written Back	-	-
	<u>381,005</u>	<u>344,551</u>
<i>Net Cash Flow from Operating activity</i>	(39,987,561)	(93,237,338)
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(7,087,226)	(2,730,614)
Sale of Fixed Assets	4,868,299	519,216
Purchase of Investments	(165,944,899)	(640,014,265)
Sale of Investments	237,086,010	741,743,612
Interest received on Govt. Sec	30,250	30,250
Dividend on Investment	2,455,763	1,622,348
	<u>71,408,197</u>	<u>101,170,547</u>
<i>Net Cash flow from Investing Activities</i>	31,420,636	7,933,209
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from issue of Share Capital	-	-
Dividend and Dividend Distribution Tax Paid	(6,534,171)	-
Proceeds from long-term borrowings	1,046,943	410,989
Proceeds from short-term borrowings	(18,634,502)	(4,390,662)
	<u>(24,121,730)</u>	<u>(3,979,673)</u>
<i>Net cash used in Financing Activities</i>	(24,121,730)	(3,979,673)
<i>Net increase in Cash & Cash equivalents</i>	7,298,906	3,953,536
Cash & Cash equivalents as at (Opening Balance)	13,801,697	9,848,160
Cash & Cash equivalents as at (Closing Balance)	<u>21,100,603</u>	<u>13,801,697</u>

Kolkata
The 20th day of June, 2008

For and on behalf of the Board of Directors

(Kishor Shah)
Whole Time Director

Auditors' Report

We have verified the attached Cash Flow Statement of Smifs Capital Markets Limited, derived from the audited financial statement and the books and records maintained by the Company for the year ended 31st March, 2008 and 31st March, 2007 and found the same in agreement therewith.

For J. S. Vanzara & Associates
Chartered Accountants

Kolkata
The 20th day of June, 2008

(Jinesh S. Vanzara)
Partner
Membership No. 300-53871

STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956 RELATING TO SUBSIDIARY COMPANIES

Name of the Subsidiary Company	SMIFS Capital Services Ltd.
1 The financial year of the subsidiary company ended on	31.03.2008
2 a. No. of Equity Shares held by SMIFS Capital Markets Limited and its nominees in the subsidiary on 31.3.2008	7,500,070
b. Extent of interest of SMIFS Capital Markets Limited in the capital of the Subsidiary	100%
3 Net aggregate amount of Profit / Loss of the subsidiary so far as it concerns the members of SMIFS Capital Markets Limited and is not dealt with in the company's Accounts	
a. Profit / (Loss) for the financial year ended on 31 st March, 2008 of the Subsidiary of SMIFS Capital Markets Limited	(Rs.1,791,129)
b. Profit / (Loss) after tax for the previous financial years of the Subsidiary of SMIFS Capital Markets Limited.	(Rs. 10,196)
4 Net aggregate amount of Profit / (Loss) of the Subsidiary so far as dealt with or provision is made for those Profit / (Loss) in SMIFS Capital Markets Ltd. accounts:	
a. For the subsidiary's financial year ended on 31 st March, 2008.	NIL
b. For its previous financial years since it became the subsidiary of SMIFS Capital Markets Ltd.	NIL

On behalf of the Board of Directors

'Vaibhav' 4F, 4 Lee Road,
Kolkata - 700 020
The 20th day of June, 2008

(Kishor Shah)
Whole Time Director

Schedule to the Balance Sheet of a Non-Banking Financial Company

[as required in terms of Paragraph 13 of Non-Banking Financial
Companies Prudential Norms (Reserve Bank) Directions, 2008

Particulars	Amount outstanding	Amount overdue
Liabilities side:		
1) Loans and advances availed by the NBFCs inclusive of interest accrued thereon but not paid:		
(a) Debentures:		
Secured	NIL	NIL
Unsecured (other than falling within the meaning of public deposits*)	NIL	NIL
(b) Deferred Credits.	NIL	NIL
(c) Term Loans. (Secured)	2,926,808	
(d) Inter-corporate loans and borrowing.		NIL
- Secured.	NIL	NIL
- Unsecured.	35,428,854	NIL
(e) Commercial Paper.	NIL	NIL
(f) Public Deposits*	110,692	
(g) Other Loans (specify nature).		NIL
Deposits from customers	608,000	
* Please see Note 1 below		
2) Break-up of (1)(f) above (Outstanding public deposits inclusive of interest accrued thereon but not paid) :		
(a) In the form of Unsecured debentures.	NIL	NIL
(b) In the form of partly secured debentures, i.e., debentures where there is a shortfall in the value of security.	NIL	NIL
(c) Other public deposits.	110,692	NIL
	Amount outstanding	
Assets side :		
3) Break-up of Loans and Advances including bills receivables [other than those included in (4) below] :		
(a) Secured. (Staff Loan)	1,405,165	
(b) Unsecured.(Net of Provision)	422,511,242	
4) Break-up of Leased Assets and stock on hire and other assets counting towards AFC activities :		
(i) Lease assets including lease rentals under sundry debtors :		
(a) Financial lease(Net of Provision)		NIL
(b) Operating lease.		NIL
(ii) Stock on hire including hire charges under sundry debtors :		
(a) Assets on hire.		NIL
(b) Repossessed Assets.		NIL
(iii) Other assets counting towards AFC activities		
(a) Loans where assets have been repossessed.		
(b) Loans other than (a) above.		NIL
		NIL
5) Break-up of Investments :		
<u>Current Investments :</u>		
(1) Quoted :		
i) Shares : (a) Equity	1,449,301	
(b) Preference	NIL	
ii) Debentures and Bonds.	NIL	
iii) Units of mutual funds.	NIL	
iv) Government Securities.	2,428,900	
v) Others (please specify).	NIL	
(2) Unquoted :		
i) Shares : (a) Equity	169,977	
(b) Preference	NIL	

ii) Debentures and Bonds.	NIL
iii) Units of mutual funds.	NIL
iv) Government Securities.	NIL
v) Others (please specify).	NIL

Long-Term Investments :

(1) Quoted :	
i) Shares : (a) Equity	101,721,145
(b) Preference	NIL
ii) Debentures and Bonds.	NIL
iii) Units of mutual funds.	NIL
iv) Government Securities.	521,065
v) Others (please specify).	NIL
(2) Unquoted :	
i) Shares : (a) Equity	311,087,873
(b) Preference	14,004,000
ii) Debentures and Bonds.	NIL
iii) Units of mutual funds.	NIL
iv) Government Securities.	NIL
v) Others (please specify).	NIL

6) Borrower group-wise classification of assets financed as in (3) and (4) above

Please see Note 2 below.

Category	Amount Net of Provisions		Total
	Secured	Unsecured	
1) Related Parties **			
(a) Subsidiaries.	NIL	NIL	NIL
(b) Companies in the same group.	NIL	NIL	NIL
(c) Other related parties.	NIL	12,997,368	12,997,368
2) Other than related parties.	<u>1,405,165</u>	<u>409,513,874</u>	<u>410,919,039</u>
Total :	<u>1,405,165</u>	<u>422,511,242</u>	<u>423,916,407</u>

7) Investor group-wise classification of all Investments (current and long-term) in shares and securities (both quoted and unquoted):

Please see Note 3 below.

Category	Market Value / Break-up or fair value or NAV	Book Value (Net of Provisions)
1) Related Parties **		
(a) Subsidiaries.	75,000,700	75,000,700
(b) Companies in the same group.	NIL	NIL
(c) Other related parties.	32,753,376	32,753,376
2) Other than related parties.(Quoted Shares)	152,056,877	140,004,915
Total :	<u>259,810,953</u>	<u>247,758,991</u>

** As per Accounting Standard of ICAI (Please see Note-3).

8) Other Information:

Particulars	Amount
(i) Gross Non-Performing Assets :	
(a) Related parties.	3,914,711
(b) Other than related parties.	96,147,223
(ii) Net Non-Performing Assets :	
(a) Related parties.	NIL
(b) Other than related parties.	NIL
(iii) Assets acquired in satisfaction of debt.	NIL

Notes:

- As defined in Paragraph 2(1)(xii) of the Non-Banking Financial Companies Acceptance of Public Deposits (Reserve Bank) Directions, 1998.
- Provisioning norms shall be applicable as prescribed in the Non-Banking Financial (Deposit accepting or holding) Companies Prudential Norms (Reserve Bank) Directions, 2007.
- All Accounting Standards and Guidance Notes issued by ICAI are applicable including for valuation of investments and other assets as also assets acquired in satisfaction of debt. However, market value in respect of quoted investments and break-up / fair value / NAV in respect of unquoted investments should be disclosed irrespective of whether they are classified as long-term or current in column (5) above.

