

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

**TWENTY SIXTH
ANNUAL REPORT
2011-12**

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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NOTICE

NOTICE IS HEREBY GIVEN THAT the Twenty Sixth Annual General Meeting of the Members of V. B Desai Financial Services Limited will be held at M.C.Ghia Hall, BhogilalHargovindas Building, 2nd Floor, 18/20, KaikhushruDubashMarg, Mumbai – 400 001 on Tuesday, the 18th September, 2012 at 10.30 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, 2012 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. KhurshidShaikh who retires by rotation and offers himself for reappointment.
3. To appoint Auditors to hold office from the conclusion of this meeting till the conclusion of the next Annual General Meeting and fix their remuneration.

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 14th September 2012 to 18th September 2012 (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 2012

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.

DIRECTORS' REPORT

The Directors present their 26th Annual Report on the business and operations of the Company and the financial accounts for the year ended on 31st March, 2012.

FINANCIAL RESULTS

(Rs. In lacs)

Particulars	For the year ended on 31/03/2012	For the previous year ended on 31/03/2011
Gross Income	86.37	92.22
Profit (before interest, depreciation & taxation)	28.19	20.10
Financial charges	0.00	0.00
Depreciation	2.13	2.16
Net profit	26.06	17.94
Provision for taxation	8.00	6.10
Deferred Tax	(0.09)	(0.46)
Prior period expenses and written offs	0.00	0.00
Income Tax of earlier years	(0.10)	0.02
Profit after adjustments	18.25	12.28
Profit/(Loss) carried to Balance Sheet	18.25	12.28
APPROPRIATIONS / TRANSFERS		
Profit/(loss) carried to Balance Sheet	18.25	12.28

DIVIDEND

Your Directors do not recommend any dividend on equity shares in view of inadequate profit available for the year under review.

PERFORMANCE REVIEW

During the year under review, the gross income was decreased from Rs. 86.37 lacs from Rs. 92.22 lacs and profit after tax increased to Rs. 18.25 lacs from Rs. 12.28 lacs in the previous year. The Company could curtail expenses to some extent which has reflected in the profitability.

The Company is mainly engaged in Merchant Banking activities and due to slowdown in capital market; income from such activities has decreased during the year compared to the previous year.

DIRECTORATE :

Mr. KhurshidShaikh, 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:

- i) in the preparation of the annual accounts, applicable Accounting Standards have been followed ;
- ii) 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;
- iii) 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.
- iv) 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 and is eligible for re-appointment. Members are requested to re-appoint M/s. Apte & 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 2012

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 judgements used therein. The estimates and judgements 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 2012

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 31.3.2012, 6 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. PradipShroff	6	Yes	6	9	1	1
Mr. ManojShroff	6	Yes	9	9	Nil	Nil
Mr. AshokKumar Singh	0	Nil	Nil	Nil	Nil	Nil
Mr. KhurshidShaikh	6	Yes	1	Nil	Nil	Nil

3. REAPPOINTMENT OF DIRECTOR

Mr. KhurshidShaikh, 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. KhurshidShaikh
2. Age	48 years
3. Qualification	B.Com
4. Experience in specific area	Mr. KhurshidShaikh is having over 23 years of experience in Investment Banking, Broking and related business.
5. Directorship in other Companies	Indranil Securities 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	6,000	9,000	5,000	20,000
Mr. Ashok Kumar Singh	--	--	---	---
Mr. KhurshidShaikh	6,000	--	5,000	11,000
TOTAL	12,000	9,000	10,000	31,000

Details of remuneration paid to Managing Director for the financial year ended 31st March, 2012 are as under:

Name of the Director	Status	Salary	Perquisites/ Allowances	PF contribution	Remuneration paid (Rs.)
Mr. Pradip R. Shroff	Managing Director	3,00,000	Nil	36000	3,36,000
					1,86,631
					1,49,369

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 10.05.2011, 29.07.2011, 25.08.2011, 03.11.2011 & 25.01.2012.

