

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

**TWENTY SEVENTH
ANNUAL REPORT
2012-13**

V. B. DESAI FINANCAL SERVICES LIMITED

BOARD OF DIRECTORS

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

REGISTERED OFFICE

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

AUDITORS

M/s. APTE & CO.
Chartered Accountants, Mumbai

BANKERS

HDFC Bank Ltd.
Corporation Bank

REGISTRAR & SHARE TRANSFER AGENT

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

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IMPORTANT COMMUNICATION TO MEMBERS

The Ministry of Corporate Affairs has taken the “Green Initiative in the Corporate Governance” by allowing paperless compliances by the companies and has issued circulars stating that service of notice / document including annual report can be sent by e-mail to its members. To support this green initiative of the Government in full measures, members who have so far not registered their e-mail addresses are requested to register their e-mail addresses, in respect of electronic holdings with the Depository through their concerned Depository Participants. Members who hold shares in physical form are requested to send the e-mail address to the Registrar & Transfer Agents quoting their folio number.

NOTICE

NOTICE IS HEREBY GIVEN THAT the Twenty Seventh Annual General Meeting of the Members of V. B Desai Financial Services Limited will be held at M.C.Ghia Hall, Bhogilal Hargovindas Building, 2nd Floor, 18/20, Kaikhushru Dubash Marg, Mumbai – 400 001 on Wednesday, the 11th September, 2013 at 11.00 a.m. to transact the following business.

ORDINARY BUSINESS

1. To receive and adopt the Profit and Loss Account for the year ended on 31st March, 2013 and the Balance Sheet as on that date and the reports of Auditors and Directors thereon.
2. To appoint a Director in place of Mr. Manoj T. Shroff who retires by rotation and offers himself for reappointment.

SPECIAL BUSINESS

3. APPOINTMENT OF AUDITOR

RESOLVED THAT M/s. A.N. Damania & Co., Chartered Accountants, be and is hereby appointed as Statutory Auditors of the Company instead of the retiring Auditors, M/s. Apte & Co., to hold the office up to conclusion of the next Annual General Meeting of the Company at such remuneration and reimbursement of out of pocket expenses as the Board of Directors may fix in this behalf.

4. REAPPOINTMENT OF MANAGING DIRECTOR

RESOLVED THAT pursuant to Sections 198, 269, 310, 311 and Schedule XIII and other applicable provisions of the Companies Act, 1956 consent of the Company be and is hereby granted to the re-appointment of Mr. Pradip R. Shroff as Managing Director of the Company for a period of 5 years with effect from 15.07.2013 on the terms and conditions as to remuneration as set out in the explanatory statement, be and is hereby approved, ratified and confirmed with liberty to the Board of Directors to alter and vary the terms and conditions of the said appointment and or agreement so as not to exceed the limit specified in Schedule XIII to the Companies Act, 1956 or any amendment thereto as may be agreed to between the Board of Directors and Mr. Pradip R. Shroff.

RESOLVED FURTHER THAT the Board of Directors be and is hereby authorized to do all such acts, deeds, matters and things as may be necessary or desirable to give effect to the Resolution.

5. DELISTING OF SHARE FROM DELHI STOCK EXCHANGE

RESOLVED THAT subject to the provisions of the Companies Act, 1956, Securities Contracts (Regulation) Act, 1956, and the rules framed thereunder, Listing Agreement, SEBI (Delisting of Securities) Guidelines, 2003, and such other applicable laws, rules, regulations and guidelines, and subject to such approvals, permission and sanctions, as may be necessary, the Board of directors of the company be and is hereby authorised to seek voluntarily delisting of its securities from Delhi Stock Exchange Ltd.

Resolved further that the securities of the company shall continue to be listed on the stock exchange having nationwide trading terminals viz. the Bombay Stock Exchange Ltd., and therefore as per the said guidelines issued by the Securities and Exchange Board of India, no exit opportunity need to be given to the shareholders of the company.

Resolved further that the Board of Directors of the Company be and is hereby authorised to do all such acts, deeds, matters and things as it may in its absolute discretion deem necessary or desirable and to execute all such deeds and documents as may be considered necessary and expedient to give effect to the above said resolution.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173 OF THE COMPANIES ACT, 1956

ITEM NO. 3

The Auditors M/s. Apte & Co., Chartered Accountants, will retire at the forthcoming annual General Meeting. The Board of Directors have proposed M/s.A.N. Damania & Co., Chartered Accountants, a peer review certificate holder to be appointed as Auditors of the Company to hold the Office up to conclusion of the next Annual General Meeting.

None of the Directors is concerned or interested in the resolution.

The Board of Directors recommends the resolution for approval of the members.

ITEM NO. 4

Mr. Pradip R. Shroff has been reappointed as Managing Director for a period of 5 years with effect from 15.07.2013. Mr. Pradip Shroff is a Fellow of Institute of Chartered Accountants of India and having more than 38 years of experience in Financial Services and Capital Market related business.

V. B. Desai Financial Services Limited

The following are the terms of remuneration fixed by the Board:

- a) Basic Salary : Rs. 4,80,000/- per annum
- b) Other benefits :
 - i) Contribution to Provident Fund and Superannuation Fund to the extent not taxable under the Income Tax Act, 1961
 - ii) Gratuity not exceeding One month's salary for each completed year of service
 - iii) Encashment of Leave at the end of the tenure as per Company's rules
 - iv) Provision of car for use on the Company's business and telecommunication facilities. personal long distance calls on telephone shall be billed by the Company to the Managing Director
 - v) Reimbursement of traveling and entertainment expenses actually incurred by the Managing Director for the purpose of the business of the Company

The terms of appointment of Mr. Pradip R. Shroff as Managing Director as contained in Resolution No. 4 of the Notice may also be treated as an abstract of the terms of his appointment as required under Section 302 of the Companies Act, 1956.

None of the Directors other than Mr. Pradip R. Shroff is concerned or interested in the resolution.

The Board of Directors recommends the resolution for approval of the members.

ITEM NO. 5

The Securities & Exchange Board of India (SEBI) notified guidelines for voluntary delisting of securities from the stock exchanges. As per clause 5.2 of SEBI (Delisting of Securities) Guidelines, 2003 an exit opportunity to the shareholders need not be given where securities of the company remain listed on the stock exchange having nationwide trading terminal, i.e., BSE Limited the National Stock Exchange of India and any other stock exchange that may be specified by SEBI in this regard.

At present the equity shares of the Company are listed at the BSE Limited Considering the non-trading of shares at Delhi Stock Exchange Ltd., and as a part of cost reduction measure, the consent of members is sought for getting its securities delisted from the Delhi Stock Exchange Ltd., as proposed in the special resolution. The securities of the company shall continue to be listed on the Bombay Stock Exchange Ltd.

The Board recommends the resolution for approval of members. None of the directors is, in any way, concerned or interested in the said resolution.

NOTES

- a) A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY.
- b) The form of proxy should be deposited at the registered office of the Company not less than 48 hours before commencement of meeting.
- c) The Register of members and Share Transfer Books of the Company will be closed from 6thSeptember 2013 to 11th September 2013 (both days inclusive)
- d) Members are requested to please bring their copies of the Annual Report to the Meeting.

For and on behalf of the Board of Directors

Pradip R. Shroff
Managing Director

REGISTERED OFFICE
Cama Building, 1st Floor,
24/26, Dalal Street, Fort,
Mumbai – 400 001
DATED: 25th July 2013

DIRECTORS' REPORT

The Directors present their 27th Annual Report on the business and operations of the Company and the financial accounts for the year ended on 31st March, 2013.

FINANCIAL RESULTS

(₹ In lacs)

Particulars	For the year ended on 31/03/2013	For the previous year ended on 31/03/2012
Gross Income	150.54	86.34
Profit (before interest, depreciation & taxation)	80.81	28.13
Financial charges	0.64	0.00
Depreciation	2.22	2.13
Net profit	77.95	26.06
Provision for taxation	25.20	8.00
Deferred Tax	(0.76)	(0.09)
Income Tax of earlier years	(81.72)	(0.10)
Profit after adjustments	135.23	18.25
Profit/(Loss) carried to Balance Sheet	135.23	18.25
APPROPRIATIONS / TRANSFERS		
Profit/(loss) carried to Balance Sheet	135.23	18.25

DIVIDEND

Your Directors do not recommend any dividend on equity shares due to working capital requirements needed for the company.