SMIFS CAPITAL MARKETS LIMITED

Consolidated Balance Sheet as at 31st March '2008

SOURCES OF FUNDS	SCH NO	As at 31st March,2008		As at 31st March,2007	
		Rs.	Rs.	Rs.	Rs.
SOURCES OF FUNDS					
Shareholders' Funds					
a. Capital	A	55,850,000		55,850,000	
b. Reserve and Surplus	B	597,050,050		544,358,826	
			652,900,050		600,208,826
Loan Funds					
a. Secured Loans	C	2,926,808		1,879,865	
b. Unsecured Loans	D	36,147,546		54,782,048	
			39,074,354		56,661,913
			691,974,404		656,870,739
APPLICATION OF FUNDS					
Fixed Assets					
a. Gross Block	E	215,362,573		222,803,763	
b. Less: Depreciation		137,377,578		148,613,036	
Lease Terminal Adjustment Account		1,709,528		1,709,528	
c. Net Block			76,275,467		72,481,199
Investments					
	F		357,617,402		309,456,014
Current Assets, Loans & Advances					
a. Current Assets	G	65,508,256		46,693,434	
b. Loans & Advances		425,507,534		430,637,949	
			491,015,790		477,331,383
Less: Current Liabilities & Provisions					
a. Current Liabilities	H	97,527,356		93,349,164	
b. Provisions		207,052,910		154,488,519	
			304,580,266		247,837,683
Net Current Assets					
			186,435,524		229,493,700
Net Deferred Tax Asset / (Liabilities)					
			71,699,011		45,439,826
			692,027,404		656,870,739

ACCOUNTING POLICIES AND
NOTES ON ACCOUNTS
Schedules referred to above form an integral part of the Balance Sheet
In terms of our attached report of even date

M

For and on behalf of the Board of Directors

For J. S. VANZARA & ASSOCIATES

Chartered Accountants

(Chandranath Mukherjee)
Director

(Kishor Shah)
Whole Time Director

(Jinesh S. Vanzara)

Partner

Membership no. 300-53871

Kolkata

The 20th day of June , 2008

(S. C. Pal)
Company Secretary
Cum Vice President (Legal)

(S. Jhajharia)
Vice President-Finance

SMIFS CAPITAL MARKETS LIMITED
Consolidated Profit & Loss Account for the year ended 31st March, 2008

	SCH NO	For the year ended 31st March' 2008		For the year ended 31st March' 2007	
		Rs.	Rs.	Rs.	Rs.
<u>INCOME</u>					
Sales			739,774,980		687,904,253
Capital Market Operations			119,302,499		127,461,083
Investment Banking Operations			20,517,344		28,472,389
Other Income	I		15,040,824		3,524,225
Increase / (Decrease) in Stock	J		<u>(6,206,078)</u>		<u>1,031,759</u>
			<u>888,429,569</u>		<u>848,393,709</u>
<u>EXPENDITURE</u>					
Purchases			719,757,961		666,934,317
Operating & Administration Expenses	K		32,082,916		33,864,532
Interest	L		2,861,631		7,018,448
Depreciation			2,722,081		6,115,252
Provision against Investment /sub-standard assets			<u>93,027,229</u>		<u>52,807,558</u>
			<u>850,451,818</u>		<u>766,740,107</u>
PROFIT/ (LOSS) BEFORE TAX			37,977,751		81,653,602
Provision for Taxation (Including Wealth Tax)		4,522,004		8,067,058	
Deferred Tax credit / (charge) for the year		<u>(26,259,186)</u>		<u>(29,657,650)</u>	
Fringe Benefit Tax		489,477		482,231	
Short / (Excess) provision of Tax for earlier year		<u>60</u>		<u>210,897</u>	
			(21,247,645)		(20,897,464)
PROFIT / (LOSS) AFTER TAX			59,225,396		102,551,066
(Debit) / Credit balance brought forward			60,633,826		(32,183,069)
Amount available for Appropriation			<u>119,859,222</u>		<u>70,367,997</u>
<u>Appropriation</u>					
Proposed Dividend 10%			5,585,000		5,585,000
Tax on Proposed Dividend			949,171		949,171
Transferred to General Reserve			5,000,000		3,200,000
Balance Carried to Balance Sheet			<u>108,325,051</u>		<u>60,633,826</u>
			<u>119,859,222</u>		<u>70,367,997</u>
Earning Per Share(Basic & Diluted) (Nominal Value of shares Rs.10/-)	M		10.60		18.36
ACCOUNTING POLICIES AND NOTES ON ACCOUNTS	M				
Schedules referred to above form an integral part of the Profit & Loss Account In terms of our attached report of even date					
				For and on behalf of the Board of Directors	
For J. S. VANZARA & ASSOCIATES					
Chartered Accountants		(Chandranath Mukherjee) Director		(Kishor Shah) Whole Time Director	
(Jinesh S. Vanzara) Partner					
Membership no. 300-53871 Kolkata The 20th day of June , 2008		(S. C. Pal) Company Secretary Cum Vice President (Legal)		(S. Jhajharia) Vice President-Finance	

Schedules to the Consolidated Balance Sheet

SCHEDULE 'A'

SHARE CAPITAL

	As at		As at	
	<u>31st March,2008</u>		<u>31st March,2007</u>	
	Rs.	Rs.	Rs.	Rs.
Authorised:				
30,000,000 Equity shares of Rs. 10 each		300,000,000		300,000,000
2,000,000 Preference Shares of Rs. 100 each		<u>200,000,000</u>		<u>200,000,000</u>
		<u>500,000,000</u>		<u>500,000,000</u>
Issued, Subscribed & Paid up:				
5,585,000 Equity Shares of Rs 10 each, fully paid		55,850,000		55,850,000
Out of the above shares, 2,400,000 shares of Rs. 10 each fully paid up has been issued by way of Bonus Shares by capitalisation of General Reserves				
		<u>55,850,000</u>		<u>55,850,000</u>

SCHEDULE 'B'

RESERVES & SURPLUS

Capital Redemption Reserve				
As per last Balance Sheet		40,000,000		40,000,000
Securities Premium Account:				
As per last Balance Sheet		433,725,000		433,725,000
General Reserve:				
As per last Balance Sheet	10,000,000		6,800,000	
Add : Transferred during the Year	<u>5,000,000</u>		<u>3,200,000</u>	
		15,000,000		10,000,000
Profit & Loss Account				
Transferred from Profit & Loss A/c		<u>108,325,050</u>		<u>60,633,826</u>
		<u>597,050,050</u>		<u>544,358,826</u>

SCHEDULE 'C'

SECURED LOANS

Loans from Banks / Others

Secured by hypothecation of vehicles [Payable within one year Rs. 1,168,917 (Rs.913,556)]		2,926,808		1,879,865
		<u>2,926,808</u>		<u>1,879,865</u>

SCHEDULE 'D'

UNSECURED LOANS

From Bodies Corporate (Short Term)		35,428,854		54,063,356
Fixed Deposits Matured but not claimed [Including Interest due Rs 54,692 (Rs 54,692)]		110,692		110,692
Deposits from Customers		608,000		608,000
		<u>36,147,546</u>		<u>54,782,048</u>

Schedules to the Consolidated Balance Sheet

SCHEDULE - 'E'