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
22.09.2011	AGM	M.C.Ghia Hall, BhogilalHargovindas Bldg. 2 nd Flr. 18/20, K.DubashMarg, Mumbai – 400 001	10.30 a.m	Nil
28.09.2010	AGM	M.C.Ghia Hall, BhogilalHargovindas Bldg. 2 nd Flr. 18/20, K.DubashMarg, Mumbai – 400 001	10.30 a.m	1
07.09.2009	AGM	M.C.Ghia Hall, BhogilalHargovindas Bldg. 2 nd Flr. 18/20, K.DubashMarg, Mumbai – 400 001	10.30 a.m	Nil

8. DISCLOSURES:

- a) 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. 23 annexed to the Accounts may be considered as related party transactions.
- b) The Company does not have a Whistle Blower Policy. All the same, no personnel of the Company have been denied access to the grievance redressal mechanism of the Company.
- c) 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	18th September, 2012 at 10.30 a.m. M.C.Ghia Hall, BhogilalHargovindas Bldg.2 nd Flr, 18/20, K.DubashMarg, Mumbai – 400 001
a	Financial Year	1 st April 2011 - 31 st March, 2012
b	Book closure	14.09.2012 to 18.09.2012
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 2012-13.

e	Dematerialisation of shares	As on 25.07.2012,80.40%of total paid-up equity capital is dematerialized
f	ISIN of the Company for dematerialisation	INE848D01018
g	Registrar & Share Transfer Agent	PurvaSharegistry (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 2011 – 2012 ON BOMBAY STOCK EXCHANGE

Month	High – Rs.	Low – Rs.
April 2011	20.85	16.55
May 2011	19.75	16.00
June 2011	18.90	13.20
July 2011	18.00	13.02
August 2011	15.40	9.65
September 2011	14.90	11.70
October 2011	13.70	10.90
November 2011	14.85	9.12
December 2011	11.04	8.26
January 2012	12.79	7.88
February 2012	13.20	10.18
March 2012	13.34	9.01

14. DISTRIBUTION OF SHAREHOLDING AS ON 31.03.2012

No. of Equity Shares Held	No. of Shareholders	No. of Shares	% Total
1 - 500	4,582	7,28,697	16.09
501 - 1000	302	2,39,275	5.28
1001 - 2000	146	2,18,002	4.81
2001 - 3000	46	1,13,978	2.52
3001 - 4000	39	1,35,337	2.99
4001 - 5000	24	1,13,488	2.51
5001 - 10000	50	3,46,017	7.64
10001 and above	53	26,33,096	58.15
TOTAL	5,241	45,27,890	100.00

15. SHAREHOLDING PATTERN AS ON 31.03.2012 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	2,94,674	6.51
6.	NRIs/OCBs	11,300	0.25
7.	Hindu Undivided Family	35,467	0.78
8.	Clearing members	1,299	0.03
	Indian Public	22,99,658	50.79
	TOTAL	45,27,890	100.00

On behalf of the Board of Directors

Pradip R. Shroff
Managing Director

MUMBAI

DATED : 25th July 2012

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, 2012.

Pradip R. Shroff
Managing Director

Mumbai

Dated: 25th July 2012

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, 2011 to 31st March, 2012, 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 2012

AUDITORS' REPORT

Auditors' Report to the Members of V. B. DESAI FINANCIAL SERVICES LIMITED.