PERFORMANCE REVIEW

During the year under review, income from operations was ₹ 66.62 lacs compared to ₹ 84.69 lacs in the previous year. Profit after tax increased to ₹ 135.23 lacs against ₹ 18.25 lacs in the previous year on account of income tax refund.

The Company is mainly engaged in Merchant Banking activities viz. ESOP valuation, Company valuation, Advisory services and capital raising activities.

DIRECTORATE :

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

DIRECTOR'S RESPONSIBILITY STATEMENT

The Board of Directors of your Company confirms that:

- in the preparation of the annual accounts, applicable Accounting Standards have been followed ;
- the Accounting Policies are consistently applied and reasonable, prudent judgment and estimates are made so as to give a true and fair view of the state of affairs of the Company at the end of the Financial year and of the profit of the Company for that period;
- that the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities.
- That the Directors have prepared the Annual Accounts on a going concern basis.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION ETC.

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

PARTICULARS OF EMPLOYEES

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

PUBLIC DEPOSIT

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

CORPORATE GOVERNANCE

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

AUDITORS & AUDITOR'S REPORT

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

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

ACKNOWLEDGEMENT

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

On behalf of the Board of Directors

Pradip R. Shroff
Managing Director

Manoj T. Shroff
Director

PLACE: MUMBAI

DATE : 25th July 2013

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

Management discussion and analysis of financial condition and results of operations include forward looking statements based on certain assumptions and expectations of future events. The Company cannot assure that these assumptions and expectations are accurate. Although the management has considered future risks as part of the discussions, future uncertainties are not limited to the management perceptions.

The financial statements have been prepared in compliance with the requirements of the Companies Act, 1956 and Generally Accepted Accounting Principles (GAAP) in India. The Management of the Company accepts responsibility for the integrity and objectivity of these financial statements, as well as for various estimates and judgments used therein. The estimates and judgments relating to the financial statements have been made on a prudent and reasonable basis, in order that the financial statements reflect in a true and fair manner the form and substance of transactions, and reasonably present the Company's state of affairs and profits for the year. The following discussion may include forward looking statements, which may involve risks and uncertainties, including but not limited to the risks inherent to Company's growth strategy, dependency on certain clients, dependency on availability of qualified technical personnel and other factors discussed in this report.

Industry structure and developments

The main activities of the Company are Merchant Banking and related activities. With strengthening of the economic environment, the Indian capital market is expected to perform well. The improved performance of the industrial and service sector and strong capital inflows witnessed robust growth in primary and secondary capital market and is expected to hold in the coming years. The Company will continue to capitalize on Merchant Banking, Advisory Services and fund raising opportunities by the growing economic needs of the industries.

Opportunities and Threats

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

Segment wise performance

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

Outlook

The financial services sector has shown rapid growth with an improvement in the economic environment. Company will continue to capitalize the growing economic opportunities and looks forward in view of the reposed confidence of Investors in the capital market. With strengthening of the economy and stable economic environment, the Indian capital market is expected to perform well. The management will continue to focus on Merchant Banking activities and Advisory Services and endeavor to deliver best solutions to the clients to their satisfaction.

Risks and Concerns

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

Internal control system

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

On behalf of the Board of Directors

Pradip R. Shroff
Managing Director

Manoj T. Shroff
Director

PLACE: MUMBAI

DATE : 25th July 2013

REPORT ON CORPORATE GOVERNANCE

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

1. COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE:

The Company has adopted good corporate governance practices and ensures compliance with all relevant laws and regulations. It has lead to the satisfaction and transparency to the shareholders. Company's philosophy is concerned with ethics, values, morals and social responsibility of the Company. The Company remains accountable to shareholders and other beneficiaries for their actions. The Company conducts its activities in a manner that is fair and transparent and perceived to be such by others.

2. BOARD OF DIRECTORS

The present strength of Board consist 4 Directors comprising 1 Executive and 3 non-executive Directors. During the financial year ended on 31.3.2013, 5 board meetings were held. The attendance of each Director at the Board Meetings and last Annual General Meeting (AGM) and number of other Directorship and Membership/Chairmanship of Committee are as follows:

Name of the Director	Attendance Particulars		No. of directorship/and Committee Membership / Chairmanship in other Companies			
	Board Meetings	Last AGM	Directorship in private Companies	Directorship in public Companies	Committee Memberships	Committee Chairmanships
Mr. Pradip Shroff	5	Yes	6	9	1	1
Mr. Manoj Shroff	5	Yes	9	9	Nil	Nil
Mr. Ashok Kumar Singh	0	Nil	Nil	Nil	Nil	Nil
Mr. Khurshid Shaikh	5	Nil	1	Nil	Nil	Nil

3. REAPPOINTMENT OF DIRECTOR

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

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

1. Name of the Director	Mr. Manoj T. Shroff	
2. Age	48 years	
3. Qualification	B.Com	
4. Experience in specific area	Has more than 23 years' experience in Financial consultancy, Investment Banking, and other related business	
5. Directorship in other Companies	Mindtree Industrial Finance Ltd. Shriyam Auto-Fin Ltd. Valuecorp Securities & Finance Ltd Mahimna Mercantile Credits Ltd Guru Holding Private Limited	Pearl Housing Finance (I) Ltd. Traitrya Construction Finance Ltd, Vishvakarma Equipment Finance Ltd., Merican Funds Limited

- b) The brief profile of Mr. Pradip R. Shroff, the Managing Director is as follows:

1. Name of the Director	Mr. Pradip R. Shroff.	
2. Age	62 years	
3. Qualification	B.Com (Hons) FCA	
4. Experience in specific area	Has more than 38 years' experience in Financial consultancy, Merchant Banking, Taxation and other related business	
5. Directorship in other Companies	Mahimna Mercantile Credits Ltd Neptune Steel Strips Limited Shriyam Auto-Fin Ltd. Valuecorp Securities & Finance Ltd, Bluechip Leasing & Finance Ltd. Govardhan Holding & Trading Co. Pvt. Ltd,	Mindtree Industrial Finance Ltd. Pearl Housing Finance (I) Ltd. Traitrya Construction Finance Ltd, Vishvakarma Equipment Finance Ltd. Avdhoot Housing Finance Co. Pvt. Ltd.

4. REMUNERATION OF DIRECTORS

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

Sitting fees paid to Independent Directors are as follows:

Name of the Director	Board Meeting	Transfer Committee	Audit Committee	TOTAL
Mr. ManojShroff	5,000	6,000	5,000	16,000
Mr. Ashok Kumar Singh	--	--	---	---
Mr. KhurshidShaikh	5,000	--	5,000	10,000
TOTAL	10,000	6,000	10,000	26,000

Details of remuneration paid to Managing Director for the financial year ended 31st March, 2013 are as under:

Name of the Director	Status	Salary	Perquisites/ Al- lowances	PF contribution	Remuneration paid (Rs.)
Mr. Pradip R. Shroff	Managing Director	3,00,000	Nil	50,423	3,50,423

5. AUDIT COMMITTEE

The Audit Committee has 2 Independent Directors viz. Mr. Manoj T. Shroff & Mr. KhurshidShaikh and 1 Executive Director, Mr. Pradip R. Shroff. During the financial year under review, 5 meetings were held on 30.04.2012, 25.05.2012, 25.07.2012, 30.10.2012 & 30.01.2013.

6. SHARE TRANSFER AND INVESTORS' GRIEVANCE COMMITTEE

The Share Transfer and Investors' Grievance Committee comprises of 2 Directors viz. Mr. Pradip R. Shroff, MD and Mr. Manoj T. Shroff. The Committee meets for approval of transfers, transmissions, issue of duplicate share certificates and consolidation of shares etc. as and when such requests are received. The Committee also reviews the status of Investor Grievances and recommends measure to improve in solving Investor Services.