FIXED ASSETS

Particulars	Gross Block (Cost) Rs.				Depreciation Rs.				Lease Terminal Adjustment		Net Block Rs.	
	As on 01.04.2007	Additions	Deductions	As on 31.03.2008	As on 01.04.2007	For the year	Adj. during the year	As on 31.03.2008	As on 31.03.2008	As on 31.03.2007	As on 31.03.2008	As on 31.03.2007
A. Assets on Lease												
Plant & Machinery	128,762,014	-	13,641,425	115,120,589	126,106,153	-	13,505,011	112,601,142	1,709,528	1,709,528	809,919	946,333
Sub Total (A)	128,762,014	-	13,641,425	115,120,589	126,106,153	-	13,505,011	112,601,142	1,709,528	1,709,528	809,919	946,333
<i>Previous Year</i>	<i>128,762,014</i>	<i>-</i>	<i>-</i>	<i>128,762,014</i>	<i>123,018,653</i>	<i>3,087,500</i>	<i>-</i>	<i>126,106,153</i>	<i>1,709,528</i>	<i>-</i>	<i>946,333</i>	
B. Other Assets												
Buildings	71,655,318	4,141,086	868,000	74,928,404	7,095,480	840,410	437,914	7,497,976	-	-	67,430,428	64,559,838
Furniture and Fixtures	6,147,973	-	-	6,147,973	5,175,036	176,102	-	5,351,138	-	-	796,835	972,937
Office Equipment	2,127,528	49,000	18,990	2,157,538	1,402,923	103,236	14,612	1,491,547	-	-	665,991	724,605
Vehicles	8,124,086	2,564,368	-	10,688,454	4,141,847	1,219,991	-	5,361,838	-	-	5,326,616	3,982,239
Electrical Installations	1,206,229	-	-	1,206,229	920,653	39,724	-	960,377	-	-	245,852	285,576
Computers	2,412,813	218,772	-	2,631,585	1,919,763	256,026	-	2,175,789	-	-	455,796	493,050
Air Conditioners	2,367,802	114,000	-	2,481,802	1,851,181	86,593	-	1,937,774	-	-	544,028	516,621
Sub Total (B)	94,041,749	7,087,226	886,990	100,241,985	22,506,883	2,722,082	452,526	24,776,439	-	-	75,465,547	71,534,866
<i>Previous Year</i>	<i>102,103,164</i>	<i>2,730,614</i>	<i>10,792,029</i>	<i>94,041,749</i>	<i>28,571,725</i>	<i>3,027,752</i>	<i>9,092,594</i>	<i>22,506,883</i>	<i>-</i>	<i>-</i>	<i>71,534,866</i>	
Total (A+B)	222,803,763	7,087,226	14,528,415	215,362,574	148,613,036	2,722,082	13,957,538	137,377,580	1,709,528	1,709,528	76,275,466	72,481,198
<i>Previous Year</i>	<i>230,865,178</i>	<i>2,730,614</i>	<i>10,792,029</i>	<i>222,803,763</i>	<i>151,590,378</i>	<i>6,115,252</i>	<i>9,092,594</i>	<i>148,613,036</i>	<i>1,709,528</i>	<i>-</i>	<i>72,481,199</i>	

Notes :

- i) Title Deeds for Office Premises at 6 Lyons Range, Kolkata has not been registered.
- ii) Provision to the extent of Rs. 809,919 (Rs. 946,333) has been made against doubtful leased assets at the end of 31.03.2008

Schedules to the Consolidated Balance Sheet

SCHEDULE 'F'

INVESTMENTS (at cost)	As at		As at	
	Quantity	Amount	Quantity	Amount
	Nos.	Rs.	Nos.	Rs.
IN BODIES CORPORATE				
Equity Shares of Rs.10 each (Unless otherwise stated)				
<u>Fully paid up : Quoted</u>				
Aravali Securities & Finance Ltd.	100	60	100	60
Asian Vegipro Ltd.	300,000	300,000	300,000	300,000
BSL Industries Ltd.	100,100	1,956,955	100,100	1,956,955
Birla VXL Limited	17	170	17	170
Cambridge Solutions Ltd.(Formerly Scandent Solutions Ltd.)	70,097	2,510,230	70,097	2,510,230
Coventry Springs & Engg Ltd	52,323	175,282	52,323	175,282
Mangalam Cement Limited #	367,307	28,475,701	1,242,807	37,230,701
Melstar Information Technologies Ltd.	300	63,675	300	63,675
MSL Industries Ltd.	400,000	800,000	400,000	800,000
Moulik Finance Ltd.	7,100	71,000	7,100	71,000
Neogem India Ltd	132,800	597,600	132,800	597,600
Nicco-Uco Alliance Credit Ltd.	114	650	114	650
Punsumi Foils & Compounets Ltd.	15,800	19,750	15,800	19,750
PTC Industries Ltd.	1,000	16,850	14,200	30,050
RPG Cables Ltd.	700	16,835	700	16,835
KEC International Ltd.(formly RPG Transmission Ltd.)	88,887	65,104,264	-	-
R.S.Software India Limited	77,150	5,014,750	97,150	6,317,350
Shez Leather Ltd.	35,900	359,000	35,900	359,000
Swad Industries Ltd.	141	268	141	268
Sujana Universal Limited	-	-	25,000	381,761
Texmaco Ltd.	681	20,430	681	20,430
Titagarh Steels Ltd.	185	1,644	185	1,644
VCK Capital Markets Ltd.	200	220	200	220
<u>Partly Paid up: Quoted</u>				
Malvika Steels Ltd. (paid up Rs. 2.50 each)	91,200	912,000	91,200	912,000
<u>Fully paid up : Unquoted</u>				
Andaman Plantations.& Development Corporation Ltd.	64,880	6,488,000	-	-
Bhatpara Papers Limited	44	391	44	391
C. Mackertich Ltd.	4,250,000	42,500,000	4,250,000	42,500,000
Data2 Information Com Pvt.Ltd.	100,000	1,500,000	100,000	1,500,000
Exquisite Exports Ltd	5,000	50,000	5,000	50,000
Spence Retails Ltd.(Formly Great Wholesale Ltd.)	5,329	969,612	236,329	43,000,062
Gujarat Securities Ltd.	20	200	20	200
Kanco Enterprises Limited	500,000	5,000,000	500,000	5,000,000
Pilot Consultants Ltd.	200,000	53,200,000	-	-

Schedules to the Consolidated Balance Sheet

	As at		As at	
	31st March,2008		31st March,2007	
	Quantity Nos.	Amount Rs.	Quantity Nos.	Amount Rs.
Patriot Automation Projects Ltd.	2,000,000	500,000	-	-
Patriot Automation Projects Ltd.(Bonus)	65,350	-	65,350	-
Silver Cross Ltd	13,000	1,300,000	13,000	1,300,000
Smifs Finance Limited	240,000	3,360,000	240,000	3,360,000
Smifs Securities Ltd.	10,300,000	103,000,000	10,300,000	103,000,000
Tarkeshwar Properties Pvt.Ltd.	42,500	8,075,000.00	25,000	4,750,000
Vaibhav Securities (P) Ltd	4,580	45,800	4,580	45,800
Zoom Export Ltd.(MDC Infoway Ltd.)	200,000	2,000,000	200,000	2,000,000
<u>Partly Paid up: Unquoted</u>				
Smifs Finance Limited	1,511,600	15,174,000	1,511,600	15,174,000
[Paid up Rs. 7.50 (Rs.7.50) each]				
Units of Mutual Fund				
<u>Fully paid up : Quoted</u>				
Unit Trust of India - Unit 64 (Paid up Rs. 10 each)	-	-	25	365
Preference Share of Rs. 100/- each				
<u>Fully paid up : Unquoted</u>				
12% Non-cummulative Preference Shares Andaman Plant. & Dev. Corp. Ltd.	140,000	4,100,000	104,880	10,488,000
0.01% Sutej Cotton Mills Supply Co.Ltd. Non-cummulative Preference Share	-	-	525,000	25,000,500
Sub Total :	<u>21,384,405</u>	<u>353,680,337</u>	<u>20,667,743</u>	<u>308,934,950</u>
<u>Warrant</u>				
<u>Partly paid up : Unquoted</u>				
Southern Online Biotech Ltd. (Unsecured Optionally Fully Convertible)	800,000	3,416,000	-	-
Sub Total :	<u>800,000</u>	<u>3,416,000</u>	<u>-</u>	<u>-</u>
<u>In Government Securities: Listed</u>				
	Face Value Rs.	Amount Rs.	Face Value Rs.	Amount Rs.
5.05% Govt. of India Loan - 2019*	500,000	521,065	500,000	521,065
Sub Total :-	<u>500,000</u>	<u>521,065</u>	<u>500,000</u>	<u>521,065</u>
* In Escrow account against Public Deposit held in Indusind Bank # 3.50 Lacs Shares of Mangalam Cement Ltd. has been kept as margin money with broker				
Total :		357,617,402		309,456,014
Aggregated of unquoted Investments - at book value		251,200,067		258,602,017
Aggregated of Quoted Investments - at book value		106,417,335		50,853,997
Aggregated of Quoted Investments - at market value		117,670,442		184,553,324