1. We have audited the attached Balance Sheet of V. B. DESAI FINANCIAL SERVICES LIMITED as at 31st March, 2012, and also the Statement of Profit and Loss of the Company for the year ended on that date annexed thereto and cash-flow statement for the year ended on that date. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditors' Report) Order, 2003, issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, (the Act) and on the basis of such checks, as we considered appropriate, we give in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, we report that :
 - a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - b) In our opinion, proper books of accounts as required by law have been kept by the company so far as appears from our examination of those books;
 - c) The Balance Sheet and the Profit and Loss Account dealt with by this report are in agreement with the books of account.
 - d) In our opinion, the Balance Sheet and Profit and Loss Account and Cash Flow Statement dealt with by this report are, *subject to our observations in Para 5 below*, in compliance with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956 to the extent applicable;
 - e) On the basis of written representations received from the directors, as on 31st March 2012, and taken on record by the Board of Directors, we report that none of the directors are disqualified as on 31st March, 2012 from being appointed as a director in terms of clause (g) of sub-section(1) of section 274 of the Companies Act, 1956.
5. In our opinion and to the best of our information and according to the explanations given to us, and subject to:
 - i. *Provision of Gratuity / Leave encashment not being provided on actuarial basis, which is in 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, 2012. (Refer Note No.27)*
 - ii. *Note No.26 regarding recognition in the current period, of revenue pertaining to Professional Fees, the bills in respect of which have been raised for future periods. In our opinion, the said recognition is not in compliance with Accounting Standard 9 'Revenue Recognition' as issued by the ICAI. Such policy has resulted in an apparent over statement of revenue by ₹32.50 lac. Had such recognition not been made, the income and profit before tax for the year would have been lower by the said amount.*
 - iii. *Note No.28 regarding non-provision in respect of debtors amounting to ₹ 25.83 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.*
 - iv. *Managerial remuneration amounting to ₹1,86,631/- is paid in excess of the limits specified under section 309 of the Companies Act, 1956. The excess managerial remuneration so claimed for the financial year 2011-2012 has been refunded by the director in the financial year 2012-13 on 22nd May 2012. Nonetheless, had the managerial remuneration been paid within the limits specified in the Act, the profit before tax of the company would have been higher by ₹1,86,631/- the said accounts read with the Significant Accounting Policies and notes on accounts annexed thereto, give the information required by the Companies Act, 1956, in the manner so required, and give a true and fair view in conformity with the accounting principles generally accepted in India:*
 - i) In the case of the Balance Sheet, of the state of affairs of the Company, as at 31st March, 2012,
 - ii) In the case of the Statement of Profit and Loss, of the profit for the year ended on that date.
 - iii) In the case of cash flow statement, of the cash flow, for the year ended on that date.

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

Dr. JAYANT APTE
PARTNER
Membership No. 035494

Mumbai

Date: 25th May, 2012

ANNEXURE TO THE AUDITORS' REPORT

Re : V.B. Desai Financial Services Limited

Referred to in Paragraph 3 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 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 six parties listed in the Register maintained under section 301 of the Companies Act, 1956 amounting to ₹13.85 lac. The year end balance of such loans was ₹22.61 lac. (Maximum amount outstanding during the year was ₹22.61 lac). The interest free unsecured loans granted earlier to two parties listed in the Register maintained under section 301 of the Companies Act, 1956 amounted to ₹7.70 lac. The year end balance of such loans was ₹6.80 lac. (Maximum amount outstanding during the year was ₹7.70 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.
4. 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 fixed assets and sale of 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.
5. 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.
6. 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.
7. In our opinion, the Company has an internal audit system commensurate with the size of the company and nature of its business.
8. 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, 2012 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 afore said dues which have not been deposited as at 31st March 2012.
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 has 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. Therefore, the provisions of Clause 4(xiii) of the order are not applicable to the company.
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 therefore, paragraph 4(18) of the Order is not applicable.
19. The Company has not issued any debentures during the year and therefore paragraph 4(19) of the Order is not applicable.
20. The Company has not raised any money by way of public issue during the year and therefore paragraph 4(20) of the Order is no applicable.
21. 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: 25th May, 2012

COMPLIANCE CERTIFICATE

The Members

V.B.Desai Financial Services Limited

CamaBuilding, 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 2012.

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 6 (Six) times on 06.04.2011, 10.05.2011, 29.07.2011, 25.08.2011, 03.11.2011 & 25.01.2012 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 20th September 2011 to 22nd September 2011 (both days inclusive) during the financial year.
- f. The Annual General Meeting for the financial year ended on 31.03.2011 was held on 22nd September 2011 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 the firms and companies 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 since there were no contracts during the financial year the Company has not made any entries 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.

- 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.
- z. 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: 12th July, 2012

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, 2012.

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	21.10.2011	Yes	N.A
2	Form 20-B	159	Annual Return AGM held on 22.09.2011	21.10.2011	Yes	N.A
3	Form 23 AC XBRL & 23 ACAX- BRL	220	Balance Sheet and Profit & Loss Account for the year ended 31.3.2011 AGM date 22.9.2011	05.01.2012	No	Yes