7. GENERAL BODY MEETINGS

Date	AGM/EGM	Venue	Time	No. of Special Resolution
22.09.2012	AGM	M.C.Ghia Hall, BhogilalHargovindas Bldg. 2 nd Flr. 18/20, K.DubashMarg, Mumbai – 400 001	10.30 a.m	Nil
28.09.2011	AGM	M.C.Ghia Hall, BhogilalHargovindas Bldg. 2 nd Flr. 18/20, K.DubashMarg, Mumbai – 400 001	10.30 a.m	Nil
07.09.2010	AGM	M.C.Ghia Hall, BhogilalHargovindas Bldg. 2 nd Flr. 18/20, K.DubashMarg, Mumbai – 400 001	10.30 a.m	1

8. DISCLOSURES:

- There was no transaction of material nature with the Promoters, Directors, Management or their relatives during the financial Year of the Company, which could have potential conflict with the interests of the Company at large.
However, the transactions detailed in Note no. 24 annexed to the Accounts may be considered as related party transactions.
- The Company does not have a Whistle Blower Policy. At the same, no personnel of the Company have been denied access to the grievance redressal mechanism of the Company.
- The Company is in Compliance with all the mandatory Provisions of Clause 49 of the Listing Agreement.

9. CODE OF CONDUCT

The Board of Directors has adopted a Code of Business Conduct and Ethics which is applicable to the Members of the Board and all employees in the Management grade.

The Code lays down the standard of conduct which is expected to be followed by the Directors and the designated employees in their business dealings and in particular on matters relating to conflict of interests, bribery and corruption, integrity of accounting and financial reporting, fair competition, Corporate Social Responsibility, concern for sustainable development / sustainable performance, concern for occupational health and safety, use of licensed software, email and internet connectivity and corporate communications.

All the Board Members and the senior management personnel have confirmed compliance with the Code.

10. PREVENTION OF INSIDER TRADING

The Company has adopted a Code of Conduct for Prevention of Insider Trading with a view to regulate trading in securities by the Directors and designated employees of the Company. The Code requires pre-clearance for dealing in the Company's shares and prohibits the purchase or sale of Company shares by the Directors and the designated employees while in possession of unpublished price sensitive information in relation to the Company. The Compliance Officer is responsible for implementation of the Code. All Directors and the designated employees have confirmed compliance with the Code.

11. MEANS OF COMMUNICATION:

- a) The Annual, half Yearly and quarterly results are regularly submitted to the Stock Exchange and published in Newspapers of Free Press Journal (English) and Navshakti (Marathi) in accordance with the Listing Agreement.
- b) Management Discussion and Analysis forms part of the Director's Report.

12. GENERAL INFORMATION FOR SHAREHOLDERS

	AGM: Date, Time & Venue	11th September, 2013 at 11.00 a. m M.C.Ghia Hall, BhogilalHargovindas Bldg.2nd Flr, 18/20, K.DubashMarg, Mumbai – 400 001
a	Financial Year	1 st April 2012 - 31 st March, 2013
b	Book closure	06.09.2013 to 11.09.2013
c	Dividend payment date	No dividend recommended.
d	Listing on Stock Exchange	The Bombay Stock Exchange Ltd. (BSE) (scrip code 511110) The Delhi Stock Exchange Ltd.(DSE) Annual Listing fees have been paid to both the Stock Exchanges for the year 2013-14.
e	Dematerialisation of shares	As on 25.07.2013, 80.87% of total paid-up equity capital is dematerialized
f	ISIN of the Company for dematerialisation	INE848D01018
g	Registrar & Share Transfer Agent	PurvaShareregistry (India) Pvt. Ltd. 9, Shiv Shakti Industrial Estate, J.R.BorichaMarg, Lower Parel (East), Mumbai – 400 011.

13. MARKET PRICE DATE: HIGH / LOW DURING EACH MONTH IN 2012 – 2013 ON BOMBAY STOCK EXCHANGE

Month	High – ₹	Low – ₹
April 2012	11.76	9.03
May 2012	14.40	9.22
June 2012	13.25	9.81
July 2012	12.89	9.81
August 2012	10.55	8.76
September 2012	11.95	9.34
October 2012	10.49	8.45
November 2012	9.78	7.77
December 2012	9.63	8.30
January 2013	10.35	8.13
February 2013	8.99	7.21
March 2013	8.60	6.63

14. DISTRIBUTION OF SHAREHOLDING AS ON 31.03.2013

No. of Equity Shares Held	No. of Shareholders	No. of Shares	% Total
1 - 500	4,431	6,95,439	15.36
501 - 1000	315	2,48,102	5.48
1001 - 2000	148	2,23,779	4.94
2001 - 3000	44	1,11,226	2.46
3001 - 4000	39	1,36,073	3.01
4001 - 5000	22	1,03,875	2.29
5001 - 10000	49	3,46,809	7.66
10001 and above	47	26,62,587	58.80
TOTAL	5,095	45,27,890	100.00

15. SHAREHOLDING PATTERN AS ON 31.03.2013 IS AS FOLLOWS:

SR. NO	CATEGORY	NO.OF SHARES HELD	% OF SHARE-HOLDING
1.	Promoters Holding		
2.	-Indian Promoters and Persons Acting in concert	18,85,292	41.64
3.	Mutual Funds & UTI	--	--
4.	Banks & Financial Institutions	200	0.00
5.	Private Corporate Bodies	2,75,619	6.09
6.	NRIs/OCBs	7,930	0.18
7.	Hindu Undivided Family	41,360	0.91
8.	Clearing members	100	0.00
	Indian Public	23,17,389	51.18
	TOTAL	45,27,890	100.00

On behalf of the Board of Directors

Pradip R. Shroff
Managing Director

MUMBAI

DATED : 25th July 2013

ANNEXURE TO CORPORATE GOVERNANCE REPORT

Declaration regarding affirmation of Code of Conduct

In terms of the requirements of the Clause 49 of the Listing Agreement, this is to confirm that all the members of the Board and the senior management personnel have affirmed compliance with the Code of Conduct for the year ended 31st March, 2013.

Pradip R. Shroff
Managing Director

Mumbai

Dated: 25th July 2013

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

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

We have examined the compliance of the conditions of Corporate Governance by V.B.Desai Financial Services Ltd. (the Company) during the period from 1st April, 2012 to 31st March, 2013, with the relevant records and documents maintained by the Company, furnished to us for our review and the report on Corporate Governance as approved by the Board of Directors.

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

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

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

APTE & CO.
Chartered Accountants
Firm Reg. No: 111925W

Dr. JAYANT APTE
Partner
Membership No. 035494

MUMBAI

DATED : 25th July 2013

Independent Auditor's Report to the Members

Report on the Financial Statements

We have audited the accompanying financial statements of **V. B. Desai Financial Services Limited** ("the Company"), which comprise the Balance Sheet as at **31st March, 2013**, and the Statement of Profit and Loss and Cash Flow Statement for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

As stated in Note No. 28, Provision of Gratuity / Leave encashment not being provided on actuarial basis, which is non-compliance with the requirements of Accounting Standard 15 'Employee Benefits' issued by the ICAI. In the absence of an actuarial valuation being made, we are unable to quantify the effect, if any, on the profits of the Company for the year ended 31st March, 2013.

As stated in Note No.29, regarding non-provision in respect of debtors amounting to ₹ 17.51 lac which are considered to be doubtful of recovery. Had such a provision being made, the amount of debtors and profit before tax for the year would have been lower by the said amount.

Qualified Opinion

In our opinion and to the best of our information and according to the explanations given to us, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements give the information required by the Act 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, 2013;
- b) in the case of the Statement of Profit and Loss of the profit for the year ended on that date; and
- c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

- 1) As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of Section 227(4A) of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
- 2) As required by Section 227(3) of the Act, we report that:
 - a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - c) The Balance Sheet, the Statement of Profit and Loss and Cash Flow Statement dealt with by this Report are in agreement with the books of account;
 - d) Except for the effects of the matter described in the Basis for Qualified Opinion paragraph, in our opinion, the Balance Sheet, the Statement of Profit and Loss and Cash Flow Statement comply with the accounting standards referred to in Section 211(3C) of the Act;

On the basis of written representations received from the directors, as on 31st March, 2013 and taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2013 from being appointed as a director in terms of Section 274(1)(g) of the Act.

