SCHEDULES FORMING PART OF THE ACCOUNTS

(Rs. in lacs)

	As at 31.03.2008	As at 31.03.2007
SCHEDULE - 1		
SHARE CAPITAL		
Authorised :		
50,00,00,000 Equity Shares of Rs. 10/-each	50000.00	50000.00
Issued, Subscribed and Paid-up: 13,50,07,600 Equity Shares of Rs. 10/- each fully paid-up (Out of this 2,50,00,000 equity shares have been issued as fully paid-up bonus shares by capitalising general reserve)	13500.76	13500.76
	13500.76	13500.76

SCHEDULE - 2				
RESERVES & SURPLUS				
General Reserve				
Balance as per last Balance Sheet	9473.54		9473.54	
Transfer from Profit & Loss Account	226.00	9699.54	-	9473.54
Statutory Reserve Fund (Created pursuant to Section 45-IC of Reserve Bank of India Act, 1934)				
Balance as per last Balance Sheet	11925.73		11605.73	
Transfer from Profit & Loss Account	904.00	12829.73	320.00	11925.73
Share Premium Account		7001.52		7001.52
Market Fluctuation Reserve		6300.00		6300.00
Profit & Loss Account		3451.64		2435.14
		39282.43		37135.93

SCHEDULE - 3		
SECURED LOANS		
LAF Borrowings from RBI (Secured by Govt. Securities with RBI)	29500.02	120500.00
CBLO Borrowings (Secured by lien on Govt. Securities to CCIL)	101331.40	5595.46
RBI Refinance (Secured by Govt. Securities with RBI)	-	15300.00
	130831.42	141395.46

				(Rs. in lacs)
		As at 31.03.2008		As at 31.03.2007
SCHEDULE - 4				
UNSECURED LOANS				
From Banks				
Call & Short Notice		38005.00		38550.00
From Others				
Call & Short Notice		-		-
Other Short Term Borrowings		-		-
		38005.00		38550.00

SCHEDULE - 5				
DEFERRED TAX LIABILITIES				
For Fixed Assets	29.72	29.72	35.32	35.32
		29.72		35.32

SCHEDULE - 6

FIXED ASSETS

Sr. No.	DESCRIPTION	GROSS BLOCK				DEPRECIATION				NET BLOCK	
		As At 01.04.2007	Additions during the year	Adjustments/ Deductions during the year	As At 31.3.2008	As At 01.04.2007	For the year ended 31.03.2008	Accumulated Depreciation on Adjustments/ Deductions	As At 31.03.2008	As At 31.03.2008	As At 31.3.2007
1	Buildings	589.44	-	-	589.44	171.78	20.89	-	192.67	396.77	417.66
	(Built up Flats)										
2	Office Equipments	96.06	4.96	2.99	98.03	54.81	6.16	1.52	59.45	38.58	41.25
3	Computers	180.59	0.34	-	180.93	161.86	7.60	-	169.46	11.47	18.73
4	Furnitures & Fixtures	171.65	0.69	1.05	171.29	123.97	9.13	0.70	132.40	38.89	47.68
5	Vehicles	25.62	-	-	25.62	18.35	1.88	-	20.23	5.39	7.27
6	Intangibles	89.43	3.22	-	92.65	73.85	7.44	-	81.29	11.36	15.58
	(Software)										
	Total	1152.79	9.21	4.04	1157.96	604.62	53.10	2.22	655.50	502.46	548.17
	Previous Year	1156.34	11.53	15.08	1152.79	554.43	63.20	13.01	604.62	548.17	601.91

SCHEDULE - 7				
INVESTMENTS				
Unquoted -non trade (Long Term)				
Call money lending converted into term deposit with Madhavpura Mercantile Cooperative Bank Ltd (Refer Note No. 4 to Notes to Accounts)	761.88		787.80	
Less : Provision	(380.00)	381.88	(380.00)	407.80
		381.88		407.80

SCHEDULES Contd...

				(Rs. in lacs)
		As at 31.03.2008		As at 31.03.2007
SCHEDULE - 8				
DEFERRED TAX ASSETS				
For Provision against Investments	129.46		129.16	
For Other Provisions	6.70	136.16	5.09	134.25
		136.16		134.25

SCHEDULE -9				
CURRENT ASSETS, LOANS & ADVANCES				
A. CURRENT ASSETS				
a. ACCRUED INTEREST ON				
Government dated & approved securities	4120.55		3137.92	
Bonds & Debentures	225.61		171.54	
Fixed Deposits with Scheduled Banks	743.11		722.79	
Others (Interest on call lending)	-		1.53	
Investments (Refer Note No. 4 of Notes to the accounts)	25.24	5114.51	2.26	4036.04
b. STOCK-IN-TRADE (AS PER ANNEXURE)				
Treasury Bills - 91 days	21.58		13461.76	
Treasury Bills - 182 days	90.78		4845.80	
Treasury Bills - 364 days	6.38		21407.09	
Certificate of Deposit	4353.09		6381.47	
Government Securities #	189251.40		147532.23	
Corporate Bonds and Debentures	5669.60		4176.13	
Equity Shares	-		186.83	
	199392.83		197991.31	
Less: Diminution in market value	(7024.08)	192368.75	(5521.58)	192469.73
Constituent Investment A/c	1009855.61		1003650.34	
Less: Constituent Securities A/c	1009855.61	-	1003650.34	-
# includes Rs. 37694.66 lacs of Hedged Stock (previous year Rs. 37694.66 lacs)				
c. SUNDRY DEBTORS				
(Unsecured considered good unless specifically stated)				
Debts outstanding for more than 6 months	-		5.82	
Other Debts	0.15	0.15	0.95	6.77

(Rs. in lacs)