BALANCE SHEET AS AT 31ST MARCH 2012

	Note No.	As at 31st March, 2012		As at 31st March, 2011	
		₹	₹	₹	₹
EQUITY AND LIABILITIES					
Shareholders' Funds					
(a) Share Capital	1	45,381,316		45,381,316	
(b) Reserves and Surplus	2	24,344,725		22,519,300	
			69,726,041		67,900,616
Non-Current Liabilities					
(a) Other Long-Term Liabilities	3	1,000		1,000	
(b) Long-Term Provisions	4	1,227,145		1,114,119	
			1,228,145		1,115,119
Current Liabilities					
(a) Short-Term Borrowings	5	-		244,810	
(b) Trade Payables	6	302,813		550,732	
(c) Other Current Liabilities	7	487,575		212,410	
			790,388		1,007,952
Total			71,744,574		70,023,687
ASSETS					
Non-Current Assets					
(a) Fixed Assets					
Tangible Assets	8	2,211,611		2,286,504	
(b) Deferred Tax Assets (Net)	9	258,155		249,032	
(c) Long-term Loans and Advances	10	1,161,296		2,334,295	
(d) Other Non-Current Assets	11	2,602,838		2,602,838	
			6,233,900		7,472,669
Current Assets					
(a) Inventories (Securities)	12	48,042,688		47,921,191	
(b) Trade Receivables	13	5,026,323		965,340	
(c) Cash and Cash Equivalents	14	1,707,027		6,095,966	
(d) Short-Term Loans and Advances	15	10,723,498		7,560,372	
(e) Other Current Assets	16	11,138		8,149	
			65,510,674		62,551,018
Total			71,744,574		70,023,687
Significant Accounting Policies					
Notes on Financial Statements	22 to 34				

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 : 25th May 2012

For and on behalf of the Board of Directors

Pradip R. Shroff - Managing Director
Manoj T. Shroff - Director
Khurshid Shaikh - Director

Place : Mumbai
Date : 25th May 2012

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH, 2012

	Note No.	For the year ended 31st March, 2012 ₹	For the year ended 31st March, 2011 ₹
INCOME			
Revenue from operations	17	8,361,193	8,801,964
Other Income	18	275,671	420,261
Total Revenue		8,636,864	9,222,225
EXPENDITURE			
Employee Benefits Expense	19	1,529,042	1,313,977
Other Expenses	20	4,289,014	5,898,243
Depreciation	21	212,852	216,443
Total Expenses		6,030,908	7,428,663
Profit Before Tax		2,605,956	1,793,562
Tax Expenses			
Current Tax		800,000	610,000
Prior Year Tax Adjustments		(10,346)	1,436
Deferred tax		(9,123)	(46,199)
Profit for the year		1,825,425	1,228,325
Earnings per share of ₹10/- each:			
Basic		0.40	0.27
Significant Accounting Policies			
Notes on Financial Statements	22 to 34		
As Per Our Attached Report Of Even Date			

As Per Our Attached Report Of Even Date

For Apte & Co.Chartered Accountants
Firm Regn. No. 111925WDr. Jayant Apte
Partner
Membership No. 035494
Place : Mumbai
Date : 25th May 2012**For and on behalf of the Board of Directors**Pradip R. Shroff - Managing Director
Manoj T. Shroff - Director
Khurshid Shaikh - DirectorPlace : Mumbai
Date : 25th May 2012

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2012

	3/31/2012	3/31/2011	(Rs. in lacs)
A CASH FLOW OPERATING ACTIVITIES			
NET PROFIT BEFORE TAX AND EXTRA ORDINARY ITEMS	26.06		17.94
Adjustments for :			
Depreciation	2.13	2.16	
Reduction in value of Investments	0.20	0.11	
Provision for taxation	(8.00)	(6.10)	
Provision for Deferred Tax	0.09	0.46	
Prior period expenses	0.10	(0.01)	3.38
	(5.48)		14.56
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES			
Adjustments for :			
(Increase)/Decrease in Trade Receivables	(40.61)	34.05	
(Increase)/Decrease in Long Term and Short Term Loans and Advances	(19.93)	(25.21)	
(Increase)/Decrease in Bank Deposits	38.10	11.00	
Increase(Decrease) in Current and Non Current Liabilities	(1.04)	(10.98)	
Net Cash flow from operating activities	(23.48)		8.86
	(2.90)		23.42
B CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of Fixed Assets	(1.38)	(0.09)	
Purchase of Investments/Stock in trade	(2.52)	(22.29)	
Cost of Investments sold	1.10	5.64	
Increase in Deferred Tax Assets	(0.09)	(0.46)	
Net Cash flow from Investing Activities	(2.89)		17.20
NET INCREASE IN CASH AND EQUIVALENTS (A+B)	(5.79)		6.22
Opening Balance of Cash	16.96		10.74
Closing Balance of Cash	11.17		16.96

For V.B.DESAI FINANCIAL SERVICES LIMITED

Pradip R. Shroff
Managing Director

PLACE : MUMBAI
DATED : 25th May 2012

We have examined the attached Cash Flow Statement of V.B.Desai Financial Services Limited, for the period ended 31st arch 2012. 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 2012.