For **APTE & CO.**
CHARTERED ACCOUNTANTS
Firm Reg. No: 111925W
Dr. JAYANT APTE
PARTNER
Membership No. 035494

Mumbai

Date: 30th May, 2013

Annexure to Independent Auditor's Report

Referred to in Paragraph 1 under the heading of

“Report on Other Legal and Regulatory Requirements” of our report of even date

1. (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
(b) The fixed assets have been physically verified by the management during the year. As explained to us no discrepancies were noticed on such verification.
2. (a) The inventories of shares/stock lying in demat/physical forms have been verified by the management. In our opinion, the frequency of verification is reasonable;
(b) The procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to size of the Company and the nature of its business;
(c) The Company is maintaining proper records of inventories. No material discrepancy was noticed between physical verification of stocks and book records.
3. (a) During the year, the Company has granted interest free unsecured loan to one party listed in the Register maintained under section 301 of the Companies Act, 1956 amounting to ₹ 290/-. The year end balance of such loans was ₹ 0.03 lac. (Maximum amount outstanding during the year was ₹ 0.03 lac). The interest free unsecured loans granted earlier to three parties listed in the Register maintained under section 301 of the Companies Act, 1956 amounted to ₹ 3.83 lac. The year end balance of such loans was ₹ 3.83 lac. (Maximum amount outstanding during the year was ₹ 3.83 lac).
(b) Since the unsecured loans granted are interest free, the same are prima-facie prejudicial to the interest of the Company. However, there are no covenants in regards to other terms and conditions of such loans.
(c) Since the unsecured loans granted are interest free, there is no receipt of interest. No stipulations have been made regarding receipt of the principal amount.
(d) Since there is no stipulation made regarding receipt of principal amount, the question of there being an overdue amount of more than rupees one lac does not arise.
(e) During the year, the Company has not taken any loans, secured or unsecured, from the companies, firms or other parties covered in the Register maintained under section 301 of the Companies Act, 1956. Hence, clauses (iii.e) to (iii.g) of paragraph 4 of the Order are not applicable.
5. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business for the purchase of inventory (securities), fixed assets and sale of inventory (securities) & services. During the course of our audit, we have neither come across nor have we been informed of any major weaknesses in the aforesaid internal control procedures.
6. Based on the audit procedures applied by us and according to the information and explanations given to us, there are no contracts that need to be entered into the Register maintained under Section 301 of the Companies Act, 1956.
7. The Company has not accepted any deposits from the public during the year and hence the directives issued by the Reserve Bank of India and the provisions 58A & 58AA or any other relevant provisions of the Companies Act, 1956 and the rules framed there under, are not applicable to the Company.
8. In our opinion, the Company has an internal audit system commensurate with the size of the Company and nature of its business.
9. We are informed that the Central Government has not prescribed maintenance of cost records u/s.209(1)(d) of the Companies Act, 1956 for any of the services rendered by the Company.
9. (a) According to the information and explanations given to us and the records of the Company examined by us the Company has generally been regular in depositing with the appropriate authorities undisputed dues, including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales tax, wealth tax, service tax, customs duty, excise duty, cess and other material statutory dues as applicable to it.
(b) According to the information and explanations given to us by the management and the records of the Company examined by us, no undisputed amounts payable in respect of the aforesaid dues were outstanding as at 31st March, 2013 for a period of more than six months from the date they became payable.
(c) According to the information and explanations given to us and the records of the Company examined by us, there were no disputed amounts in respect of the aforesaid dues which have not been deposited as at 31st March 2013.

V. B. Desai Financial Services Limited

10. The Company does not have any accumulated losses at the end of the financial year and has not incurred cash losses during the financial year covered by our audit and in the immediately preceding financial year.
11. The Company has not availed of any loans either from bank or financial institutions nor did the Company have any debenture holders.
12. As per the books and records of the Company examined by us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. In our opinion, the Company is not a chit fund or a nidhi mutual benefit fund/society. Hence, clause (xiii) of paragraph 4 of the Order is not applicable.
14. In our opinion the Company has maintained proper records of transactions and contracts in respect of dealing and trading in shares, securities, debentures and other investments during the year and timely entries have been generally made therein. All shares, debentures and other investments have been held by the Company in its own name.
15. As informed to us, the Company has not given any guarantee for loans taken by others from bank or financial institutions.
16. On the basis of our review and related information and explanation as made available to us the Company has not taken any term loans during the year.
17. According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that no funds raised on short term basis have been used for long term investments.
18. The Company has not made any preferential allotment of shares during the year and hence, clause (xviii) of paragraph 4 of the Order is not applicable.
19. The Company has not issued any debentures during the year and hence, clause (xix) of paragraph 4 of the Order is not applicable.
20. The Company has not raised any money by way of public issue during the year and hence, clause (xx) of paragraph 4 of the Order is not applicable.

According to the information to and explanations given to us, no fraud on or by the Company has been noticed or reported during the course of the audit.

For **APTE & CO.**
CHARTERED ACCOUNTANTS
Firm Reg. No: 111925W

Dr. JAYANT APTE
PARTNER
Membership No. 035494

Mumbai

Date: 30th May, 2013

COMPLIANCE CERTIFICATE

The Members
V.B.Desai Financial Services Limited
Cama Building, 1st Floor
24/26, Dalal Street, Fort
Mumbai – 400 001

I have examined the registers, records, books and papers of M/s. V.B. Desai Financial Services Limited, as required to be maintained under the Companies Act, 1956 (the Act) and the rules made there under and also the provisions contained in the Memorandum and Articles of Association of the Company for the financial year ended on 31st March 2013.

In my opinion and to the best of my information and according to the examinations carried out by me and explanations furnished to me by the Company, its officers. I certify that in respect of the aforesaid financial year:

- a. The Company has kept and maintained all registers as stated in Annexure 'A' to this certificate, as per the provisions and the rules made there under and all entries therein have been duly recorded.
- b. The Company has duly filed the forms and returns as stated in Annexure 'B' to this certificate with the Registrar of Companies within the time prescribed under the Act and rules made there under
- c. The Company, being a public limited company, comments as per Sec. 3 (1) (iii) of the Act are not required.
- d. The Board of Directors duly met 5 (Five) times on 30.04.2012, 25.05.2012, 25.07.2012, 30.10.2012 & 30.01.2013 in respect of which meetings proper notices were given and the resolutions passed were recorded in the Minutes Book maintained for the purpose.
- e. The Company closed its Register of Members from 14th September 2012 to 18th September 2012 (both days inclusive) during the financial year.
- f. The Annual General Meeting for the financial year ended on 31.03.2012 was held on 18th September 2012 after giving due notice to the members of the Company and the resolutions passed thereat were duly recorded in Minutes Book maintained for the purpose.
- g. No extra ordinary general meeting was held during the financial year.
- h. It was informed that the Company has advanced loans to company referred in the Section 295 of the Act during the financial year.
- i. It was informed that the Company has not entered into any fresh contracts during the financial year falling within the provisions of Section 297 of the Act.
- j. It was informed that necessary entries have made wherever applicable in the register maintained under Section 301 of the Act.
- k. As there were no instances falling within the purview of Section 314 of the Act, the Company has not obtained any approvals from the Board of Directors, members or Central Government.
- l. That
 - i) the Company has not deposited any amount in a separate bank account as no dividend was declared during the financial year.
 - ii) The Company was not required to post any warrants to the members as no dividend was declared during the financial year.
 - iii) There are no amount lying in unpaid dividend account, application money due for refund, matured deposits and debentures and the interest accrued thereon and no amount has remained unclaimed or unpaid for a period of seven years for the requirement to transfer to Invest Education and Protection Fund.
 - iv) The requirement of Section 217 of the Act has been duly complied with.
- m. The Board of Directors of the Company is duly constituted and the appointment of directors has been duly made. There was no appointment of alternate directors and directors to fill casual vacancies during the financial year.
- n. The Company has not appointed any sole selling agents during the financial year.
- o. The Company was not required to obtain any approvals of the Central Government, Company Law Board, Regional Director, Registrar or such other authorities as may be prescribed under the various provisions of the Act during the financial year.
- p. The directors have disclosed their interest in other firms/companies to the Board of Directors pursuant to the provisions of the Act and the rules made there under.