		As at 31.03.2008		As at 31.03.2007
d. CASH & BANK BALANCES				
Balance with Reserve Bank of India	26.61		22.38	
Balance with Scheduled Banks in Current Accounts	510.18		9.90	
Balance with Scheduled Banks in Call Lending	-		500.00	
Balance with Scheduled Banks in Deposit Accounts	24500.00		31068.78	
Balance with Scheduled Banks towards Unclaimed Dividends (as per contra)	14.77	25051.56	14.82	31615.88
e. OTHER CURRENT ASSETS				
Repo Price Adjustment Account	1227.16		234.03	
Accruals on Interest Rate Swaps (Net)	(269.50)	957.66	(85.87)	148.16
B. LOANS & ADVANCES				
(Unsecured considered good unless specifically stated)				
Advances recoverable in cash or in kind or for value to be received:				
i) Security Deposits	513.02		519.71	
ii) Advance Income Tax, Interest Tax (Net of Provision)	831.51		748.68	
iii) Tax deducted at source	753.02		560.92	
iv) MAT Credit Entitlement	418.25		410.35	
v) Others*	108.73	2624.53	55.85	2295.51
*-Including total advance to staff of Rs. 32.60 lacs (Prev Year : Rs. 47.96 lacs), out of which Rs. 28.67 lacs are against equitable mortgage of properties/ hypothecation of vehicles (Prev Year : Rs. 37.50 lacs)				
Advances to Company Secretary: Rs. 0.16 lacs (Prev Year : Rs. 7.63 lacs), maximum amount of advance outstanding during the year Rs. 7.50 lacs (Prev Year : Rs. 7.89 lacs)				
		226117.16		230572.09

SCHEDULES Contd...

(Rs. in lacs)

Annexure to SCHEDULE - 9
DETAILS OF STOCK-IN-TRADE

S.No.	Nomenclature	As at 31.03.2008 Book Value	As at 31.03.2007 Book Value
I.	**TREASURY BILLS**		
A.	**91 DAY**		
1	08-Jun-2007	-	11862.64
2	15-Jun-2007	-	180.78
3	29-Jun-2007	-	1418.34
4	11-Apr-2008	8.73	-
5	25-Apr-2008	0.25	-
6	04-Apr-2008	0.50	-
7	06-Jun-2008	10.86	-
8	09-May-2008	1.24	-
	Total (A)	21.58	13461.76
B.	**182 DAY**		
1	07-Sep-2007	-	4845.80
2	11-Jul-2008	68.66	-
3	27-Jun-2008	5.41	-
4	05-Sep-2008	16.71	-
	TOTAL (B)	90.78	4845.80
C.	**364 DAY**		
1	27-Apr-2007	-	9960.04
2	11-May-2007	-	6666.39
3	31-Aug-2007	-	26.20
4	14-Sep-2007	-	2.18
5	28-Sep-2007	-	4.12
6	23-Nov-2007	-	18.44
7	18-Jan-2008	-	4728.78
8	28-Mar-2008	-	0.94
9	16-Jan-2009	6.14	-
10	30-Jan-2009	0.24	-
	TOTAL (C)	6.38	21407.09
	TOTAL (A)+(B)+(C)	118.74	39714.65
II.	**CERTIFICATES OF DEPOSIT**		
1	CD State Bank of Bikaner & Jaipur 11-JUN-2007	-	2464.15
2	CD ICICI Bank 28-JUN-2007	-	2454.78
3	CD UCO Bank 01-AUG-2007	-	1462.54
4	CD Union Bank 05-AUG-2008	2433.21	-
5	CD ICICI Bank 25-SEP-2008	1919.88	-
	TOTAL	4353.09	6381.47
III.	**GOVERNMENT DATED SECURITIES**		
A.	**CENTRAL GOVERNMENT**		
1	11.90% GOI 2007	-	60.43
2	9.50% GOI 2008	-	0.15
3	10.80% GOI 2008	0.53	0.53
4	12.00% GOI 2008	39.24	36.63
5	6.65% GOI 2009	-	487.53

		As at 31.03.2008	(Rs. in lacs) As at 31.03.2007
S.No.	Nomenclature	Book Value	Book Value
6	7.50% GOI 2010	0.66	0.66
7	7.55% GOI 2010	-	89.48
8	8.75% GOI 2010	0.10	0.10
9	9.39% GOI 2011	20163.46	20162.40
10	6.57% GOI 2011(I)	6856.70	-
11	7.40% GOI 2012	49.94	3013.50
12	+9bps FRB 2012	2501.31	2501.31
13	10.25% GOI 2012	0.23	0.23
14	11.03% GOI 2012	185.19	179.65
15	7.27% GOI 2013	8320.46	17.88
16	9.00% GOI 2013	-	1.07
17	9.81% GOI2013	1867.07	1867.07
18	+45bps FRB 2013	28656.29	28656.29
19	7.37% GOI 2014	-	7223.92
20	10.50% GOI 2014	0.12	0.12
21	11.83% GOI 2014	11.28	16.87
22	+14bps FRB 2014	2541.31	2541.31
23	9.85% GOI 2015	1267.90	1267.90
24	+19bps FRB 2015	8488.47	8488.47
25	+50bps FRB 2015(II)	9416.71	9416.71
26	+4bps FRB 2016	1443.54	1443.54
27	7.59% GOI 2016	-	8633.70
28	7.49% GOI 2017	683.76	-
29	8.07% GOI 2017	3649.97	9651.23
30	7.99% GOI 2017	4203.02	-
31	10.03%GOI 2019	3.11	3.11
32	7.94% GOI 2021	-	5513.30
33	10.25% GOI 2021	7891.04	7891.04
34	8.15% GOI FCI SPL 2022	1013.12	1013.12
35	8.35% GOI 2022	7332.94	486.26
36	8.20% GOI 2022	6335.76	-
37	8.30% GOI FCI SPL 2023	2121.22	-
38	7.95% GOI 2032	8611.53	-
39	7.50% GOI 2034	1754.33	1754.33
40	7.40% GOI 2035	7577.38	7577.37
41	8.33% GOI 2036	6589.55	2201.91
	TOTAL (A)	149577.24	132199.12
B.	**STATE GOVERNMENT SECURITIES**		
1	12.50% SL (RJ) 2008	7.49	7.49
2	12.50% SL (UP) 2008	5906.55	5906.55
3	12.50% SL (OR) 2008	9.70	9.70
4	12.50% SL (MH) 2008	1.88	1.88
5	12.50% SL (TN) 2008	3.17	3.17
6	12.50% SL (UP) 2008	11.00	11.00
7	12.50% SL (WB) 2008	7.57	7.57
8	9.40% SL (GJ) 2009	326.11	326.11
9	11.85% SL (TR) 2009	475.57	475.57
10	12.25% SL (KA) 2009	1192.14	1192.13

SCHEDULES Contd...