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

Dr. Jayant Apte
Partner
Membership No. 35494

PLACE : MUMBAI
DATED : 25th May 2012

CORPORATE INFORMATION

The Company is registered with Securities and Exchange Board of India as Category - I Merchant Banker to carry out merchant banking and related activities.

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 Profit and Loss account 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 Profit and Loss Account 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 Profit and Loss Account 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 Profit and Loss Account.

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, 2012

1. SHARE CAPITAL

Particulars	As at 31st March, 2012	As at 31st March, 2011
	₹	₹
Authorised		
50,00,000 (50,00,000) Equity Shares of ₹10/- each	<u>50,000,000</u>	<u>50,000,000</u>
Total	<u><u>50,000,000</u></u>	<u><u>50,000,000</u></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><u>45,278,900</u></u>	<u><u>45,278,900</u></u>

Details of Forfeited Shares :

Class of Shares	As at 31st March, 2012	As at 31st March, 2011
	Amount originally paid up	Amount originally paid up
	₹	₹
18310 (18310) Equity Shares	<u>102,416</u>	<u>102,416</u>
Total	<u><u>102,416</u></u>	<u><u>102,416</u></u>

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

Particulars	As at 31st March, 2012	As at 31st March, 2011
	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	4,527,890	4,527,890

The details of Shareholders holding more than 5% shares :

Name of the Shareholder	As at 31st March, 2012	As at 31st March, 2011
	No. of Shares & % held	No. of Shares & % held
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, 2012

Particulars	As at 31st March, 2012 ₹	As at 31st March, 2011 ₹
2. Reserves and Surplus		
Share Premium		
Balance as per last Balance Sheet	21,290,975	69,316,090
Less: Appropriated against debit balance in profit and loss account as at 31st March, 2010	-	48,025,115
	<u>21,290,975</u>	<u>21,290,975</u>
Profit and Loss Account		
Balance as per last Balance Sheet	1,228,325	(48,025,115)
Less: Adjusted against Share Premium	-	48,025,115
	<u>1,228,325</u>	<u>-</u>
Add: Profit for the year	1,825,425	1,228,325
	<u>3,053,750</u>	<u>1,228,325</u>
Total	<u><u>24,344,725</u></u>	<u><u>22,519,300</u></u>
3. Other Long-Term Liabilities		
Trade Payables		
Others (Other than S.S.I.) (Refer Note below)	1,000	1,000
Total	<u><u>1,000</u></u>	<u><u>1,000</u></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. Trade Payables are subject to confirmation.</p>		
4. Long-Term Provisions		
Provision for employee benefits		
Provision for Gratuity	1,227,145	1,114,119
Total	<u><u>1,227,145</u></u>	<u><u>1,114,119</u></u>
5. Short-Term Borrowings		
Unsecured		
Loans Repayable on Demand		
From Related Parties (Refer Note No.23)	-	86,496
Inter-Corporate Deposits	-	158,314
Total	<u><u>-</u></u>	<u><u>244,810</u></u>
6. Trade Payables		
Others (Other than S.S.I.) (Refer Note below)	302,813	550,732
Total	<u><u>302,813</u></u>	<u><u>550,732</u></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. Trade Payables are subject to confirmation.</p>		
7. Other Current Liabilities		
Other Payables (Statutory Dues)	487,575	212,410
Total	<u><u>487,575</u></u>	<u><u>212,410</u></u>