Schedules to the Consolidated Balance Sheet

	As at		As at	
	31st March,2008		31st March,2007	
	Rs.	Rs.	Rs.	Rs.
SCHEDULE 'G'				
CURRENT ASSETS, LOAN & ADVANCES				
A. CURRENT ASSETS				
Interest Accrued on Securities		10,833		10,833
Stock in trade: Shares & Securities		4,048,178		10,254,256
Sundry Debtors				
Exceeding six months				
- Considered good	17,672,054		20,289,753	
- Considered doubtful	87,177,015		42,345,087	
Less: Provision for doubtful debts.	<u>87,177,015</u>		<u>42,345,087</u>	
	17,672,054		20,289,753	
Other Debts - Considered Good	<u>22,484,896</u>		<u>2,010,865</u>	
		40,156,950		22,300,618
CASH & BANK BALANCES:				
Cash and Cheques on hand	335,313		150,228	
With Scheduled Banks				
In Current Accounts	15,369,561		8,753,534	
In Dividend Accounts	53,000		-	
In Deposit Accounts	<u>5,534,420</u>		<u>5,223,965</u>	
(Certificates pledged with Bank / Sales Tax)				
		21,292,294		14,127,727
		<u>65,508,255</u>		<u>46,693,434</u>
B. LOANS & ADVANCES				
(Unsecured)				
LOANS				
Considered Doubtful	875,000		875,000	
Less : Provision for doubtful Loans	<u>875,000</u>		<u>875,000</u>	
		-		-
To Staff (Considerd Good)		2,129,045		2,193,614
To Staff (Considered Good)				
ADVANCES				
(Recoverable in cash or in kind or for value to be received)				
To Others				
- Considered good	293,212,976		293,390,477	
- Considered doubtful	10,000,000		10,000,000	
Less : Provision for doubtful advances	<u>10,000,000</u>		<u>10,000,000</u>	
		293,212,976		293,390,477
Income Tax Payments		19,679,889		14,073,298
Considered Good -				
Capital Advances		-		10,915,000
Security & other deposits	3,191,084		3,150,381	
Less : Provision for doubtful advances	<u>1,200,000</u>		<u>1,200,000</u>	
		1,991,084		1,950,381
Service Tax Input		994,540		615,179
Share Application Money Paid		107,500,000		107,500,000
		<u>425,507,534</u>		<u>430,637,949</u>
		<u>491,015,789</u>		<u>477,331,383</u>
SCHEDULE 'H'				
CURRENT LIABILITIES AND PROVISIONS				
A. CURRENT LIABILITIES				
Sundry Creditors		8,492,491		6,842,586
Other Liabilities		15,581,563		10,262,336
Advances Against Shares & Securities / Others		73,400,302		76,244,242
Unclaimed dividend (06-07)		53,000		-
		<u>97,527,356</u>		<u>93,349,164</u>
B. PROVISIONS				
for Proposed Dividend		5,585,000		5,585,000
for Tax on Proposed Dividend		949,171		949,171
for Fringe Benefit Tax		489,477		436,216
for Diminution in the Value of Investments		183,623,270		135,291,554
for Sub Standard advances and Doubtful assets		809,919		946,333
for Taxes (Including for Wealth Tax)		14,427,630		10,216,000
for Leave Salary		1,168,444		1,064,245
		<u>207,052,910</u>		<u>154,488,519</u>
		<u>304,580,266</u>		<u>247,837,683</u>

Schedules to the Consolidated Profit & Loss Account

SCHEDULE 'I'	For the year ended 31st March' 2008		For the year ended 31st March' 2007	
	Rs.	Rs.	Rs.	Rs.
OTHER INCOME				
Miscellaneous Income		7,348,939		281,266
Profit/(Loss) on Sale of Fixed Assets		4,297,422		(930,220)
Rent		936,000		1,590,329
Dividend Income : Investment	2,455,763		1,622,348	-
Trading	2,699	2,458,462	30,282	1,652,630
		15,040,824		2,594,005
SCHEDULE 'J'				
INCREASE / (DECREASE) IN STOCK				
Closing Stock		4,048,178		10,254,256
Less : Opening Stock		10,254,256		9,222,497
		(6,206,078)		1,031,759
SCHEDULE 'K'				
OPERATING & ADMINISTRATIVE EXPENSES				
Expenses on personnel :				
Salaries, Bonus & Allowances	12,896,098		14,239,039	
Contribution to Provident & other Funds (Including administrative Charges)	1,032,636		915,074	
Training, Development & Recruitment Exp.	12,800		10,300	
Staff Welfare	1,571,055		1,320,911	
		15,512,589		16,485,324
Group Gratuity Scheme		568,709		450,200
Telephone Charges		1,271,590		1,298,038
Printing & Stationery		1,446,163		949,211
Professional, Legal & Consultancy Charges		496,836		2,377,573
Business Promotion Expenses		1,071,115		788,506
Rent		641,790		639,790
Repairs & Maintenance				
- Building		427,210		622,849
- Plant & Machinery		138,660		119,076
- Others		536,734		256,422
Advertisement		303,057		318,511
Electricity		320,162		312,915
Vehicle Expenses		1,401,123		1,237,980
Subscription & Membership Fees		442,394		1,255,263
Miscellaneous Expenses		1,792,915		1,394,242
Sundry Balances Written off (Net)		133,728		64,047
Rates & Taxes		452,550		348,830
Travelling Expenses		4,193,868		3,575,231
Directors Fees		100,500		92,500
Insurance		86,222		100,654
Donation		550,000		47,150
Auditor's Remuneration		195,000		200,000
		32,082,916		32,934,312
SCHEDULE 'L'				
INTEREST				
<u>Interest Paid</u>				
- Banks		179,926		172,202
- Others		3,518,520		7,533,315
		3,698,445		7,705,517
<u>Less: Received</u>				
- Debentures		-		98,630
- Govt. Securities - Investments		30,250		30,250
- Others		806,564		558,189
		836,814		687,069
		2,861,631		7,018,448
		2,861,631		7,018,448

SCHEDULE 'M'

A. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The Consolidated financial statements have been prepared in accordance with Accounting Standard 21 – “Consolidated Financial Statements” issued by the Institute of Chartered Accountants of India.

The financial statements have been prepared under the historical cost convention and on the accrual basis of accounting. The accounts of the parent Company and the subsidiary have been prepared in accordance with the Accounting Standards issued by the Institute of Chartered Accountants of India, and generally accepted accounting principles.

(b) Principles of Consolidation

The consolidated financial statements relate to the SMIFS Capital Markets Limited (‘the Company’) and its wholly owned subsidiary Company.

The financial statements of the Company and its subsidiary Company have been combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, incomes and expenses, after fully eliminating inter-company balances and transactions including unrealized profits or losses.

The consolidated financial statements are prepared by adopting uniform accounting policies for like transactions and events in similar circumstances and are presented to the extent possible, in the same manner as the Company’s separate financial statements.

(c) Other Significant Accounting Policies

These are set out in the Notes to Accounts under Significant Accounting Policies for financial statements of the respective companies which are enclosed.

B. NOTES FORMING PART OF THE ACCOUNTS

1. The Consolidated Financial Statements represent consolidation of accounts of SMIFS Capital Markets Limited, the parent company and its subsidiary, SMIFS Capital Services Limited wherein the parent company holds an ownership interest of 100% as at 31st March 2008.

2. As on 31st March 2008 the parent company holds 7,500,070 Equity shares of Rs. 10 each, fully paid-up in SMIFS Capital Services Limited. For consolidation purposes, the investments in the subsidiary are being reported at NIL value.

3. The parent company and its subsidiary end their respective financial years on the same date i.e. 31st March 2008.

4. Contingent liabilities not provided for

- i. Sales Tax demand net of payment under appeal Rs. 91,125 (Rs. 91,125).
- ii. Uncalled liabilities on partly paid shares Rs. 17,016,300 (Rs. 17,016,300)
- iii. Employees State Insurance Rs. 142,274 (Rs. 142,274)
- iv. Guarantees given to banks on behalf of others Rs. 18,500,000 (Rs. 18,500,000)

5. Related Party Disclosures

Related party disclosures as required under Accounting Standard on “Related Party Disclosures” issued by the Institute of Chartered Accountants of India are given below:

i) Key Management Personnel

In Parent Company

Mr. Utsav Parekh, Chairman
Mr. Kishor Shah, Whole Time Director
Mr. Ajay Kayan, Director

In Subsidiary Companies

Mr. Utsav Parekh, Executive Chairman(Upto 30.09.2007)

ii) **Entities over which Key Management Personnel / their relatives are able to exercise significant influence**

Stewart & Co.
SMIFS Finance Limited
SMIFS Securities Limited
Lend Lease Co.(India) Ltd.
S & M Advisory & Broking Pvt. Ltd.
Shah Investment Consultants Pvt.Ltd.
Stewart Investments & Financial Consultants Pvt. Ltd.
Smt. Ichhagauri Charitable Trust
Mackertich Consultancy Services Pvt. Ltd.
Andaman Plantations & Development Corporation Pvt. Ltd.
Chengmari Tea Company Limited
Pee Lee Investments Private Limited
Stewart & Mackertich Advisors and Brokers Limited
Stewart & Mackertich Financial Distributions Limited
Stewart & Mackertich Commodities Limited
BullsEye FinAdvisors Limited
BullsEye Insurance Brokerage Limited
BullsEye Insurance Advisors Limited
C. Mackertich Ltd.
Satellite Inter Continental Pvt. Ltd.
Vincent Commercial Co. Ltd.
Bogota Farms Pvt. Ltd.
Casper Agro Pvt. Ltd.
Megha Towers Pvt. Ltd.
Pushya Towers Pvt. Ltd.
Vishakha Towers Pvt. Ltd.
Balaji Recreations Pvt. Ltd.