V. B. Desai Financial Services Limited

- q. The Company has not issued any shares, debentures or other securities during the financial year.
- r. The Company has not bought back any shares during the financial year.
- s. There was no redemption of preference shares / debentures during the financial year.
- t. There were no transactions necessitating the Company to keep in abeyance rights to dividend, rights shares and bonus shares pending registration of transfer of shares.
- u. The Company has not invited / accepted any deposits including any unsecured loan falling within the purview of Section 58A of the Act during the financial year.
- v. The Company has not altered the provisions of the memorandum with respect to the name, share capital, situation of the registered office from one state to another during the year under scrutiny.
- w. The Company has not altered its Articles of Association during the financial year.
- x. It was informed that there were no prosecution initiated against or show cause notices received by the company and no fines or penalties or any other punishments was imposed on the company during the financial year for offences under the Act.
- y. The Company has not received any amount as security from its employees during the financial year.
The Company has not created any trust as defined in Section 418 of the Act, hence the said section is not applicable.

P.V.Ramaswamy
Company Secretary
Membership No. 1708 C.P. No. 2087

Place: Mumbai

Dated: 18th July, 2013

Annexure 'A'

Registers as kept by the Company

Statutory Registers:

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

Annexure 'B'

Forms and Returns as filed by the Company with the Registrar of Companies, or other authorities, during the financial year ending on 31st March, 2013.

S.No.	Form/Return No.	U/S Sec.	For	Date of filing	Filed in time Yes/No	Delay if any
1	Form 66	383A	Compliance certificate	28.09.2012	Yes	N.A
2	Form 20-B	159	Annual Return AGM held on 18.09.2012	09.11.2012	Yes	N.A
3	Form 23 AC XBRL& 23 ACAX- BRL	220	Balance Sheet and Profit & Loss Account for the year ended 31.3.2012 AGM date 22.9.2012	07.12.2012 Extended date	No	N.A.

BALANCE SHEET AS AT 31ST MARCH 2013

	Note No.	As at 31st March, 2013		As at 31st March, 2012	
		₹	₹	₹	₹
EQUITY AND LIABILITIES					
Shareholders' Funds					
(a) Share Capital	1	45,381,316		45,381,316	
(b) Reserves and Surplus	2	<u>37,868,193</u>		<u>24,344,725</u>	
			83,249,509		69,726,041
Non-Current Liabilities					
(a) Other Long-Term Liabilities	3	3,200,000		1,000	
(b) Long-Term Provisions	4	<u>1,479,953</u>		<u>1,227,145</u>	
			4,679,953		1,228,145
Current Liabilities					
(a) Trade Payables	5	427,738		302,813	
(b) Other Current Liabilities	6	3,464,810		487,575	
(c) Short-Term Borrowings	7	<u>732,644</u>		<u>-</u>	
			4,625,193		790,388
Total			<u>92,554,655</u>		<u>71,744,574</u>
ASSETS					
Non-Current Assets					
(a) Fixed Assets					
Tangible Assets	8	2,009,712		2,211,611	
(b) Deferred Tax Assets (Net)	9	334,884		258,155	
(c) Long-term Loans and Advances	10	1,064,322		1,161,296	
(d) Other Non-Current Assets	11	<u>2,140,757</u>		<u>2,602,838</u>	
			5,549,675		6,233,900
Current Assets					
(a) Inventories (Securities)	12	48,151,351		48,042,688	
(b) Trade Receivables	13	547,904		5,026,323	
(c) Cash and Cash Equivalents	14	4,173,851		1,707,027	
(d) Short-Term Loans and Advances	15	34,051,490		10,723,498	
(e) Other Current Assets	16	<u>80,385</u>		<u>11,138</u>	
			87,004,980		65,510,674
Total			<u>92,554,655</u>		<u>71,744,574</u>
Significant Accounting Policies					
Notes on Financial Statements					
	23 to 35				

As Per Our Attached Report Of Even Date

For Apte & Co.Chartered Accountants
Firm Regn. No. 111925W**Dr. Jayant Apte**Partner
Membership No. 035494
Place : Mumbai
Date : 30th May 2013**For and on behalf of the Board of Directors**Pradip R. Shroff - Managing Director
Manoj T. Shroff - Director
Khurshid Shaikh - DirectorPlace : Mumbai
Date : 30th May 2013

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH, 2013

	Note No.	For the year ended 31st March, 2013 ₹	For the year ended 31st March, 2012 ₹
INCOME			
Revenue from operations	17	6,662,351	8,469,143
Other Income	18	8,391,429	165,124
Total Revenue		<u>15,053,781</u>	<u>86,34,267</u>
EXPENDITURE			
Employee Benefits Expense	19	1,736,056	1,529,042
Finance Costs	19	64,032	475
Depreciation	20	221,587	212,852
Other Expenses	21	5,236,948	4,285,942
Total Expenses		<u>7,258,623</u>	<u>6,028,311</u>
Profit (Loss) Before Tax		7,795,158	2,605,956
Tax Expenses			
Current Tax		2,520,000	800,000
Current Tax relating Previous Years		(8,171,582)	(10,346)
Deferred tax		(76,729)	(9,123)
Profit (Loss) for the year		<u>13,523,468</u>	<u>1,825,425</u>
Earnings per share of ₹10/- each:			
Basic		2.99	0.40

Significant Accounting Policies

Notes on Financial Statements

22 to 35

As Per Our Attached Report Of Even Date

As Per Our Attached Report Of Even Date

For Apte & Co.

Chartered Accountants
Firm Regn. No. 111925W

Dr. Jayant Apte

Partner
Membership No. 035494

Place : Mumbai

Date : 30th May 2013

For and on behalf of the Board of Directors

Pradip R. Shroff - Managing Director

Manoj T. Shroff - Director

Khurshid Shaikh - Director

Place : Mumbai

Date : 30th May 2013

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2013

	(₹ in lacs)	
A CASH FLOW OPERATING ACTIVITIES	31/3/2013	31/3/2012
NET PROFIT BEFORE TAX AND EXTRA ORDINARY ITEMS	159.67	26.06
Adjustments for :		
Depreciation	2.22	2.13
Reduction in value of Investments	0.73	0.20
Provision for taxation	(25.20)	(8.00)
Provision for Deferred Tax	0.77	0.09
Prior period expenses	0.00	0.10
	<u>(21.48)</u>	<u>(5.48)</u>
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	138.19	20.58
Adjustments for :		
(Increase)/Decrease in Trade Receivables	44.78	(40.61)
(Increase)/Decrease in Long Term and Short Term Loans and Advances	(232.31)	(19.93)
(Increase)/Decrease in Bank Deposits	(12.17)	38.10
Increase(Decrease) in Current and Non Current Liabilities	72.87	(1.04)
Net Cash flow from operating activities	<u>126.83</u>	<u>(23.48)</u>
	11.36	(2.90)
B CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(0.20)	(1.38)
Purchase of Investments/Stock in trade	(5.00)	(2.52)
Cost of Investments sold	3.18	1.10
Increase in Deferred Tax Assets	(0.77)	(0.09)
Net Cash flow from Investing Activities	<u>(2.79)</u>	<u>(2.89)</u>
NET INCREASE IN CASH AND EQUIVALENTS (A+B)	8.57	(5.79)
Opening Balance of Cash	11.17	16.96
Closing Balance of Cash	19.74	11.17

For V.B.DESAI FINANCIAL SERVICES LIMITED

Pradip R. Shroff
Managing DirectorPLACE : MUMBAI
DATED : 30th May 2013

We have examined the attached Cash Flow Statement of V.B.Desai Financial Services Limited, for the period ended 31st March 2013. The statement has been prepared by the Company in accordance with the requirements of clause 32 of the listing agreement with the Stock Exchange and is based on and derived from the audited accounts of the Company for the period ended 31st March 2013.