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

8. Fixed Assets									
All amounts in ₹									
ASSETS	GROSS BLOCK				DEPRECIATION			NET BLOCK	
	As on 01.04.11	Additions during the year	Deletion during the year	As on 31.03.12	As on 01.04.11	For the year	As on 31.03.12	As on 31.03.12	As on 31.03.11
TANGIBLE ASSETS									
Furniture & Fixtures	2,242,433	-	-	2,242,433	253,357	105,764	359,121	1,883,312	1,989,076
Office Equipments	1,264,125	137,959	-	1,402,084	966,697	107,088	1,073,785	328,299	297,428
Motor Vehicle	281,063	-	-	281,063	281,063	-	281,063	-	-
TOTAL	3,787,621	137,959	-	3,925,580	1,501,117	212,852	1,713,969	2,211,611	2,286,504
Previous Year	3,778,283	9,338	-	3,787,621	1,284,674	216,443	1,501,117	2,286,504	-

Particulars

	As at 31st March, 2012	As at 31st March, 2011
	₹	₹
9. Deferred Tax Assets (Net)		
Deferred Tax Assets		
Provision for Gratuity	379,188	344,262
Deferred Tax Liability		
Related to Fixed Assets	121,033	95,230
Total	258,155	249,032
10. Long-Term Loans And Advances		
(Unsecured, Considered Good)		
Advance Income Tax (Net of Provisions)	22,593	1,015,973
Security Deposits	115,000	100,000
Loans and Advances to Employees	20,000	20,000
Other Loans and Advances	1,003,703	1,198,322
Total	1,161,296	2,334,295
11. Other Non-Current Assets		
(Unsecured, Considered Doubtful)		
Long-Term Receivables*	2,602,838	2,602,838
Total	2,602,838	2,602,838

*Trade Receivables are subject to confirmation.

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

12. INVENTORIES (SECURITIES)

Name of the Script	Face Value	No. of Shares As at 31.03.2012	₹	No. of Shares As at 31.03.2011	₹
(Non-Trade) (Quoted)					
Equity Shares					
Chokani Securities Ltd	10	248	1,501	248	1,501
Enso Secutrack Ltd.	10	1,000	6,370	1,000	16,150
Essar Steel Ltd.	10	500	25,900	500	25,900
GMR Infrastructure Ltd .	1	1,000	20,350	1,000	20,350
Indag Products Ltd.	10	9,500	1	9,500	1
Mafatlal Spg. & Wvg. Co.Ltd.	10	1	1	1	1
Manugraph India Ltd.	2	4,891	228,165	-	-
Penar Steel Ltd.	10	2,500	2,500	2,500	2,500
Reliance Indus. Infrastructure Ltd.	10	20	5,803	20	5,803
Reliance Industries Ltd.	10	50	37,413	50	38,119
Reliance Power Ltd	10	125	13,350	125	13,350
Setco Auto Ltd.	10	-	-	1,600	110,400
Sika Interplant System Ltd.	10	2,053	28,023	2,053	28,023
Sunpharma Advance Research Ltd.	1	750	39,600	750	39,600
Sunraj Diamonds Exports Ltd.	10	500	2,750	500	2,750
Tata Global Ltd (Tata Tea Ltd)	1	500	48,875	500	48,875
Yokogawa India Ltd.	10	5	2,357	5	2,357
Bonds					
ICICI Bank Ltd. 9.8% Bonds	10,000	35	315,600	35	315,600
Mutual Funds					
Reliance Gold Exchange Traded Fund	100	11	17,025	11	17,025
Total of Quoted Securities			795,584		688,305
(Non-Trade) (Un-Quoted)					
Equity Shares					
Arodyne Chemicals Ltd	10	1,250	1,750,000	1,250	1,750,000
Bodh Gaya Ceramics	10	500	1	500	1
Dupont Sportswear	10	42	1	42	1
Duropack Ltd	10	13,400	1	13,400	1
Etiam Emedia	10	3,200	400,000	3,200	400,000
Fairgrowth Fin. Ser. Ltd. (S)	10	80,000	1	80,000	1
Fairgrowth Home Finan. Ltd., (S)	10	20,000	1	20,000	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 Funds Ltd	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
Niwas Spinning Mills Ltd.	10	72,440	1	72,440	1
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, 2012