Disclosure of transactions between the Company and related parties and their outstanding balances as on 31st March 2008

	<u>Key Management Personnel</u>	<u>Entities where control exists</u>
Purchase of Shares & Securities	-	75,108,255
	(-)	(317,184,576)
Sale of Shares & Securities	-	188,258,761
	(1,155,000)	(283,517,625)
Purchase of Property	-	637,205
	(-)	(-)
Directors' Sitting Fee	25,000	-
	(21,500)	(-)
Rent Received	-	353,177
	(-)	(-)
Expenses Reimbursed	-	157,099
	(-)	(-)
Director's Remuneration	2,353,728	-
	(2,941,712)	(-)
Chairman's Remuneration	2,916,000	-
	(3,140,916)	(-)
<u>Balance at the end of the year</u>		
- Creditors / Payables	3,026,758	17,340,095
	(-)	(5,251,222)
- Debtors / Receivable	-	4,916,699
	(-)	(12,173,881)
- Advances	-	-
	(-)	(7,500,000)
- Investments	-	18,534,000
	(-)	(-)

6. **Segment Reporting: Information about Primary Business Segments**

	<u>2007-2008</u>	<u>2006-2007</u>
	Rs.	Rs.
<u>Segment Revenue</u>		
a) Capital Market Operations	133,113,440	149,462,778
b) Investment Banking Operations	20,517,344	28,472,389
c) Others	<u>15,040,824</u>	<u>3,524,226</u>
Net Sales / Income from Operations	<u>168,671,608</u>	<u>181,459,393</u>
<u>Segment Results : Profit / (Loss) before tax & interest</u>		
a) Capital Market Operations	133,113,440	149,462,778
b) Investment Banking Operations	20,517,344	28,472,389
c) Others	<u>15,040,824</u>	<u>3,524,226</u>
Total	<u>168,671,608</u>	<u>181,459,393</u>
Less : Interest	2,861,631	7,018,448
Other un-allocable exp. net of un-allocable income	<u>127,832,226</u>	<u>92,787,343</u>
Total Profit before tax	<u>37,977,751</u>	<u>81,653,602</u>

Capital employed

Fixed Assets used in the Company's Operations or liabilities contracted have not been identified to any of the reportable segments, as the fixed assets are used interchangeably between segments. The Company believes that it is currently not practicable to provide segment disclosures relating to total assets and liabilities since a meaningful segregation of data is onerous.

7. **Earnings Per Share**

	<u>2007-2008</u>	<u>2006-2007</u>
Net Profit / (Loss) attributable to shareholders	Rs.59,225,396	Rs.102,551,066
Weighted average number of equity shares in issue	5,585,000	5,585,000
Earnings per share of Rs. 10/- each (Basic & Diluted)	Rs.10.60	Rs.18.36

8. Figures in brackets pertain to the previous year.

9. Previous year figures has been re-arranged, regrouped & re-classified whether necessary to confirm to this year's classification.

Signature to Schedules 'A' to 'O'

For J. S. Vanzara & Associates
Chartered Accountants

(Chandranath Mukherjee)
Director

(Kishor Shah)
Whole Time Director

(Jinesh S. Vanzara)
Partner
Membership No.300-53871
The 20th day of June, 2008

(S. C. Pal)
Company Secretary
Cum Vice President (Legal)

(S. Jhajharia)
Vice President- Finance

SMIFS CAPITAL MARKETS LIMITED

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2008

	<u>31st March 2008</u>	<u>31st March 2007</u>
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit before Tax, Extra-ordinary items, interest & Loss on sale of Fixed Assets (net)	129,599,439	142,409,829
Adjustment for		
1. Depreciation	2,722,081	6,115,252
2. (Profit) / Loss on sale of Investments	(119,302,499)	(127,461,083)
3. Interest on Govt. Securities	(30,250)	(30,250)
4. Dividend Income	(2,455,763)	(1,622,348)
5. Misc. Expenditure Written Off	-	-
	(119,066,431)	(122,998,429)
<i>Operating profit before W/Capital change</i>	10,533,008	19,411,400
Adjustment for		
1. Trade & Other Receivable	(51,951,254)	54,186,489
2. Inventories	6,206,078	(1,031,759)
3. Trade payable	4,178,192	(148,432,239)
	(41,566,984)	(95,277,509)
<i>Cash Generated from Operations</i>	(31,033,976)	(75,866,109)
Interest paid	(2,891,882)	(7,018,448)
Direct Tax paid	(5,917,025)	(9,330,022)
FBT Paid	(436,216)	(677,539)
	(9,245,123)	(17,026,009)
<i>Cash Flow before Extra-ordinary items</i>	(40,279,099)	(92,892,118)
Extra-ordinary items (Prov. for Leave Salary)		
Provision for Leave Salary	104,199	281,951
Preliminary Expenditure	-	-
Liabilities Written back	-	-
	104,199	281,951
<i>Net Cash Flow from Operating activity</i>	(40,174,900)	(92,610,167)
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(7,087,226)	(2,730,614)
Sale of Fixed Assets	4,868,299	769,216
Purchase of Investments	(165,944,899)	(646,023,463)
Sale of Investments	237,086,010	747,258,472
Interest received on Govt. Sec	30,250	30,250
Dividend Income	2,455,763	1,622,348
	71,408,197	100,926,209
<i>Net Cash flow from Investing Activities</i>	31,233,297	8,316,042
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from issue of Share Capital	-	-
Dividend and Dividend Distribution Tax Paid	(6,534,171)	-
Proceeds from long-term borrowings	1,046,943	51,489
Proceeds from short-term borrowings	(18,634,502)	(4,390,662)
<i>Net cash used in Financing Activities</i>	(17,587,559)	(4,339,173)
<i>Net increase in Cash & Cash equivalents</i>	7,111,567	3,976,869
Cash & Cash equivalents as at (Opening Balance)	14,127,727	10,150,858
Cash & Cash equivalents as at (Closing Balance)	21,239,294	14,127,727

Kolkata
The 20th day of June, 2008

For and on behalf of the Board of Directors

(Kishor Shah)
Whole Time Director

Auditors' Report

We have verified the attached Consolidated Cash Flow Statement of Smifs Capital Markets Limited, derived from the audited financial statement and the books and records maintained by the Company for the year ended 31st March, 2008 and 31st March, 2007 and found the same in agreement therewith.

For J. S. Vanzara & Associates
Chartered Accountants

(Jinesh S. Vanzara)
Partner
Membership No.300-53871

Kolkata
The 20th day of June, 2008

SMIFS CAPITAL SERVICES LIMITED

BOARD OF DIRECTORS

Mr. Chandranath Mukherjee – Director

Mr. Santosh Kumar Mukherjee – Additional Director

Mr. Kishor Shah – Director

COMPANY SECRETARY

Mr. Sanjay Jhajharia

AUDITORS

M/s. J.S. Vanzara & Associates
Chartered Accountants

BANKERS

HDFC Bank Ltd.

REGISTERED OFFICE

“Vaibhav” 4F,
4, Lee Road,
Kolkata - 700020

DIRECTORS' REPORT

Your Directors have pleasure in presenting the Annual Report and the Audited Accounts for the year ended 31st March, 2008.

FINANCIAL RESULTS

(Rupees in million)

	Year ended 31.03.2008	Year ended 31.03.2007
Profit / (Loss) before Interest & Depreciation	(1.68)	0.24
Less : Interest	--	0.03
Profit / (Loss) before Depreciation	(1.68)	0.21
Less : Depreciation	0.013	0.09
Profit / (Loss) before Tax	(1.69)	0.12
Less : Provision for Tax	0.10	0.13
Profit / (Loss) after Tax	(1.79)	(0.01)
Add : (Debit) / Credit balance brought forward	2.75	2.76
Profit / (Loss) Carried to Balance Sheet	0.96	2.75

DIVIDEND

In view of the loss during the year, no dividend can be recommended on the equity shares.

YEAR IN RETROSPECT AND FUTURE GROWTH

Your Company is a wholly - owned subsidiary of SMIFS Capital Markets Limited. Your Company is engaged in Corporate Advisory and Loan Syndication Services. Your Company is currently exploring other avenues for increasing business.