For APTE & CO.
Chartered Accountants
Firm Reg. No. 111925WDr. Jayant Apte
Partner
Membership No. 35494PLACE : MUMBAI
DATED : 30th May 2013

CORPORATE INFORMATION

The Company is registered with Securities and Exchange Board of India as Category - I Merchant Banker. The Company also renders other financial consultancy services.

SIGNIFICANT ACCOUNTING POLICIES

A Basis of Preparation of Financial Statements

The accounts have been prepared on the accrual basis of accounting, under historical cost convention and in accordance with the generally accepted accounting principles, Companies Accounting Standards notified by the Central Government of India under the Companies (Accounting Standards) Rules, 2006 and the provisions of Companies Act, 1956, except where otherwise stated.

B Use of Estimates

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

C Fixed Assets

Fixed Assets are carried on at cost of acquisition less accumulated depreciation. Depreciation has been provided on straight line method of depreciation at the rates prescribed under Schedule XIV to the Companies Act, 1956.

D Impairment of Assets

An asset is treated as impaired when the carrying cost of asset exceeds its recoverable value. An impairment loss is charged to the Profit and Loss Account in the year in which an asset is identified as impaired. The impairment loss recognised in prior accounting period is reversed if there has been a change in the estimate of recoverable amount.

E Foreign Currency Transactions

Transactions denominated in foreign currencies are recorded at the exchange rate prevailing on the date of the transaction or that approximates the actual rate at the date of the transaction. Monetary items denominated in foreign currencies at the year end are restated at year end rates. Any income or expense on account of exchange difference either on settlement or on translation is recognised in the Statement of Profit and Loss except in case of long term liabilities, where they relate to acquisition of fixed assets, in which case they are adjusted to the carrying cost of such assets.

F Inventories (Securities)

Investments in securities are shown as inventories. Quoted securities are valued at lower of the cost or last available market price. However, in case of securities where Market Price is not available through out the year, the same are valued at the rate at which they were valued in the previous year. Unquoted securities are valued at cost. Units of Mutual Funds are valued at cost or market value whichever is lower. Net asset value of units declared by mutual funds is considered as market value for non-exchange traded Mutual Funds.

G Revenue Recognition

Revenue from sale of services are recognised when services are rendered or related costs are incurred. Interest income is accounted on accrual basis. Dividend income is accounted for when the right to receive it is established.

H Employee Benefits

Short-term employee benefits are recognised as an expense in the Statement of Profit and Loss of the year in which the related service is rendered. Post employment and other long term employee benefits other than gratuity are recognised as an expense in the Statement of Profit and Loss as and when paid. Incremental gratuity liability calculated on the basis of 15 days last drawn salary for each completed year of service is recognised as an expense in the Statement of Profit and Loss.

I Provision for Taxation

Provision for taxation is made for the income tax liability as per the provisions of the Income Tax Act, 1961. Deferred Tax is recognized on timing differences being the differences between the taxable incomes and accounting incomes that originate in one period and are capable of reversal in one or more subsequent period, at the current rate of tax.

J Provisions, Contingent Liabilities and Contingent Assets

The Company recognizes a provision when there is a present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is a possible obligation or a present obligation that the likelihood of outflow of resources is remote, no provision or disclosure is made. Contingent Assets are neither recognized nor disclosed in the financial statements.

Notes forming part of the financial statements for the Year ended 31st March, 2013

1. SHARE CAPITAL

Particulars	As at 31st March, 2013	As at 31st March, 2012
	₹	₹
Authorised		
50,00,000 (50,00,000) Equity Shares of ₹10/- each	<u>50,000,000</u>	<u>50,000,000</u>
Total	<u>50,000,000</u>	<u>50,000,000</u>
Issued, Subscribed & Paid up		
45,27,890 (45,27,890) Equity Shares of ₹10/- each fully paid up	<u>45,278,900</u>	<u>45,278,900</u>
Total	<u>45,278,900</u>	<u>45,278,900</u>

Details of Forfeited Shares :

Particulars	As at 31st March, 2013	As at 31st March, 2012
	₹	₹
Amount originally paid up		
Class of Shares		
18,310 (18,310) Equity Shares	<u>102,416</u>	<u>102,416</u>
Total	<u>102,416</u>	<u>102,416</u>
	<u>45,381,316</u>	<u>45,381,316</u>

The reconciliation of the number of shares outstanding is set out below :

Particulars	As at 31st March, 2013	As at 31st March, 2012
	No. of Shares	No. of Shares
	₹	₹
Equity Shares at the beginning of the year	4,527,890	4,527,890
Add : Shares issued	-	-
Less : Shares cancelled	-	-
Equity Shares at the end of the year	<u>4,527,890</u>	<u>4,527,890</u>

The details of Shareholders holding more than 5% shares :

Particulars	As at 31st March, 2013	As at 31st March, 2012
	No. of Shares & % held	No. of Shares & % held
Name of the Shareholder		
Desai Investments Pvt. Ltd.	771,607 17.04	771,607 17.04
Mrs. Dharati J. Shroff	249,931 5.52	249,931 5.52

Notes forming part of the financial statements for the Year ended 31st March, 2013

Particulars	As at 31st March, 2013 ₹	As at 31st March, 2012 ₹
2. Reserves and Surplus		
Share Premium		
Balance as per last Balance Sheet	<u>21,290,975</u>	<u>21,290,975</u>
	21,290,975	21,290,975
Profit and Loss Account		
Balance as per last Balance Sheet	<u>3,053,750</u>	<u>1,228,325</u>
Add: Profit for the year	<u>13,523,468</u>	<u>1,825,425</u>
	16,577,218	3,053,750
Total	<u>37,868,193</u>	<u>24,344,725</u>
3. Other Long-Term Liabilities		
Trade Payables		
Others (Other than S.S.I.) (Refer Note below)	-	1,000
Total	<u>-</u>	<u>1,000</u>
<p>The company does not possess information about the micro, small and medium enterprises, as defined in the Micro, Small and Medium Enterprises Act, 2006 to whom the company owes and accordingly no additional disclosures have been made.</p>		
Others		
Income Received in Advance	<u>3,200,000</u>	-
	3,200,000	-
Total	<u>3,200,000</u>	<u>1,000</u>
4. Long-Term Provisions		
Provision for employee benefits		
Provision for Gratuity	<u>1,479,953</u>	<u>1,227,145</u>
Total	<u>1,479,953</u>	<u>1,227,145</u>
5. Trade Payables		
Others (Other than S.S.I.) (Refer Note below)	<u>4,27,738</u>	<u>302,813</u>
Total	<u>4,27,738</u>	<u>302,813</u>
<p>The company does not possess information about the micro, small and medium enterprises, as defined in the Micro, Small and Medium Enterprises Act, 2006 to whom the company owes and accordingly no additional disclosures have been made.</p>		
6. Other Current Liabilities		
Income Received in Advance	<u>3,400,000</u>	-
Other Payables (Statutory Dues)	<u>64,810</u>	<u>487,575</u>
Total	<u>3,464,810</u>	<u>487,575</u>
7. Short - Term Provisions		
Provision for Tax (Net of Advance Tax)	<u>732,644</u>	-
Total	<u>732,644</u>	<u>-</u>

Notes forming part of the financial statements for the Year ended 31st March, 2013