Name of the Script	Face Value	No. of Shares As at 31.03.2012	₹	No. of Shares As at 31.03.2011	₹
(Non-Trade) (Un-Quoted)					
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
SM Dyechem Ltd,	10	201	1	201	1
Suchitra Tubes Ltd.	10	31,880	1	31,880	1
Sumex Chemicals Ltd	10	7,050	1	7,050	1
Superforging & Steel Ltd.	10	80	1	80	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
Preference Shares					
Essar Steel Ltd. (Pref.)	10	172	258	172	258
Mutual Funds					
UTI Master Share	10	566	14,218	-	-
Total of Unquoted Securities			47,247,104	47,232,886	
			48,042,688	47,921,191	
Aggregate amount of quoted investments			7.96 Lac	6.88 Lac	
Market Value of quoted investments			9.14 Lac	8.85 Lac	
Aggregate amount of unquoted investments			472.47 Lac	472.33 Lac	

Particulars	As at 31st March, 2012 ₹	As at 31st March, 2011 ₹
13. Trade Receivables*		
(Unsecured, Considered Good)		
Other Debts	5,026,323	965,340
Total	5,026,323	965,340
*Trade Receivables are subject to confirmation.		
14. Cash And Cash Equivalents		
Cash on Hand	1,397,397	1,334,562
Balances with Banks		
in Current Accounts	(280,370)	361,404
in Deposit Accounts	590,000	4,400,000
Total	1,707,027	6,095,966
15. Short-Term Loans And Advances		
(Unsecured, Considered Good)		
Loans and Advances to Related Parties (Refer Note No. 23)	2,738,919	1,593,974
Prepaid Expenses	234,491	135,731
Inter-Corporate Deposits	7,750,088	5,830,667
Total	10,723,498	7,560,372
16. Other Current Assets		
(Unsecured, Considered Good)		
Interest Accrued on Fixed Deposit	11,138	8,149
Total	11,138	8,149

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

Particulars	For the Year Ended 31st March, 2012 ₹	For the Year Ended 31st March, 2011 ₹
17. Revenue from Operations		
(a) Interest		
(i) From Bank on Deposits	141,907	237,664
(ii) On Securities	34,300	34,300
(b) Other Financial Services		
Professional Fees	8,184,986	8,530,000
Total	8,361,193	8,801,964
18. Other Income		
(a) Dividend	16,131	27,600
(b) Net Gain on Sale of Shares	107,950	300,711
(c) Provisions written back	-	51,500
(d) Interest on Income Tax Refund	95,784	-
(e) Miscellaneous Income	2,597	40,450
(f) Prior Period Income (Net of Expenses)	53,209	-
Total	275,671	420,261
19. Employee Benefits Expense		
Salaries & Exgratia	812,900	755,550
Director's Remuneration	300,000	108,000
Contribution to Provident & Other Funds	126,216	122,023
Gratuity	136,442	182,596
Staff Welfare Expenses	153,484	145,808
Total	1,529,042	1,313,977
20. Other Expenses		
Rent	118,750	90,000
Repairs and maintenance - Others	101,137	68,814
Advertisement Expenses	52,587	98,986
Communication	113,432	128,408
Travelling and Conveyance	29,683	107,512
Printing and stationery	148,937	189,897
Registration Fees	232,270	333,333
Power & Fuel	213,314	185,812
Legal and Professional Fees	2,868,420	4,022,678
Sundry Debit/Credit Balances Written Off		230,436
Payments to auditors (Refer Note (i) below)	40,000	40,000
Miscellaneous expenses	370,484	402,367
Total	4,289,014	5,898,243
(i) 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	10,000
Total	40,000	40,000

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

Particulars	For the Year Ended 31st March, 2012 ₹	For the Year Ended 31st March, 2011 ₹
21. Depreciation and Amortisation Expenses		
Depreciation	212,852	216,443
Total	212,852	216,443

22. Contingent Liabilities

There are no contingent liabilities.

23. 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
Associates	Aum Financial Consultants Avdhoot Finance & Investments Pvt. Ltd. Avdhoot Housing Finance Co. Pvt. Ltd. Desai Investments Pvt. Ltd. J R Shroff HUF M/s V. B. Desai
Key Management Personnel (KMP)	Mr. Pradeep R. Shroff Mr. Manoj T. Shroff
Relatives of KMP	Mr. Satyam P. Shroff Son of Pradeep Shroff Mr. Jitendra R. Shroff Brother of Pradeep Shroff Mr. Mukesh T. Shroff Brother of Manoj Shroff

Note: Related parties have been identified by the Management.