		As at 31.03.2008	(Rs. in lacs) As at 31.03.2007
S.No.	Nomenclature	Book Value	Book Value
11	12.25% SL (WB) 2009	2384.54	-
12	12.50% SL (UP) 2009	22.23	22.23
13	10.52% SL (AP) 2010	96.59	96.59
14	10.52% SL (BH) 2010	345.91	345.91
15	10.52% SL (UP) 2010	1149.04	1149.04
16	10.52% SL (GJ) 2010	4825.54	4825.54
17	11.50% SL (GJ) 2010	540.92	540.92
18	11.50% SL (KA) 2010	358.36	358.36
19	7.87% SL (KE) 2016	0.10	0.10
20	7.89% SL (AP) 2016	0.05	0.05
21	8.00% SL(UP) 2016	-	1.10
22	8.19% SL (KE) 2017	-	49.30
23	8.20% SL (KE) 2017	23.50	-
24	8.19% SL (TN) 2017	-	1.50
25	8.39% SL (TN) 2017	2510.99	-
26	8.40% SL (MP) 2017	-	1.30
27	8.43% SL (MP) 2017	361.38	-
28	8.32% SL (GJ) 2017	393.52	-
29	8.40% SL (AP) 2017 (I)	2001.32	-
30	8.47% SL (TN) 2017	1806.88	-
31	8.48% SL (AP) 2017	85.83	-
32	8.48% SL (WB) 2017 (I)	1528.67	-
33	8.50% SL (HP) 2017	1990.96	-
34	8.50% SL (MH) 2017	57.45	-
35	8.55% SL (UP) 2017	369.20	-
36	8.69% SL (KE) 2017	1947.33	-
37	7.92% SL (AP) 2018	789.66	-
38	8.12% SL (KE) 2018	77.90	-
39	8.12% SL (TN) 2018	787.00	-
40	8.12% SL (Uttaranchal) 2018	500.35	-
41	8.14% SL (GJ) 2018	1230.59	-
42	8.43% SL (GJ) 2018	1008.40	-
43	8.45% SL (AP) 2018	1004.47	-
44	8.48% SL (JK) 2018	1515.05	-
45	8.68% SL (Uttaranchal) 2018	1516.95	-
46	8.70% SL (J&K) 2018	502.30	-
	TOTAL (B)	39674.16	15333.11
	TOTAL (A)+(B)	189251.40	147532.23
V.	**CORPORATE BONDS & DEBENTURES**		
1	12.00% IDBI BANK 2007	-	37.00
2	6.65% HDFC LTD. 2008	987.97	-
3	7.50% IDBI OMNI BONDS 2012	450.00	450.00
4	8.80% PNB 2012	11.46	11.46
5	5.88% BOI 2014	159.32	159.32
6	7.15% UBI 2015	210.00	210.00
7	7.15% VIJAYA BANK 2015	9.88	9.88
8	7.45% SBI 2015	782.95	782.95

S.No.	Nomenclature	As at 31.03.2008 Book Value	As at 31.03.2007 Book Value
			(Rs. in lacs)
9	7.70% IOB 2016	9.38	9.38
10	8.45% PNB 2016	1000.00	1000.00
11	8.78% PFC 2016	493.19	494.86
12	9.20% HDFC 2016	511.28	511.28
13	DDB NABARD 2017	544.17	-
14	9.75% Mahesh Hydra Power Corporation 2022	500.00	500.00
	TOTAL	5669.60	4176.13
VI.	**EQUITY SHARES**		
1	IPCL	-	158.89
2	Union Bank	-	27.94
	TOTAL	-	186.83
	TOTAL (I)+(II)+(III)+(IV)+(V)+(VI)	199392.83	197991.31
LESS:	Diminution in market value	7024.08	5521.58
	STOCK-IN-TRADE	192368.75	192469.73

The aggregate carrying value and market value as at 31st March, 2008 is Rs. 192368.75 lacs and Rs. 192368.75 lacs respectively (Prev Year : Rs. 192469.73 lacs and Rs. 192469.73 lacs)

SCHEDULE - 10				
CURRENT LIABILITIES & PROVISIONS				
a) CURRENT LIABILITIES :				
Sundry Creditors	530.25		25.73	
Investor Education and Protection Fund shall be credited by following amounts namely :-				
i) Unclaimed Dividend	14.64		14.72	
ii) Interest Accrued on Unclaimed Dividend	0.13		0.10	
Other Liabilities	3.22		-	
Interest accrued but not due on short term borrowings	41.92		164.25	
Repo Interest Adjustment Account	695.93	1286.09	108.21	313.01
b) PROVISIONS FOR :				
Proposed Dividend (including DDT)	2369.28		-	
Outstanding Liabilities				
- For Retirement Benefits	19.42		13.80	
- Other Provisions	711.00		714.49	
Futures & Options	-		6.25	
Loss on Outstanding Repo Transactions	1227.15	4326.85	234.14	968.68
		5612.94		1281.69

SCHEDULE - 11				
MISCELLANEOUS EXPENDITURE				
Deferred Premium on Redesignated Hedge Swaps	124.61	124.61	236.85	236.85
		124.61		236.85

SCHEDULES Contd...

(Rs. in lacs)

		As at 31.03.2008		As at 31.03.2007
SCHEDULE - 12				
DISCOUNT INCOME				
a) Commercial Papers				
Sales/ Redemption	2448.06		2457.58	
Add: Closing stock	-	2448.06	-	2457.58
Less: Purchases	2447.70		2457.28	
Opening stock	-	2447.70	-	2457.28
		0.36		0.30
b) Certificate of Deposit				
Sales/ Redemption	9298.19		14509.37	
Add: Closing stock	4353.09	13651.28	6381.47	20890.84
Less: Purchases	6967.62		7593.00	
Opening stock	6381.47	13349.09	12778.39	20371.39
		302.19		519.45
c) Treasury Bills				
Sales/ Redemption	436739.12		271408.53	
Add: Closing stock *	118.73	436857.85	39650.39	311058.92
Less: Purchases	396320.27		283505.02	
Opening stock *	39650.39	435970.66	26054.24	309559.26
		887.19		1499.66
(a)+(b)+(c)		1189.74		2019.41

* Adjusted for provision for diminution in market value of securities at year end, if any.