Your Company has applied to Reserve Bank of India for registering itself as Non-Banking Financial Institution under Section 45-I (c) of the Reserve Bank of India Act, 1934 and the application for registration is required to be re-submitted.

DIRECTORS

Mr Santosh Kumar Mukherjee was appointed Additional Director in the Board Meeting held on January 10, 2008 and holds office upto the date of Annual General Meeting. A notice has been received from a member under section 257 of the Companies Act, 1956 proposing the appointment of Santosh Kumar Mukherjee as Director, accordingly a resolution is proposed at the ensuing Annual General Meeting.

Mr. Utsav Parekh, Executive Chairman resigned from the Chairmanship of the company w.e.f October 1, 2007, however, he continued to be the Director of the company upto January 10, 2008. Mr. Yogendra Shah also resigned from the Directorship of the Company w.e.f. January 10, 2008. Board places on record appreciation for the services rendered during their tenure as Director.

Mr. Kishor Shah, Director liable to retire by rotation and being eligible offer himself for re-appointment.

AUDIT COMMITTEE

The Audit Committee under Section 292A of the Companies Act, 1956 was re-constituted and comprised of Mr. Santosh Kumar Mukherjee, Chairman, Mr. Chandranath Mukherjee and Mr. Kishor Shah.

DIRECTORS' RESPONSIBILITY STATEMENT AS REQUIRED UNDER SECTION 217(2AA) OF THE COMPANIES ACT, 1956

Pursuant to the provisions Section 217(2AA) of the Companies Act, 1956 the Directors hereby confirm that:

1. In the preparation of the annual accounts for the year ended March 31, 2007, the applicable accounting standards have been followed along with the proper explanations relating to material departures.
2. The Directors had adopted such accounting policies and applied them consistently and have 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.
3. The Directors had 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.
4. The Directors have prepared the Annual Accounts on a going concern basis.

AUDITORS

M/s J.S. Vanzara & Associates, Chartered Accountants retire at the conclusion of the Annual General Meeting and being eligible offer themselves for re-appointment.

STATUTORY INFORMATION

Information in terms of Section 217(1)(e) of the Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988 forming part of the report of Board of Directors is given below :

CONSERVATION OF ENERGY

Though the operation of the Company is not energy intensive, regular and preventive maintenance of all equipments is undertaken by the Company.

TECHNOLOGY ABSORPTION

In view of the nature of business in which the Company is engaged, no Research and Development expenditure has been incurred.

FOREIGN EXCHANGE EARNINGS AND OUTGOINGS

During the year there has been no foreign exchange earning and outgoing.

PARTICULARS OF EMPLOYEES COVERED UNDER THE (PARTICULARS OF EMPLOYEES) RULES, 1975

Particulars of employees as required under Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of employees) Rules, 1975, and forming part of the Directors' Report for the year ended March 31, 2007 are as follows:

Employed for the part of the year with an average salary of Rs. 24 lakh p.a.

Name	Designation	Qualification	Age	Joining Date	Experience (Years)	Gross Remuneration (Rs.)	Previous employment, Designation
Utsav Parekh	Executive Chairman	B. Com (Hons.)	51	August 8, 2002	Over 25 years	15,53,000/-	Stewart & Co, Partner

ACKNOWLEDGEMENT

Your Directors wish to place on record their sincere appreciation for the services rendered by all the employees of the company.

On behalf of the Board of Directors

**(KISHOR SHAH)
DIRECTOR**

**(CHANDRANATH MUKHERJEE)
DIRECTOR**

Place: Kolkata
Date: June 20, 2008

AUDITOR'S REPORT TO THE MEMBERS OF SMIFS CAPITAL SERVICES LIMITED

We have audited the attached Balance Sheet of **SMIFS Capital Services Limited**, as at 31st March 2008 and also the Profit and Loss Account 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.

As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

Further to our comments in the Annexure referred to above, we report that:

- (i) 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;
- (ii) 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 and proper returns adequate for the purpose of our audit have been received from the branches not visited by us;
- (iii) The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account;
- (iv) 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;
- (v) On the basis of the written representations received from the directors, as on 31st March 2008, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2008 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
- (vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts 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:
 - (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March 2008;
and
 - (b) in the case of the Profit and Loss Account, of the Loss for the year ended on that date.

For J. S. Vanzara & Associates
Chartered Accountants

(Jinesh S. Vanzara)
Partner
Membership no. 300-53871

Date: The 20th day of June, 2008

ANNEXURE TO THE AUDITORS' REPORT

(Referred to in paragraph 3 thereof)

- i) In respect of its fixed assets :
 - a) The Company is generally maintaining proper records showing full particulars including quantitative details and situation of fixed assets. As explained to us, the fixed assets have been physically verified during the year by the management. To the best of our knowledge, no material discrepancies were noticed on such verification.
 - b) Based on our scrutiny of the records of the Company, we report that the Company has not disposed off fixed assets during the year.
- ii) As the Company has not purchased shares and securities during the year and also Company have no stocks during the year, so the requirements of reporting on physical verification of stock or maintenance of inventory records in our opinion are not applicable.
- iii) a) The Company has not granted any loans, secured or unsecured, to companies, firms or other parties listed in the Register maintained under section 301 of the Companies Act, 1956. As the Company has not granted any loans, secured or unsecured, to parties listed in the registers maintained under section 301 of the Companies Act, 1956 paragraphs (iii)(b), (c) and (d) of the Order, are not applicable.
 - b) 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. As the Company has not taken any loans, secured or unsecured, to parties listed in the registers maintained under section 301 of the Companies Act, 1956 paragraphs (iii)(e), (f) and (g) of the Order, are not applicable.
- iv) Having regard to the nature of the Company's business and based on our scrutiny of the Company's records and according to the information and explanations given to us, we report that the Company's activities do not include purchase of inventory and sale of goods. In our opinion and according to the information and explanation received by us, there are adequate internal control systems commensurate with the size of the Company and the nature of its business for the purchase of fixed assets and sale of services. Further, on the basis of our examination, and according to the information and explanations given to us, we have neither come across nor have we been informed of any instance of major weaknesses in the aforesaid internal control system.
- v) In respect of transactions entered in the register maintained in pursuance of section 301 of the Companies Act, 1956.
 - a) To the best of our knowledge and belief and according to the information and explanations given to us, transactions required to be entered into the register have been so entered.
 - b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements entered in the registers maintained under section 301 and exceeding the value of rupees five lakh in respect of any party during the year have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.
- vi) Based on our scrutiny of the Company's records and according to the information and explanations provided by the management, in our opinion, the Company has not accepted any public deposit so far upto 31st March 2008.
- vii) In our opinion, the Company has an internal audit system commensurate with the size of the Company and the nature of its business.
- viii) According to the information and explanations provided by the management, the Company is not engaged in production, processing, manufacturing or mining activities. Hence the provision of section 209(1)(d) do not apply to the Company. Hence, in our opinion, no comment on maintenance of cost records under section 209(1) (d) is required.
- ix) Statutory and other dues : -
 - a) According to the information and explanations given to us, the Company has been regular in depositing undisputed statutory dues, including Provident Fund, Investor Education and Protection Fund, Employees State Insurance, Income Tax, Sales Tax Wealth Tax, Service tax, Customs Duty and Excise Duty as applicable with the appropriate authorities during the year.

- b) According to the information and explanations given, no undisputed amounts payable in respect of Income Tax, Wealth Tax, Sales Tax, Customs Duty and Excise Duty were outstanding, as at 31st March, 2008 for a period of more than six months from the date they become payable.
- c) According to the records of the Company, there are no dues of Sales Tax, Income Tax, Customs Duty, Wealth Tax, Service Tax, Excise Duty and Cess which have not been deposited on account of any dispute.
- x) The company doesn't have any accumulated losses at the end of the financial year and has not incurred any cash losses during the current and the immediately preceding financial year.
- xi) Based on our audit procedures and on the information and explanations given by the management, we are of the opinion that the Company has not defaulted in repayment of dues to a financial institution or bank during the year.
- xii) According to the information and explanations given to us, 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) In our opinion, and to the best of our information and according to the explanations provided by the management, we are of the opinion that the Company is neither a Chit Fund nor a Nidhi / Mutual benefit society. Hence, in our opinion, the requirements of para 4 (xiii) of the Order do not apply to the Company.
- xiv) In our opinion and according to the information and explanation given to us, the Company has maintained proper records of transaction and contracts regarding its dealing in investments, and timely entries have been made therein.
- xv) According to the records of the Company and the information and explanations provided by the management, the Company has not given any guarantee for loans taken by others from bank or financial institutions.
- xvi) According to the records of the Company, the Company has not obtained any term loans. Hence, comments under the para 4 (xvi) of the Order are not applicable.
- xvii) According to the information and explanations given to us and an overall examination of balance sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment by the Company.
- xviii) According to the information and explanations given to us, the Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under section 301 of the Companies Act, 1956 during the year.
- xix) According to the information and explanations given to us and the records examined by us, the Company has not issued any debentures during the year.
- xx) The Company has not raised any money by public issues during the year covered by our audit report.
- xxi) To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the course of our audit.