Details of related party transactions during the year ended 31 March, 2012 and balances outstanding as at 31 March, 2012:

	Associates ₹	KMP ₹	Relatives of KMP ₹	Total ₹
Net Loans and Advances given/(returned)	1,144,945 <i>411,227</i>	-	-	1,144,945 <i>411,227</i>
Net Loans and Advances taken/(returned)	-	-	86,496	86,496
Salary	-	350,423 <i>164,423</i>	-	350,423 <i>164,423</i>
Balances outstanding at the end of the year				
Net Loans and Advances given/(returned)	2,738,919 <i>1,593,974</i>	-	-	2,738,919 <i>1,593,974</i>
Net Loans and Advances taken/(returned)	-	-	-	-
	<i>158,314</i>	<i>86,496</i>	-	<i>244,810</i>

Note: Figures in italics relates to the previous year

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

Particulars	For the Year Ended 31st March, 2012 ₹	For the Year Ended 31st March, 2011 ₹
24. Earnings per share		
<u>Basic</u>		
Net profit for the year	1,825,425	1,228,325
Weighted average number of equity shares	4,527,890	4,527,890
Par value per share	10	10
Earnings per share	0.40	0.27

Particulars	As at 31st March, 2012 ₹	As at 31st March, 2011 ₹
25. 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.	3,000	936,712
Avdhoot Housing Finance Co. Pvt. Ltd.	17,687	-
Blue Chip Leasing & Finance Ltd.	917,000	-
Guru Holding Pvt. Ltd.	362,163	-
Merican Funds Ltd.	3,000	-

26. Professional Fees

Professional fees are accounted on accrual basis. However, in one of the cases, the Company has accounted professional fees on the basis of bill raised for the future period resulting into over-statement of income by Rs. 32.50 lac. The same practice of accounting will be followed till the expiry of such agreement.

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 ₹26.03 lac (Previous Year ₹25.83 lac).

29. In the opinion of the Board of Directors, Current Assets, Loans and Advances are approximately of the value stated, if realized in the ordinary course of business.

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

31. Earnings in Foreign Exchange

Particulars	For the Year Ended 31st March, 2012 ₹	For the Year Ended 31st March, 2011 ₹
Professional Fees	223,464	165,450

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

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 March, 2012	As at 31st March, 2011	For the Year Ended 31st March, 2012	For the Year Ended 31st March, 2011
	₹	₹	₹	₹
Interest free loans without specified repayment schedule				
Arodyne Chemicals Ltd.	119,155	116,155	119,155	1,761,155
Aum Financial Consultants	675,415	675,415	675,415	675,415
Avdhoot Finance & Investments Pvt. Ltd.	3,000	-	3,000	15,914
Avdhoot Housing Finance Co. Pvt. Ltd.	17,687	-	17,687	12,687
Bahl & Co. Pvt. Ltd.	3,000	-	3,000	-
Budh Holding & Trading Co. Pvt. Ltd.	958,612	936,712	958,612	936,712
Citi Securities & Financial Services Pvt. Ltd.	41,892	36,862	41,892	36,862
Desai Industrial Finance Pvt. Ltd.	3,345,995	3,344,495	3,345,995	3,344,495
Desai Investments Pvt. Ltd.	1,924,536	800,278	1,924,536	800,278
J R Shroff HUF	115,000	115,000	115,000	115,000
Som Holding & Trading Co. Pvt. Ltd.	185,000	-	185,000	9,800

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

The Revised Schedule VI has become effective from 1 April, 2011 for the preparation of financial statements. This has significantly impacted the disclosure and presentation made in the financial statements. Previous year's figures have been regrouped / reclassified wherever necessary to correspond with the current year's classification / disclosure.

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 : 25th May 2012

For and on behalf of the Board of Directors

Pradip R. Shroff - Managing Director
Manoj T. Shroff - Director
Khurshid Shaikh - Director

Place : Mumbai
Date : 25th May 2012

V. B. DESAI FINANCIAL SERVICES LIMITED

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

26th Annual General Meeting on 18th September, 2012 at 10.30 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 26th 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 18th September 2012.

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 26th Annual General Meeting of the Company to be held at 10.30 a m. on Tuesday, the 18th September 2012 and at any adjournment, thereof.

As witness my/our hand(s) this _____ day of _____ 2012.

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