SCHEDULE-13				
INTEREST INCOME				
Call & Notice Money Lending		4.01		76.58
LAF Lending to RBI		-		121.64
CBLO Lending		6.27		11.69
Government Dated Securities		13440.82		10878.86
Corporate Bonds and Debentures		424.55		291.17
Interest on Investments (Long term)		22.99		21.82
Interest on Fixed Deposits with Scheduled Banks		3068.63		2249.09
		16967.27		13650.85

SCHEDULE-14				
TRADING INCOME				
a) Sale of Govt. Dated Securities				
Sales/ Redemption	2517075.42		1293959.04	
Add: Closing stock *	182616.47	2699691.89	142411.47	1436370.51

		As at 31.03.2008		(Rs. in lacs) As at 31.03.2007
Less : Purchases	2558020.02		1293371.02	
Opening stock *	142411.47	2700431.49	146539.17	1439910.19
		(739.60)		(3539.68)
b) Sale of Corporate Bonds & Debentures				
Sales/ Redemption	50843.30		121512.52	
Add: Closing stock*	5429.93	56273.23	3839.57	125352.09
Less: Purchases	52312.99		122939.21	
Opening stock*	3839.57	56152.56	2612.86	125552.07
		120.67		(199.98)
c) Equity Shares				
Sales/ Redemption	625.63		-	
Add: Closing stock*	-	625.63	186.83	186.83
Less: Purchases	425.49		186.83	
Opening stock*	186.83	612.32	-	186.83
		13.31		-
d) Derivatives		(691.30)		232.32
(a) + (b) + (c) + (d)		(1296.92)		(3507.34)

* Adjusted for provision for diminution in market value of securities at year end, if any.

SCHEDULE - 15		
OTHER INCOME		
Commission and fee	245.43	185.59
Underwriting fee	94.48	138.77
Income from Equity	1.85	(3.61)
Miscellaneous income	60.70	9.94
	402.46	330.69

SCHEDULE - 16		
INTEREST EXPENSE		
Call & Short Notice money borrowing	3021.88	2201.39
CBLO Borrowing	4291.64	3830.38
Repo Borrowing	1652.43	3337.27
RBI Borrowing	755.72	588.24
Short Term Borrowing	165.28	379.85
	9886.95	10337.13

SCHEDULES Contd...

		As at 31.03.2008		(Rs. in lacs) As at 31.03.2007
SCHEDULE - 17				
OPERATING EXPENSE				
Brokerage on securities & financial instruments		3.22		3.11
Financial information services		27.66		35.39
Operating expenses for Equity Transactions		3.85		0.30
Transaction charges		84.32		61.17
Bank charges		0.72		1.15
Other expense		-		0.02
		119.77		101.14
SCHEDULE - 18				
ESTABLISHMENT EXPENSE				
Salaries & allowances		132.75		118.32
Contribution to Provident fund & Gratuity fund		18.99		13.85
Staff welfare expenses		63.37		65.21
Staff recruitment & training		0.41		0.64
		215.52		198.02
SCHEDULE - 19				
ADMINISTRATIVE & OTHER EXPENSE				
Rent of business premises		67.66		55.44
Postage, telephone & telegram		37.32		37.96
Travelling, conveyance & motor car expenses		23.07		19.80
Printing & stationery		17.03		17.64
Repairs & maintenance-others		21.85		25.90
Repairs to buildings		12.09		5.40
Internal audit fee & expenses		11.50		10.79
Legal & professional fees		8.87		14.86
Listing Fee		2.13		2.12
Books and periodicals		2.58		2.35
Workshop & business meet		19.30		22.34
Power & fuel		12.93		10.34
Insurance charges		1.69		1.75
Directors' Sitting fee		4.30		4.20
Auditors Remuneration				
-Statutory audit fee	2.81		2.24	
-Tax audit fee	0.70		0.56	
-Certification fee	3.51	7.02	2.56	5.36
Loss on sale of fixed assets		0.57		1.18
Share transfer fees		1.68		2.95
Corporate membership		2.00		1.75

	As at 31.03.2008	(Rs. in lacs) As at 31.03.2007
Advertisement & publicity	2.35	3.22
Miscellaneous expense	30.64	30.47
	286.58	275.82

SCHEDULE - 20

ACCOUNTING POLICIES AND NOTES FORMING PART OF THE ACCOUNTS

A. SIGNIFICANT ACCOUNTING POLICIES

1. Method of Accounting

The company follows accrual system of accounting and the financial statements are prepared on historical cost basis, in accordance with generally accepted accounting principles and Reserve Bank of India guidelines as applicable to the Primary Dealers.

2. Sales / Purchases of Treasury Bills and Government Dated Securities, as disclosed in Profit & Loss Account includes repo transactions.

3. Revenue Recognition

i) The difference between the acquisition cost and maturity value of Certificates of Deposit, Commercial Papers, Bills Re-discounted, Treasury Bills and Zero Coupon Bonds is apportioned on time basis. The above is recognised as accrued income and included in the carrying cost of the securities.

ii) Interest accrued on Government Dated Securities and Corporate Bonds and Debentures is recognised at its coupon rate and that of floating rate bonds is recognised on the yield of instruments to which these are linked.

iii) Purchase and sale price of fixed income securities is bifurcated into cost and accrued interest paid or realised. Accrued interest paid on purchase & received on sale is netted and reckoned as expense/income.

iv) Profit/loss on sale of securities is accounted on weighted average cost method and is recognised on settlement date. Profit on sale of securities is netted with loss on sale of securities.

v) Brokerage and front-end fee received on subscription of securities is deducted in arriving at the cost of relevant securities. Underwriting fee earned in respect of devolvement in respect of underwriting commitments is proportionately reduced from the cost of securities devolving and the remaining amount is directly recognised as income.