8. Fixed Assets										All amounts in ₹	
ASSETS	GROSS BLOCK				DEPRECIATION			NET BLOCK			
	As on 01.04.12	Additions during the year	Deletion during the year	As on 31.03.13	As on 01.04.12	For the year	As on 31.03.13	As on 31.03.13	As on 31.03.12		
TANGIBLE ASSETS											
Furniture & Fixtures	2,242,433	-	-	2,242,433	359,121	141,946	501,067	1,741,366	1,883,312		
Office Equipments	1,402,084	19,688	-	1,421,772	1,073,785	79,641	1,153,426	268,346	328,299		
Motor Vehicle	281,063	-	-	281,063	281,063	-	281,063	-	-		
TOTAL	3,925,580	19,688	-	3,945,268	1,713,969	221,587	1,935,556	2,009,712	2,211,611		
Previous Year	3,787,621	137,959	-	3,925,580	1,501,117	212,852	1,713,969	2,211,611	-		

Particulars

	As at 31st March, 2013 ₹	As at 31st March, 2012 ₹
9. Deferred Tax Assets (Net)		
Deferred Tax Assets		
Provision for Gratuity	457,305	379,188
Deferred Tax Liability		
Related to Fixed Assets	122,422	121,033
Total	334,884	258,155
10. Long-Term Loans And Advances (Unsecured, Considered Good)		
Security Deposits	120,000	115,000
Loans and Advances to Employees	20,000	20,000
Advance Income Tax (Net of Provisions)	-	22,593
Other Loans and Advances	924,322	1,003,703
Total	1,064,322	1,161,296
11. Other Non-Current Assets		
Long-Term Receivables*	390,164	19,364
Unsecured, Considered Good Doubtful	1,750,593	2,583,474
Total	2,140,757	2,602,838
12. Inventories (Securities)		
Equity Shares	48,119,935	47,695,587
Preference Shares	258	258
Bonds	-	315,600
Mutual Funds	31,158	31,243
Total	48,151,351	48,042,688

INVENTORIES (SECURITIES)

Name of the Scrip	Face Value	No. of Shares	₹	No. of Shares	₹
		As at 31.03.2013		As at 31.03.2012	
Quoted					
Equity Shares					
Chokani Securities Ltd	10	248	1,501	248	1,501
Dupont Sportswear	10	42	1	42	1
Duropack Ltd	10	13,400	1	13,400	1
Enso Secutrack Ltd.	10	1,000	6,370	1,000	6,370
Essar Steel Ltd.	10	500	25,900	500	25,900
GMR Infrastructure Ltd .	1	1,000	20,350	1,000	20,350
Manugraph India Ltd.	2	4,891	160,669	4,891	228,165
Navine Fluorine International Ltd. (Mafatlal Spg. & Wvg. Co.Ltd.)	10	1	1	1	1
Niwas Spinning Mills Ltd.	10	72,440	1	72,440	1
Reliance Indus. Infrastructure Ltd.	10	20	5,803	20	5,803
Reliance Industries Ltd.	10	50	37,413	50	37,413
Reliance Power Ltd	10	125	7,694	125	13,350
SM Dyechem Ltd,	10	201	1	201	1
Sika Interplant System Ltd.	10	2,053	28,023	2,053	28,023
Sumex Chemicals Ltd	10	7,050	1	7,050	1
Sunpharma Advance Research Ltd.	1	750	39,600	750	39,600
Sunraj Diamonds Exports Ltd.	10	500	2,750	500	2,750
Superforging & Steel Ltd.	10	80	1	80	1
Tata Global Ltd (Tata Tea Ltd)	1	500	48,875	500	48,875
Yokogawa India Ltd.	10	5	2,357	5	2,357
			387,312		460,464
Bonds					
ICICI Bank Ltd. 9.8% Bonds	10,000	-	-	35	315,600
					315,600
Mutual Funds					
Reliance Gold Exchange Traded Fund	100	11	17,025	11	17,025
			17,025		17,025
Total of Quoted Securities					
Un-Quoted					
Equity Shares					
Arodyne Chemicals Ltd	10	1,250	1,750,000	1,250	1,750,000
Bluechip Leasing & Finance Ltd	10	50,000	500,000	-	-
Bodh Gaya Ceramics	10	500	1	500	1
Etiam Emedia	10	3,200	400,000	3,200	400,000
Fairgrowth Financial Services Ltd.	10	80,000	1	80,000	1
Fairgrowth Home Finance Ltd.	10	20,000	1	20,000	1
Indag Products Ltd.	10	9,500	1	9,500	1
Mahimna Mercantile Credits Ltd.	10	500,000	5,478,419	500,000	5,478,419
Matunga Inv. & Trad. Co.Pvt.Ltd.	100	438	72,270	438	72,270
Merican FundsLtd	10	6,535	261,400	6,535	261,400
Mindtree Indl.Fin.Ltd.	10	500,000	5,478,419	500,000	5,478,419
Motorol (I) Ltd.	10	688	1	688	1
Neptune Steel Strips Ltd.	10	256,000	6,400,000	256,000	6,400,000
Panchmahal Cement Co. Ltd.	10	800	1	800	1
Pearl Housing Finan. Ltd.	10	500,000	5,478,419	500,000	5,478,419

Notes forming part of the financial statements for the Year ended 31st March, 2013

Name of the Script	Face Value	No. of Shares		No. of Shares	
		As at 31.03.2013		As at 31.03.2012	
Un-Quoted					
Pennar Steel Ltd.	10	-	-	2,500	2,500
Rajinder Steel Ltd.	10	640	1	640	1
Rinki Hydro Carbons Ltd.	10	2,000	1	2,000	1
Serentronics Ltd.	10	200	1	200	1
Shriyam Auto Fin. Ltd.	10	500,000	5,478,419	500,000	5,478,419
Suchitra Tubes Ltd.	10	31,880	1	31,880	1
Traitrya Construction Fin.Ltd.	10	500,000	5,478,419	500,000	5,478,419
Valuecorp Securities & Fin.Ltd.	10	500,000	5,478,419	500,000	5,478,419
Vishvakarma Equipment Fin.Ltd.	10	500,000	5,478,429	500,000	5,478,429
			47,732,623		47,235,123
Preference Shares					
Essar Steel Ltd. (Pref.)	10	172	258	172	258
			258		258
Mutual Funds					
UTI Master Share	10	566	14,133	566	14,218
			14,133		14,218

Aggregate amount of quoted investments	4.04 Lac	7.93 Lac
Market Value of quoted investments	6.08 Lac	9.14 Lac
Aggregate amount of unquoted investments	477.47 Lac	472.50 Lac

Notes forming part of the financial statements for the Year ended 31st March, 2013

Particulars	As at 31st March, 2013 ₹	As at 31st March, 2012 ₹
13. Trade Receivables (Unsecured, Considered Good)		
Over Six Months	11,092	-
Others	536,812	5,026,323
Total	547,904	5,026,323
14. Cash AndCash Equivalent		
Cashon Hand	1,593,853	1,397,397
Balanceswith Banks in Current Accounts	379,998	(280,370)
in Deposit Accounts	2,200,000	590,000
Total	4,173,851	1,707,027
15. Short-TermLoansAndAdvances (Unsecured, ConsideredGood)		
Loansand Advancesto Related Parties (Refer Note No. 24)	4,602,253	4,470,534
Prepaid Expenses	126,513	234,491
Balances with Govt. Authorities	11,466,949	-
Inter-Corporate Deposits	16,653,275	6,018,473
Others	1,202,500	-
Total	34,051,490	10,723,498
16. Other Current Assets (Unsecured, Considered Good)		
Interest Accruedon Deposits	80,385	11,138
Total	80,385	11,138

Notes forming part of the financial statements for the Year ended 31st March, 2013