ORIENTAL HOUSE, SUITE # 3A
6C, ELGIN ROAD, 3RD FLOOR
KOLKATA – 700 020.

For J. S. VANZARA & ASSOCIATES
Chartered Accountants

(Jinesh S. Vanzara)
Partner
Membership No-300-53871

Date: The 20th day of June, 2008

SMIFS CAPITAL SERVICES LIMITED

Balance Sheet as at 31st March '2008

	Schedule No.	As at 31st March 2008		As at 31st March 2007	
		Rs.	Rs.	Rs.	Rs.
SOURCE OF FUND					
Shareholders' Fund					
Share Capital	A		75,000,700		75,000,700
Reserve and Surplus	B		961,088		2,752,217
Net Deferred Tax Liability			3,051		-
			75,964,839		77,752,917
APPLICATION OF FUND					
Fixed Assets					
a. Gross Block	C	203,275		203,275	
b. Less: Depreciation		183,005		170,336	
c. Net Block			20,270		32,939
Investments	D		5,284,020		5,284,020
Current Assets, Loans & Advances					
Current Assets	E	17,810,746		17,999,749	
Loans & Advances		58,779,654		61,129,248	
		76,590,400		79,128,997	
Less: Current Liabilities & Provisions	F	5,929,851		6,780,992	
Net Current Assets			70,660,548		72,348,005
Net Deferred Tax Assets			-		87,953
			75,964,839		77,752,917
NOTES TO THE ACCOUNTS	G				

The schedules referred to above form an integral part of the Balance Sheet
In terms of our attached report of even date

For and on behalf of the Board of Directors

For J.S.VANZARA & ASSOCIATES
Chartered Accountants

(CHANDRANATH MUKHERJEE)
Director

(KISHOR SHAH)
Director

(JINESH S. VANZARA)
Partner
Membership no. 300-53871
Place Kolkata
The 20th days of June, 2008

(S.JHAJHARIA)
Company Secretary

SMIFS CAPITAL SERVICES LIMITED

Profit & Loss Account for the year ended 31st March, 2008

	Schedule No.	For the Year ended 31st March, 2008		For the Year ended 31st March, 2007	
		Rs.	Rs.	Rs.	Rs.
INCOME					
Service Charges Received			445,000		5,890,948
[T.D.S. Rs. NIL (Previous Year Rs. 280,500)]					
Brokerage & Commission Received(Net)			7,327		13,709
Out of Pocket Expenses			-		400,000
Sundry Balances Written back			22,017		250,000
Profit / (Loss) on Sale of Investment			-		200,891
Interest			1,330		246
			<u>475,674</u>		<u>6,755,794</u>
EXPENSES					
Salary Bonus & Allowances		1,685,319		4,947,529	
Contribution to Provident Fund		119,962		270,720	
Gratuity		-		200	
Staff Welfare Expenses		43,317		40,820	
Telephone Expenses		27,034		121,526	
Rent		120,000		120,000	
Repair & Maintenance		-		450	
Postage & Courier Expenses		1,469		-	
Printing & Stationeries		776		4,648	
Professional & Legal Charges		26,620		322,333	
Membership Fees & Subscription		12,800		13,450	
Travelling Expenses		37,549		123,408	
Vehicle Expenses		-		230,158	
Insurance		-		29,491	
Audit Fees		10,000		10,000	
Tax Audit Fees		-		5,000	
Business Promotion Expenses		3,324		40,242	
Filing Fees		3,168		-	
Miscellaneous Expenses		51,842		44,721	
(Profit) / Loss on sale of Assets		-		181,501	
Rates & Taxes		13,858		6,600	
Depreciation		12,669		93,512	
Interest		-		26,794	
			<u>2,169,707</u>		<u>6,633,102</u>
PROFIT / (LOSS) BEFORE TAX			(1,694,032)		122,692
Provision for Tax - Current			-		50,283
Short/(Excess) provision for Tax in earlier years			-		(3,204)
Deferred Tax for the year			91,004		39,794
Fringe Benefit Tax			6,093		46,015
PROFIT / (LOSS) AFTER TAX			(1,791,129)		(10,196)
(Debit) / Credit balance brought forward from earlier year			<u>2,752,217</u>		<u>2,762,413</u>
Balance Carried to Balance Sheet .			<u><u>961,088</u></u>		<u><u>2,752,217</u></u>

NOTES TO THE ACCOUNTS

G

The schedules referred to above form an integral part of the Profit and Loss Account
In terms of our attached report of even date

For and on behalf of the Board of Directors

For J.S.VANZARA & ASSOCIATES

Chartered Accountants

(JINESH S. VANZARA)

Partner
Membership no. 300-53871
Place Kolkata
The 20th days of June, 2008

(CHANDRANATH MUKHERJEE)

Director

(KISHOR SHAH)

Director

(S.JHAJHARIA)

Company Secretary

SMIFS CAPITAL SERVICES LIMITED

Schedules annexed to and forming part of Accounts as at 31st March, 2008

	As at 31st March 2008		As at 31st March 2007	
	Rs.	Rs.	Rs.	Rs.
<u>SCHEDULE 'A'</u>				
<u>SHARE CAPITAL</u>				
<u>Authorised:</u> 15,000,000 Equity Shares of Rs. 10/- each		<u>150,000,000</u>		<u>150,000,000</u>
<u>Issued, Subscribed & Paid up:</u> 7,500,070 Equity Shares of Rs. 10/- each fully paid up		<u>75,000,700</u>		<u>75,000,700</u>
<u>SCHEDULE 'B'</u>				
<u>RESERVES & SURPLUS</u>				
Profit & Loss Account		<u>961,088</u>		<u>2,752,217</u>
		<u>961,088</u>		<u>2,752,217</u>

SMIFS CAPITAL SERVICES LIMITED

SCHEDULE – G:

A. SIGNIFICANT ACCOUNTING POLICIES

(a) **Basis of preparation**

The financial statements have been prepared to comply in all material respects with the mandatory Accounting Standards issued by the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 1956.

The financial statements have been prepared under the historical cost convention on an accrual basis.

The accounting policies have been consistently applied by the Company and except for the changes in accounting policy discussed more fully below, are consistent with those used in the previous year.

(b) **Fixed Assets**

Fixed assets are stated at cost, less accumulated depreciation. Cost comprises of the purchase price and any attributable cost of bringing the asset to its working condition for its intended use.

(c) **Depreciation**

Depreciation on Fixed assets is provided on written down value method at the rates prescribed in Schedule XIV of the Companies Act 1956, (as amended).

Depreciation on Fixed assets added / disposed during the year is provided on a pro-rata basis with reference to the date of addition / disposal.

(d) **Investments**

As per the guidelines issued by The Institute of Chartered Accountants of India, long term investments in shares and securities have been valued at cost. Provision is made for diminution in value of long term investments if such diminution is permanent in nature.

(e) **Revenue recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

(f) **Retirement Benefits**

The Company has taken an appropriate group gratuity policy with Life Insurance Corporation of India to provide for its liabilities for gratuity. Premium paid on policy is charged to revenue.

Provision has been made for the monetary value of the leave due to staff.

(g) **Income Taxes**

The accounting treatment for income tax in respect of the income is based on the Accounting Standards on 'Accounting for Taxes on Income' (AS-22) issued by the Institute of Chartered Accountants of India.

A provision is made for the current tax based on tax liability computed in accordance with relevant tax rates and tax laws. A provision is made for deferred tax liability / asset for all timing differences arising between taxable income and accounting income at currently enacted tax rates.

Deferred tax assets are recognized only if there is reasonable certainty that they will be realised and are reviewed for the appropriateness of their respective carrying values at each balance sheet date.

Fringe benefit tax has been calculated in accordance with the provisions of the Income Tax Act, 1961.

(h) **Contingencies**

Liabilities which are material and whose future outcome cannot be ascertained with reasonable certainty are treated as contingent and disclosed by way of notes to the accounts.