4. Expenses Recognition

The brokerage paid in connection with acquisition of securities is added to the cost of acquisition and on sale of securities it is charged to profit & loss account.

5. Valuation of Stock-in-Trade

i) All securities in which the company deals are regarded as Current Assets (Stock-in-Trade) and grouped as hedge and non-hedge portfolio.

ii) The stock of Central Government Securities, Treasury Bills, State Development Loans and PSU/Corporate Bonds & Debentures, Equity Shares are valued at weighted average cost or market value whichever is lower. Market Value is determined by the prices declared by Fixed Income Money Market and Derivatives Association of India (FIMMDA) except for Equity Shares. Market value of Equity Shares is determined by the closing rates provided by the stock exchanges. For this purpose, the securities in each category are considered scrip-wise and

the cost and market value aggregated for all securities in each category. Net diminution, if any, for each category of securities is provided for and charged to profit and loss account. Net appreciation, if any, is ignored. The diminution in one category of securities is not set off against appreciation in another category.

iii) Certificates of Deposit, Commercial Papers, Bills Re-discounted and Zero Coupon Bonds held on the balance sheet date are valued at carrying cost.

6. Accounting for Repo Transactions

Securities sold under repo transactions are excluded from stock-in-trade and the securities purchased under reverse repo are included in the stock-in-trade.

The securities purchased under reverse repo are valued in accordance with the valuation norms applicable for the respective category of security.

In case of securities sold under repo, the notional loss, if any, arising out of the difference between the transaction price and book value in the first leg of the repo transaction is provided for, notional gains, if any, are ignored.

7. Interest Rate Swaps (IRS)

Assets and Liabilities in respect of notional principal amount of IRS are nullified.The related interest is recognized on accrual basis.

i) **Trading Swaps**

Trading Interest rate swaps outstanding at balance sheet date are marked to market and the resultant loss, if any, is recorded in Profit and Loss Account. Any other charges relating to Trading Interest Rate Swaps are charged to Profit and Loss Account.

ii) **Hedge Swaps**

Hedge Swaps are accounted for on accrual basis. A hedge swap designated to an asset/liability is carried at market value.The resulting mark-to-market loss/gain on swap is recorded as an adjustment to the market value of designated asset/liability. Gains or losses on the termination / redesignation of hedge swaps is recognized against the offsetting gain or loss recognized on the designated asset or liability.

On redesignation of a hedge swap from one item of asset/liability to another item of asset/liability, the mark-to-market profit/loss of the hedge swap on the day of redesignation is amortized over the shorter of the remaining life of the swap or the remaining life of the asset/liability.

8. Accounting for Future and Options Transactions

i) Initial Margin payable at the time of entering into future contract/sale of option is adjusted against the deposits with the exchanges in the form of fixed deposits, cash deposits and securities.

ii) Transaction in Future contracts are accounted as Purchases and Sales at the notional trade value of the contract.The open interest in futures as at the Balance Sheet date is netted by its notional value.

iii) The difference in the settlement price or exchange closing price of the previous day and exchange closing price of the subsequent day, paid to or received from the exchange is treated as Mark to Market Margin. The balance in the Mark to Market Margin Account represents the net amount paid or received on the basis of movement in the prices of open interest in futures contracts till the balance sheet date. Net debit balance in the Mark to Market Margin Account is charged off to revenue whereas net credit balance is shown under current liabilities.

iv) Premium paid or received on purchase and sale of options and the difference paid or received on exercise of options is accounted as Purchases or Sales. In case of open interest in options sold as on the balance sheet date, provision is made for the amount by which premium prevailing on the Balance Sheet date exceeds the premium received for those options.

The excess of premium received over the premium prevailing on the Balance Sheet date is not recognized. Similarly, in case of options bought, provision is made for the amount by which the premium paid for the option exceeds the premium prevailing on the Balance Sheet date and the excess of premium prevailing on the Balance Sheet date over the premium paid is ignored. In case of multiple open positions, provision is made or excess premiums are ignored after netting off the balance in buy as well as sell positions.

9. Investment

Long Term Investment in debt is valued at carrying cost. However, provision for diminution is made, when there is a decline other than temporary in the value of long term investment.

10. Deferred Tax

Deferred tax is recognized in accordance with the provisions of Accounting Standard 22 issued by Institute of Chartered Accountants of India on "Accounting for Taxes on Income".

11. Depreciation

Depreciation on fixed assets is charged on written down value method in accordance with the rates specified in Schedule XIV to the Companies Act, 1956. Intangible Assets comprises of software acquired by the company to facilitate its operations and these are depreciated @ 40 per cent on WDV basis.

12. Preliminary Expenses

Preliminary expenses are written off in the year in which these are incurred.

13. Share Issue Expenses

Share issue expenditure is charged to Profit and Loss account in the year of occurrence.

14. Tax on Dividend

Dividend Distribution Tax payable on dividend declared in terms of Section 115-O of the Income Tax Act, 1961, is accounted for in the year to which the dividend relates.

15. Retirement Benefits - Provident Fund, Gratuity & Leave Encashment

i) Gratuity contribution made under the Employee Group Gratuity cum life insurance scheme of LIC is charged to revenue.

ii) Leave Encashment is accounted for on actuarial valuation carried at year-end.

iii) Contribution to recognised provident fund is charged to revenue.

B. NOTES TO ACCOUNTS

1. The company has adopted the rates provided by FIMMDA for determining market value of securities in terms of Accounting Policy no. 5(ii) and net diminution in the value of securities as on 31st March, 2008 amounting to Rs. 7024.08 lacs has been provided for in the valuation of closing stock.

2. **Repo transactions outstanding are as under:**

(Rs. in lacs)

	As at 31st March			
	2008		2007	
	Face Value	**Book Value**	**Face Value**	**Book Value**
Purchases (Rev. Repo)	NIL	NIL	NIL	NIL
Sales(Repo)	29071.00	30152.99	4400.00	4613.48

In terms with RBI guidelines for uniform accounting for Repo Transactions, a provision of Rs. 1227.15 lacs has been made for loss on outstanding repo transactions (Provision during the Previous Year was Rs. 234.14 lacs).

SCHEDULES Contd...