Particulars	For the year ended 31st March, 2013 ₹	For the year ended 31st March, 2012 ₹
17. Revenue from Operations		
Interest	952,951	176,207
Other Financial Services		
Professional Fees	5,675,000	8,184,986
Net Gain on Sale of Securities	34,400	107,950
Total	6,662,351	8,469,143
18. Other Income		
Interest on Income Tax Refund	8,189,117	95,784
Dividend	21,387	16,131
Net Gain on Foreign Currency Transactions	2,591	-
Other Non-Operating Income		
Prior Period Income (Net)	178,334	53,209
Total	8,391,429	165,124
19. Employee Benefits Expense		
Salaries	1,216,000	1,112,900
Contribution to Provident & Other Funds	137,844	126,216
Gratuity	252,808	136,442
Staff Welfare Expenses	129,404	153,484
Total	1,736,056	1,529,042
20. Finance Costs		
Interest	64,032	475
Total	64,032	475
21. Depreciation and Amortisation Expenses		
Depreciation	221,587	212,852
Total	221,587	212,852
22. Other Expenses		
Power & Fuel	344,720	213,314
Rent	59,929	118,750
Repairs and maintenance - Others	98,042	101,137
Communication	172,489	152,199
Travelling and Conveyance	7,521	29,683
Printing and Stationery	130,868	148,937
Donations	162,000	65,202
Legal and Professional Fees	2,829,380	2,868,420
Payments to Auditors (Refer Note below)	30,000	40,000
Bad Trade and Other Receivables Written Off	750,083	-
Adjustment in Carrying Amount of inventories	73,236	-
Advertisement Expenses	102,087	52,587
Registration Fees	166,422	232,270
Miscellaneous Expenses	310,172	263,443
Total	5,236,948	4,285,942
Payments to the auditors comprises (net of service tax input credit, where applicable):		
As Auditors - Statutory Audit	30,000	30,000
For Tax Audit	-	10,000
Total	30,000	40,000

Notes forming part of the financial statements for the Year ended 31st March, 2013

23. Contingent Liabilities

There are no contingent liabilities.

24. Related Party Disclosures

As per Accounting Standard 18, the disclosures of transactions with the related parties are given below:

Details of related parties:

Description of relationship	Names of related parties	
Enterprise in which KMP / Relatives of KMP can exercise significant influence	Arodyne Chemicals Ltd.	
	Aum Financial Consultants	
	Avdhoot Finance & Investments Pvt. Ltd.	
	Avdhoot Housing Finance Co. Pvt. Ltd.	
	Bahl & Co. Pvt. Ltd.	
	Desai Industrial Finance Pvt. Ltd.	
	J R Shroff HUF	
	Som Holding & Trading Co. Pvt. Ltd.	
	Key Management Personnel (KMP)	Mr. Pradeep R. Shroff
		Mr. Manoj T. Shroff

Note: Related parties have been identified by the Management.

Details of related party transactions during the year ended 31 March, 2013

	Enterprise in which KMP / Relatives of KMP can exercise significant influence ₹	KMP ₹	Total ₹
Net Loans and Advances given/(returned)	131,719 <i>3,000</i>	-	131,719 <i>3,000</i>
Net Loans and Advances taken/(returned)	-	-	-
Salary	<i>(59,987)</i>	-	<i>(59,987)</i>
	-	350,423	350,423
	-	<i>350,423</i>	<i>350,423</i>
Balances outstanding at the end of the year			
Net Loans and Advances given/(returned)	4,595,971 <i>4,464,252</i>	-	4,595,971 <i>4,464,252</i>
Net Loans and Advances taken/(returned)	-	-	-
	<i>59,987</i>	-	<i>59,987</i>

Note: Figures in italics relates to the previous year

Particulars

**For the Year Ended
31st March, 2013**
₹

For the Year Ended
31st March, 2012
₹

25. Earnings per share

Basic

Net profit for the year (₹)	13,523,628	1,825,425
Weighted average number of equity shares (Nos.)	4,527,890	4,527,890
Par value per share (₹)	10	10
Earnings per share (₹)	2.99	0.40

26. Short-term loans and advances include amounts due from:

Private companies in which any director is a director or member		
Avdhoot Finance & Investment Pvt. Ltd.	3,290	3,000
Avdhoot Housing Finance Co. Pvt. Ltd.	17,687	17,687
Guru Holding Pvt. Ltd.	362,163	362,163

Notes forming part of the financial statements for the Year ended 31st March, 2013

27. Employee Benefit

The Company has not provided gratuity/leave encashment on the basis of actuarial valuation as required by Accounting Standard 15.

28. Sundry Debtors

The company has not provided for doubtful debts of ₹ 17.51 lac (Previous Year ₹25.83 lac).

29. In the opinion of Board of Directors all assets other than fixed assets and non current investments, have a realisable value in the ordinary course of business which is not different from the amount at which it is stated and the provisions for all known liabilities are adequate and not in excess of the amounts reasonably necessary.

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

31. The balance due to / from parties are subject to confirmation.

32. Earnings in Foreign Exchange

Particulars	For the Year Ended	For the Year Ended
	31st March, 2013	31st March, 2012
	₹	₹
Professional Fees	114,804	223,464

32. Information pursuant to Clause 32 of Listing Agreement with Stock Exchanges.

Loans and Advances in the nature of loans to associates are as under:

Particulars	Balance		Maximum Balance	
	As at 31st	As at 31st	For the Year	For the Year
	March, 2013	March, 2012	Ended 31st	Ended 31st
	₹	₹	March, 2013	March, 2012
			₹	₹
Interest free loans without specified repayment schedule				
Aarayaa Finstock Pvt. Ltd.	1,799,439	1,799,271	1,829,319	1,799,271
Arodyne Chemicals Ltd.	119,155	119,155	119,155	119,155
Aum Financial Consultants	825,415	675,415	825,415	675,415
Avdhoot Finance & Investments Pvt. Ltd.	3,290	3,000	3,290	3,000
Avdhoot Housing Finance Co. Pvt. Ltd.	17,687	17,687	17,687	17,687
Bahl & Co. Pvt. Ltd.	6,871	3,000	6,871	3,000
Blue Chip Leasing & Finance Ltd.	1,270,196	917,000	1,270,196	917,000
Budh Holding & Trading Co. Pvt. Ltd.	1,042,483	958,612	1,042,483	958,612
Citi Securities & Financial Services Pvt. Ltd.	141,892	41,892	141,892	41,892
Desai Industrial Finance Pvt.Ltd.	3,345,995	3,345,995	3,345,995	3,345,995
Desai Investments Pvt.Ltd.	2,522,102	1,924,535	2,522,102	1,924,535
Guru Holding Pvt. Ltd.	362,163	362,163	362,163	362,163
J R Shroff HUF	115,000	115,000	115,000	115,000
Mahimna Securities Pvt. Ltd.	15,000	15,000	15,000	15,000
Merican Funds Ltd.	3,000	3,000	3,000	3,000
Som Holding & Trading Co. Pvt. Ltd.	162,558	185,000	185,000	185,000
M/s. V. B. Desai	3,282	3,282	3,282	3,282

33. Segment Reporting

The Company has only one segment i.e. Merchant Banking and related services, therefore segmentwise reporting has not been given as required by Accounting Standard 17.

34. Previous year's figures

Previous year's figures have been regrouped / reclassified wherever necessary to correspond with the current year's classification / disclosure.

Notes forming part of the financial statements for the Year ended 31st March, 2012

V. B. DESAI FINANCIAL SERVICES LIMITED

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

27th Annual General Meeting on 11th September, 2013 at 11.00 a.m.

ATTENDANCE SLIP

Joint Shareholders may obtain additional Attendances Slips on request.

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

I hereby record my presence at the 27th Annual General meeting of Members of the Company at M.C.Ghia Hall, Bhogilal Hargovindas Building, 18/20, Kaikushroo Dubash Marg, Mumbai - 400 001 on 11th September 2013.

Note

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

V. B. DESAI FINANCIAL SERVICES LIMITED

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

PROXY

L. F. NO./ Client ID

No.of Shares

DP Name

I/We _____

of _____ being a member/members of V. B. DESAI FINANCIAL SERVICES LTD
appoint _____ of _____ or failing him/her _____

of _____ as my/our proxy to vote for me/us on my/our behalf at the 27th Annual
General Meeting of the Company to be held at 11.00 a m. on Wednesday, the 11th September 2013 and at any
adjournement, thereof.

As witness my/our hand(s) this _____ day of _____ 2013.

Affix
Re.1
Revenue
Stamp

(Signature of the shareholder)

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

BOOK - POST

To,

If undelivered please return to:

V.B.DESAI FINANCIAL SERVICES LIMITED

Cama Building, 1st floor,

24/26, Dalal Street. Fort

Mumbai - 400 001