B. NOTES FORMING PART OF THE ACCOUNTS

1. Contingent Liabilities: Nil (Nil).
2. The Company had submitted the application for registration as an NBFC to Reserve Bank of India which is pending.
3. Balances lying as sundry debtors, creditors and loans & advances are subject to confirmation to be received from the concerned parties.
4. Physical verification of investments has been done by the management and a certificate in this regard has been issued to the auditors.
5. Whole Time Director's Remuneration:

	<u>2007-2008</u>	<u>2006-2007</u>
	<u>(Rs.)</u>	<u>(Rs.)</u>
Salaries & Allowances	-	1,607,464
Contribution to Provident Fund	-	66,240
Value of perquisites in cash or kind	-	6,000
	<u>-</u>	<u>1,679,704</u>

SMIFS CAPITAL SERVICES LIMITED

Note:-

The contribution to gratuity fund has been made on a group basis and separate figure applicable in this case is not available and therefore, contribution to gratuity fund has not been taken into account in the above calculations.

6. Executive Chairman's Remuneration (upto 30.09.2007):

	2007-2008	2006-2007
	(Rs.)	(Rs.)
Salaries & Allowances	1,460,120	2,972,436
Contribution to Provident Fund	92,880	168,480
	1,553,000	3,140,916

Note:-

The contribution to gratuity fund has been made on a group basis and separate figure applicable in this case is not available and therefore, contribution to gratuity fund has not been taken into account in the above calculations.

7. Auditor's remuneration includes:

	2007-2008	2006-2007
	(Rs.)	(Rs.)
Audit Fees	10,000	10,000
Tax Audit Fees	-	5,000
	10,000	15,000

8. Total outstanding dues to small scale industrial undertakings Rs. Nil (Nil).

9. **Related Party Disclosures**

Related party disclosures as required under Accounting Standard on "Related Party Disclosures" issued by the Institute of Chartered Accountants of India are given below:

Holding Company

SMIFS Capital Markets Limited

Key Management Personnel

Mr. Utsav Parekh, Executive Chairman (upto 30.09.2007)

Entities over which the Key Management Personnel / their relatives are able to exercise significant influence

SMIFS Securities Limited

Stewart & Co.

Smt. Icchagouri Charitable Trust

Stewart Investment & Financial Consultants Pvt.Ltd.

SMIFS Finance Limited

S & M Advisory & Broking Pvt.Ltd.

Lend Lease Co.(India) Limited

Disclosure of transactions between the Company and related parties and their outstanding balances as on 31st March 2008.

	Holding Company	Key Management Personnel	Entities where control exists
	Rs.	Rs.	Rs.
Whole-Time Director's Remuneration	-	-	-
Executive Chairman's Remuneration	(-)	(1,679,704)	(-)
Purchase of Shares/Securities	-	(3,140,916)	(-)
Sale of Shares / Securities	(4,430,000)	(-)	(1,579,000)
Service Charges Received	-	-	-
Receipt towards Expenses Reimbursement	(5,000,000)	(-)	(-)
	(400,000)	(-)	(-)
<u>Balances at the end of the year</u>			
Debtors / Receivables	57,188,527	-	22,054
	(59,644,513)	(-)	(22,054)

SMIFS CAPITAL SERVICES LIMITED

10. Segment Reporting: Information about Primary Business Segments

	Year ended <u>31.03.2008</u>	Year ended <u>31.03.2007</u>
	<u>Rs.</u>	<u>Rs.</u>
<u>Segment Revenue:</u>		
a) Capital Market Operations	-	200,891
b) Investment Banking Operation	452,327	6,290,948
c) Others	23,347	263,955
Net Sales / Income from Operations	475,674	6,755,794
<u>Segment Results:</u>		
<u>Profit / (Loss) before tax & interest</u>		
a) Capital Market Operations	-	200,891
b) Investment Banking Operation	452,327	6,290,948
c) Others	23,347	263,955
Total	475,674	6,755,794
Less: Interest	-	26,794
Other un-allocable expenditure net of in-allocable income	2,169,707	6,606,308
Total Profit Loss before tax	-1,694,032	122,692
<u>Capital employed</u>		

Fixed Assets used in the Company's Operations or liabilities contracted have not been identified to any of the reportable segments, as the fixed assets are used interchangeably between segments. The Company believes that it is currently not practicable to provide segment disclosures relating to total assets and liabilities since a meaningful segregation of data is onerous.

11. (a) Deferred tax liability for the year amounting to Rs.91,004 has been recognised in the Profit & Loss Account.

(b) Major component of deferred tax arising on account of timing differences are:

	<u>As on</u> <u>31.03.2008</u>	<u>As on</u> <u>31.03.2007</u>
	<u>(Rs.)</u>	<u>(Rs.)</u>
<u>Deferred Tax Assets</u>		
(i) Employer Benefit	2,123	96,209
Less:		
<u>Deferred Tax Liabilities</u>		
(i) Depreciation	5,174	8,256
	(3,051)	87,953

12. Tax deducted at sources on:

	<u>2007-2008</u>	<u>2006-2007</u>
	<u>(Rs.)</u>	<u>(Rs.)</u>
Brokerage	-	2,083
Professional Fees	-	280,500

13. Expenditure in foreign currency – Rs. Nil (Previous year – Rs. Nil).

14. Earning in foreign currency Rs. Nil (Previous year – Rs. Nil).

15. Figures in brackets pertain to the previous year.

16. Previous year's figures have been regrouped where necessary to confirm to this year's classification.

Signature to Schedules 'A' to 'I'

For **J. S. Vanzara & Associates**
Chartered Accountant

For and on behalf of the Board of Directors

(Chandranath Mukherjee)
Director

(Kishor Shah)
Director

(Jinesh S. Vanzara)
Partner
Membership no. 300-53871
The 20th day of June 2008

(S. Jhajharia)
Company Secretary

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

Balance Sheet Abstract and Company's General Business Profile

I Registration Details

Registration No.

	9	2	1	2	5
--	---	---	---	---	---

State Code

2	1
---	---

Balance Sheet
Date

3	1	0	3	2	0	0	8
---	---	---	---	---	---	---	---

II Capital Raised during the year (Amount in Rs.Thousands)

Public Issue

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

Rights Issue

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

Bonus Issue

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

Private Placement

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

III Position of Mobilisation and Deployment of Fund(Amount in Rs.Thousands)

Sources of Funds
Total Liabilities

						8	1	8	9	5
--	--	--	--	--	--	---	---	---	---	---

Total Assets

						8	1	8	9	5
--	--	--	--	--	--	---	---	---	---	---

Paid-Up Capital

						7	5	0	0	1
--	--	--	--	--	--	---	---	---	---	---

Reserves & Surplus

									9	6	1
--	--	--	--	--	--	--	--	--	---	---	---

Secured Loans

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

Unsecured Loans

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

Application of Funds
Net Fixed Assets

										2	0
--	--	--	--	--	--	--	--	--	--	---	---

Investments

									5	2	8	4
--	--	--	--	--	--	--	--	--	---	---	---	---

Net Current Assets

						7	0	6	6	1
--	--	--	--	--	--	---	---	---	---	---

Deferred Tax Asset Net

										-	3
--	--	--	--	--	--	--	--	--	--	---	---

Accumulated Losses

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

IV Performance of Company (Amount in Rs. Thousands)

Turnover (Gross Revenue)

										4	7	6
--	--	--	--	--	--	--	--	--	--	---	---	---

Total Expenditure

										2	1	7	0
--	--	--	--	--	--	--	--	--	--	---	---	---	---

Profit / Loss Before Tax

										1	6	9	4
--	--	--	--	--	--	--	--	--	--	---	---	---	---

+ -

	-
--	---

Profit / Loss After Tax*

										1	7	9	1
--	--	--	--	--	--	--	--	--	--	---	---	---	---

Earning Per Share in Rs

										0	.	0	0
--	--	--	--	--	--	--	--	--	--	---	---	---	---

+ -

-

DividendRate %

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

V Generic Name of Three Principal Products/Services of Company (As per monetary Terms)

Item Code

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

Product
Description

F	I	N	A	N	C	I	A	L		S	E	R	V	I	C	E	S
---	---	---	---	---	---	---	---	---	--	---	---	---	---	---	---	---	---

Signature to Schedules 'A' to 'I'
For J.S. VANZARA & ASSOCIATES
Chartered Accountants

For and on behalf of the Board of Directors

(Chandranath Mukherjee)
Director

(Kishor Shah)
Director

(JINESH S VANZARA)
Partner

(S. Jhajharia)
Company Secretary

Kolkata
Membership No.300-53871
The 20th day of June, 2008