3. **Managerial Remuneration for the Managing Director**

	For the year 2007-08 (Rs. in lacs)
Salaries and allowances	5.36
Company's contribution to Provident Fund	0.36
Other perquisites	2.21

Computation of Net Profits under Section 349 of the Companies Act, 1956 has not been made as commission by way of percentage of profits is not payable to the Managing Director.

4. An amount of Rs. 1000 lacs was lent in Call money to Madhavpura Mercantile Cooperative Bank Limited in March, 2001 which became overdue as on March 31, 2001. Therefore, a provision of Rs. 500 lacs was made against the same. Thereafter, during the year 2001-02, a reconstruction scheme was formulated under the aegis of Government of India and the lending inclusive of interest upto the date of implementation was converted into term deposit of Rs. 1036.58 lacs carrying interest @ 7.50 per cent p.a. (payable semi-annually) and the principal repayable in five equal instalments starting from 5th year. Further in the year 2004-05, the rate of interest was revised to 3 per cent p.a. w.e.f. August 24, 2004 in terms of the notification issued by the Central Registrar of Cooperative Societies. The interest and principal on the term deposit with Madhavpura Mercantile Cooperative Bank Limited was serviced regularly after its last restructuring in August, 2004 upto 31.03.2007. In view of the regular servicing of the principal and the interest amount, as a conservative approach the management decided to reverse the provision in proportion to the original provision made vis-a-vis the original principal amount and recovery of the principal amount till March 31, 2007. Accordingly an amount of Rs. 120 lacs was reversed during the year 2006-07 from the original provision of Rs. 500 lacs made in the year 2000-01. The provision thus stood at Rs. 380 lacs as on 31st March, 2007.

   During the year 2007-08, an amount of Rs. 25.91 lacs only was received from MMCBL on 03.05.2007. An order of the Central Registrar of Co-op. Societies (Dept. of Agriculture & Co-operation, Ministry of Agriculture, Govt. of India) dated June 15, 2007 decided to defer all the payment of principal as well as interest for one year (till August, 2008). In view of the modification in the Reconstruction Scheme, no further amount was due, till August 2008. As on 31.03.2008, the total principal outstanding was Rs. 761.88 lacs (Previous Year Rs. 787.80 lacs) against which provision of Rs. 380 lacs is outstanding.

5. The company has proposed a final dividend @ 15 per cent subject to the approval of shareholders in Annual General Meeting amounting to Rs. 2025.11 lacs. Accordingly, a provision of Dividend Distribution Tax of Rs. 344.17 lacs has been made @ 15 per cent plus Surcharge @ 10 per cent plus Education Cess @ 2 per cent & Secondary Higher Education Cess @ 1 per cent.

6. Reportable segments in respect of business operations of the company have been identified on the basis of varied risk and return profile attached to each segment which are in terms of Accounting Standard - 17 on Segment Reporting.

The Segment information is as under:

Financial Year 2007-08

(Rs. in lacs)

	T-Bills/ CP/CDs	Corporate Bonds & Debentures	Govt. Securities	Derivatives	Fixed Deposits	Others	Total
Segment Revenue	1189.74	545.22	12795.70	(691.30)	3091.62	331.57	17262.55
Total Allocable Expenses	(657.08)	(222.91)	(7767.44)	-	(1338.91)	(14.13)	(10000.47)
Segment Results	532.66	322.31	5028.26	(691.30)	1752.71	317.44	7262.08
Less : Unallocable Expenses							(561.45)
Profit Before Tax							6700.63
Segment Assets	4471.82	5895.21	193371.97	-	26030.24	-	229769.24
Segment Liabilities	3285.94	4571.53	148875.78	944.65	19507.24	-	177185.14

Financial Year 2006-07

(Rs. in lacs)

	T-Bills/ CP/CDs	Corporate Bonds & Debentures	Govt. Securities	Derivatives	Fixed Deposits	Others	Total
Segment Revenue	2019.41	91.19	7477.94	232.32	2270.91	521.84	12613.61
Total Allocable Expenses	(1593.80)	(176.45)	(7078.21)	-	(1372.97)	(210.21)	(10431.64)
Segment Results	425.61	(85.26)	399.73	232.32	897.94	311.63	2181.97
Less : Unallocable Expenses							(543.67)
Profit Before Tax							1638.30
Segment Assets	46510.39	4386.75	152024.25	(28.41)	32874.43	694.55	236461.96
Segment Liabilities	35389.75	3337.88	121196.79	709.58	25014.14	528.48	186176.62

Note: Diminution of Rs. 6784.39 lacs on Government Securities, Rs. 0.01 lacs on Treasury Bills and Rs. 239.68 lacs on Corporate Bonds/Debentures as on 31.03.2008 has been provided for (Previous Year : Rs. 5120.76 lacs on Government Securities, Rs. 64.26 lacs on Treasury Bills and Rs. 336.56 lacs on Corporate Bonds and Debentures).

7. **Related Party Transactions**

As per Para 9 of the Accounting Standard 18 on Related Party Disclosures, the company being a state controlled enterprise is not required to make disclosures of related party relationships with other state controlled enterprises and transactions with such enterprises. Other information as per the Standard is as under:

a. The overall supervision and control of company vests with Board of Directors. The Managing Director of the company is on deputation from Punjab National Bank and is working full time with the company. Details of managerial remuneration are disclosed vide Note No. 3 above in the Notes to Accounts.

b. Out of a total of ten directors on the Board of the company as at 31st March, 2008, six are independent directors. Only the independent directors are paid sitting fees for the board / committee meetings at the rate of Rs. 5000/- per meeting. During the year the company has paid a sum of Rs. 4.30 lacs (Previous Year : Rs. 4.20 lacs) towards sitting fee.

8. **Earnings per share (EPS)**

Computation of EPS is as under:

	2007-08	2006-07
Number of shares outstanding (of Rs. 10/- each)	135007600	135007600
Profit after Tax (Rs. in lacs)	4515.78	1596.33
Basic / Diluted Earning per share	3.34	1.18

There has been no change in the share capital during the year. There are no potential equity shares outstanding. Hence there is no dilution of the Basic EPS.

9. **Deferred Tax**

The calculation of deferred tax assets and liabilities as per Accounting Standard 22 of The Institute of Chartered Accountants of India as given in Schedule 8 and Schedule 5 is detailed hereunder:

SCHEDULES Contd...

	31.03.2008	(Rs. in Lacs) 31.03.2007
Deferred Tax Assets		
For Provision against Investments	129.16	129.16
For Other Provisions	7.00	5.09
Total Deferred Tax Assets	**136.16**	**134.25**
Deferred Tax Liabilities		
For Fixed Assets	29.72	35.32
Total Deferred Tax Liabilities	**29.72**	**35.32**
Net Deferred Tax Assets	**106.44**	**98.93**

An adjustment for the current year amounting to Rs. (7.51) lacs (Previous Year : Rs. 34.35 lacs) has been made out of the profits for the current year.

10. **Disclosure on Interest Rate Swaps**

(Rs. in lacs)

	Hedging Swaps		Trading Swaps	
	31.03.2008	31.03.2007	31.03.2008	31.03.2007
Notional Principal	35000.00	35000.00	685000.00	920000.00
Marked to Market Positions	34850.56	34740.26	684324.84	919319.58
Max. of 100*PV01 observed during the year	47.75	47.40	166.68	448.93
Min. of 100*PV01 observed during the year	44.62	45.15	101.33	17.80

Market risk : In the event of 100 basis point adverse movement in interest rates there will be a negative impact of Rs. 104.22 lacs (Previous Year : Rs. 381.55 lacs) on Trading Swaps and Rs. 47.12 lacs (Previous Year : Rs. 45.15 lacs) on Hedging Swaps on the swap book.
The losses, which would be incurred if, counter parties failed to fulfill their obligations works out to Rs. 5177.89 lacs (Previous Year : Rs. 20495.48 lacs)

Collateral : No Collateral is insisted upon from counterparty

Credit Risk Concentration : ICICI Bank Ltd. - Rs. 1450.69 lacs

11. As on March 31, 2008, Secured loans (excluding market repo) of Rs. 130831.42 lacs comprise of Rs. 29500.02 lacs under RBI's LAF repo facility and Rs. 101331.40 lacs under CBLO. Unsecured loans of Rs. 38005.00 lacs comprise of call money borrowings. During the year 2007-08, average and peak net borrowings in call money amounted to Rs. 46447.27 lacs and Rs. 129690.00 lacs respectively. For the year, the average and peak leverage ratio stands at 3.19 and 3.88 respectively.

12. As on March 31, 2008, the total stock of Rs. 199392.83 lacs comprise of Government Securities (including Treasury Bills) of Rs. 189370.14 lacs, Rs. 4353.09 lacs of Certificates of Deposits and Rs. 5669.60 lacs of Corporate Bonds & Debentures. The entire portfolio of Certificates of Deposit is P1+ rated. The portfolio of Corporate Bonds & Debentures comprises Rs. 4286.84 lacs of AAA rated and Rs. 1382.76 lacs of AA+ rated bonds.

13. Capital Adequacy Ratios as on June 30, 2007, September 30, 2007, December 31, 2007 and March 31, 2008 were 33.65 per cent, 42.30 per cent, 38.88 per cent and 34.55 per cent respectively as against RBI stipulation of 15 per cent. Net Owned Funds of the company stands at Rs. 52540.79 lacs as against the minimum stipulated capital of Rs. 10000 lacs. Return on networth for the year 2007-08 stands at 8.78 per cent.

14. In the absence of any government notification, the company has not provided for cess envisaged in terms with the Section 441A (1) of the Companies Act, 1956.

15. Contingent liability :

    The company has received demand notice from Deputy Commissioner of Income Tax (DCIT), for the AY 2003-04 and 2005-06, whereby diminution in market value of securities amounting to Rs. 3684.92 Lacs (AY 2003-04) and Rs. 23.33 lacs (AY 2005-06) has been disallowed and consequently a demand has been raised for Rs. 1841.72 lacs (AY 2003-04) and the carried forward loss for AY 2005-06 has been reduced to the extent of disallowance. The company has filed submissions before the income tax authorities that it is a trader in the government securities market and is registered as an NBFC with RBI and all the securities in which the company deals with are regarded as stock-in-trade (Current Investments) and as per the RBI circular and guidelines issued by ICAI, the current investments shall be valued at cost or market value, whichever is lower. The company is therefore valuing its stocks accordingly. The issue has been settled in the case of UCO Bank v/s CIT (1999) 240 ITR 355 by the Hon'ble Supreme Court, wherein it is held that the current investments (SIT) will be valued at cost or market value, whichever is lower. So, the company has filed an appeal before CIT (Appeals) and has moved the stay application before CIT. In view of the appeal pending before CIT(A), provision for additional income tax demand of Rs. 1841.72 lacs has not been made in the books of accounts of the company.

16. During the year, the refund related to the FY 2004-05 (AY 2005-06) to the tune of Rs. 592.55 lacs received (including interest of Rs. 48.93 lacs and the interest was added as income during the year).

17. Tax deducted at source on interest, miscellaneous income and commission and fees during the FY 2007-08 amounted to Rs. 753.02 lacs (Previous Year : Rs. 560.92 lacs).

18. During the year 2007-08, the carrying amount of assets were reviewed and none of the assets of the company are found to be impaired for which the procedure prescribed as per AS 28 needs to be applied.

19. As per the Finance Bill, 2008, the MAT provisions u/s 115JB of the Income Tax Act, 1961 has been revised with retrospective effect from AY 2001-02. As per the bill, while calculating the MAT liability, deferred tax is to be added to calculate book profit. The company had paid MAT for FY 2005-06 and 2006-07. For FY 2005-06, the calculation of MAT has been done taking into account the deferred tax but for FY 2006-07, the deferred tax amounting to Rs. 34.35 lacs was charged to Profit and Loss Account and was not considered for calculating MAT. Taking into account the provisions of Finance Bill, 2008, MAT liability for the year 2006-07 will increase by Rs. 3.85 lacs & correspondingly the MAT Credit Entitlement for FY 2006-07 will increase by Rs. 3.85 lacs and the adjustments have been made accordingly.

20. Figures for the previous year have been regrouped and rearranged wherever considered necessary, in order to make them comparable with those of the current period.

(Dr. K. C. Chakrabarty) Chairman	**(K. Raghuraman)** Director	**(Dr. O. P. Chawla)** Director	**(Dr. Kamal Gupta)** Director	**(S. K. Soni)** Director
(R. S. Lodha) Director	**(A. S. Agarwal)** Director	**(D. K. Singla)** Director	**(Arun Kaul)** Director	**(A. K. Gupta)** Managing Director
(Sunita Gupta) Sr. Exec.Vice President	**(P. Rajendran)** Exec.Vice President (Accts.)	**(Monika Kochar)** Company Secretary		

In terms of our report of even date
For **Bansal R. Kumar & Associates**
Chartered Accountants

(R. K. Gupta)
Partner
Membership no. 86851

Date : 21st April, 2008
Place : New Delhi

SCHEDULE TO THE BALANCE SHEET OF A NON-DEPOSIT TAKING NON-BANKING FINANCIAL COMPANY

[as required in terms of para 13 of Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007

(Rs. In lacs)

Particulars		
Liabilities Side :		
(1) Loans and advances availed by the non-banking financial company inclusive of Interest accrued thereon but not paid:	**Amount outstanding**	**Amount overdue**
(a) Debentures : Secured	Nil	Nil
: Unsecured	Nil	Nil
(Other than falling within the meaning of public deposits*)		
(b) Deferred Credits	Nil	Nil
(c) Term Loans	Nil	Nil
(d) Inter-Corporate loans and borrowing	Nil	Nil
(e) Commercial Paper	Nil	Nil
(f) Other Loans (specify nature) -	**168871.43**	Nil
Secured Loans		
Borrowings from RBI	29506.28	Nil
CBLO Borrowings	101350.70	Nil
Unsecured Loans		
Call Money Borrowings	38014.45	Nil
* Please see Note 1 below		
Assets Side :		
(2) Break-up of Loans and Advances including bills receivables (other than those included in (4) below):		
(a) Secured	28.67	-
(b) Unsecured	2595.86	-
(3) Break up of leased Assets and stock on hire and other assets counting towards AFC activities	**N.A.**	**N.A.**
(I) Lease assets including lease rentals under sundry debtors :		
(a) Financial lease		
(b) Operating lease		
(ii) Stock on hire including hire charges under sundry debtors :		
(a) Assets on hire		
(b) Repossessed Assets		
(iii) Other loans counting towards AFC actitivites		
(a) Loans where assets have been repossessed		
(b) Loans other than (a) above		

(Rs. In lacs)

(4)	**Break-up of Investments/Stock-in-trade: Current investments (Stock-in-trade):**	**Amount Outstanding**	
	1. Quoted :		
	(i) Shares : (a) Equity	Nil	
	(b) Preference	Nil	
	(ii) Debentures and Bonds	5429.93	(Market Value Rs. 5429.93 lacs)
	(ii) Units of mutual funds	Nil	
	(iv) Government Securities	182585.73	(Market Value Rs. 182585.73 lacs)
	(v) Other (Please specify)	-	
	2. Unquoted :		
	(I) Shares : (a) Equity	-	
	(b) Preference	-	
	(ii) Debentures and Bonds	-	
	(iii) Units of Mutual Funds	-	
	(iv) Government Securities	-	
	(v) Others (please specify)	-	
	(Certificates of Deposit)	4353.09	(Fair value Rs. 4353.09 lacs)
	Long Term Investments :		
	1. Quoted :		
	(i) Shares : (a) Equity	-	
	(b) Preference	-	
	(ii) Debentures and Bonds	-	
	(ii) Units of mutual funds	-	
	(iv) Government Securities	-	
	(v) Other (Please specify)	-	
	2. Unquoted :		
	(I) Shares : (a) Equity	-	
	(b) Preference	-	
	(ii) Debentures and Bonds	-	
	(iii) Units of Mutual Funds	-	
	(iv) Government Securities	-	
	(v) Others (please specify)	-	
	Term Deposit	381.88	(Fair Value Rs. 381.88 lacs)
	TOTAL :	**192750.63**	

(5) Borrower group-wise classification of Assets financed as in (2) and (3) above : (Please see Note 2 below)

Category	**Amount net of provisions**		
	Secured	**Unsecured**	**Total**
1. Related Parties **			
(a) Subsidiaries	-	-	-
(b) Companies in the same group	-	-	-
(c) Other related parties	-	-	-
2. Other than related parties	-	-	-
TOTAL:	**-**	**-**	**-**

(Rs. In lacs)

(6) 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	-	-
(b) Companies in the same group	954.69	954.69
(c) Other related parties	-	-
2. Other than related parties	191414.06	191414.06
TOTAL :	**192368.75**	**192368.75**
** As per Accounting Standard of ICAI (Please see Note 3)		
(7) Other Information		
Particulars	**Amount**	
(I) Gross Non-Performing Assets	-	
(a) Related Parties		
(b) Other than related parties		
(ii) Net Non-Performing Assets	-	
(a) Related Parties		
(b) Other than related parties		
(iii) Assets acquired in satisfaction of debt	-	

Notes :

1 As defined in paragraph 2 (1)(xii) of the Non-Banking Financial Companies Acceptance of Public Deposits (Reserve Bank) Directions, 1998.

2 Provisioning norms shall be applicable as prescribed in Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007.

3 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 (4) above.

(Dr. K. C. Chakrabarty) Chairman	**(K. Raghuraman)** Director	**(Dr. O. P. Chawla)** Director	**(Dr. Kamal Gupta)** Director	**(S. K. Soni)** Director
(R. S. Lodha) Director	**(A. S. Agarwal)** Director	**(D. K. Singla)** Director	**(Arun Kaul)** Director	**(A. K. Gupta)** Managing Director
(Sunita Gupta) Sr. Exec. Vice President	**(P. Rajendran)** Exec. Vice President (Accts.)	**(Monika Kochar)** Company Secretary		

In terms of our report of even date
For **Bansal R. Kumar & Associates**
Chartered Accountants

(R. K. Gupta)
Partner
Membership no. 86851

Date : 21st April, 2008
Place : New Delhi