

## STEP TWO CORPORATION LIMITED

### NOTICE

NOTICE IS HEREBY GIVEN that the Eleventh Annual General meeting of the Members of Step Two Corporation Limited, will be held at 17, Ganesh Chandra Avenue, 6th Floor, Room No.601, Kolkata-13, on Tuesday, the 30<sup>th</sup> day of August, 2005 at 11.00 A.M. to transact the following business:

#### AS ORDINARY BUSINESS :

1. To receive, consider and adopt the Audited Balance Sheet as on 31<sup>st</sup> March, 2005 and Profit and Loss Account for the year ended on that date and the Reports of Directors and Auditors thereon.
2. To appoint a Director in place of Shri Kuldeep Jain who retires by rotation and being eligible offers himself for reappointment.
3. To appoint Auditors and to fix their remuneration. The retiring Auditors, M/s. B.P. Agarwal & Associates, Chartered Accountants, Kolkata are eligible for re-appointment.

#### AS SPECIAL BUSINESS :

4. To consider and if thought fit, to pass with or without modification, the following resolution as Special resolution :

"RESOLVED that pursuant to clause (a) of sub-section (1) of section 293 of the Companies Act, 1956, and all other enabling provisions, if any, in addition to all borrowings by the Directors for and on behalf of the Company authorised by resolution passed at the general meeting of the company held on 17-7-1995 namely, the borrowing of Rs.5,00,00,000/- the Company hereby consents to the further borrowing by the Board of Directors for and on behalf of the Company from time to time of further sums of money for purposes of the Company amounting in the aggregate to a sum of not more than Rs.35,00,00,000/- (excluding temporary loans obtained from the Company's bankers in the ordinary course of business), that is to say, to the total borrowing by the Board of Directors for and on behalf of the Company of an aggregate sum not exceeding Rs.40,00,00,000/-, notwithstanding that the moneys to be borrowed together with the moneys already borrowed by the Company (apart from such temporary loans obtained or to be obtained from the Company's Bankers) will or may exceed the aggregate of the paid-up capital of the Company and its free reserves, that is to say, reserves not set apart for any specific purpose."

#### EXPLANATORY STATEMENT

Taking into account the further requirements of additional finance for the expansion programme undertaken by the Company, a fresh resolution is proposed providing that, in addition to the Company's existing borrowings, the Directors may, for and on behalf of and for the purposes of the Company, borrow sums of money amounting in the aggregate to a sum of not more than Rs.35,00,00,000/-, thereby raising the total borrowing limit from Rs.5,00,00,000/- to Rs.40,00,00,000/-.

None of the directors is interested or concerned in this resolution.

Registered Office :  
17, Ganesh Chandra Avenue  
6th Floor, Suite No.601,  
Kolkata - 700 013  
Dated : 30th July, 2005

By Order of the Board  
Raj Kumar Agarwal  
Chairman

## STEP TWO CORPORATION LIMITED

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### NOTES:

1. A Member entitled to attend and vote at this Annual General Meeting may appoint a proxy to attend and vote on a poll on his behalf. A Proxy need not be a Member of the Company. Proxy Forms duly completed should be deposited at the Company's Registered Office at least 48 hours before the commencement of the meeting.
2. The Register of Members & Share Transfer Books of the Company will remain closed from 27<sup>th</sup> day of August, 2005 to 30<sup>th</sup> day of August, 2005 (Both days inclusive).
3. All requests for transfer of shares and allied matters along with the relevant transfer deeds and/or share certificates should be sent to the Company's Registrar and Share Transfer Agents, viz., Niche Technologies Pvt. Ltd.
4. The Company's shares are enlisted with NSDL and CDSL for participation into Electronic Depository System operated by them. Its shares are compulsorily to be traded in Electronic Form and the security bears code no. INE623D01015
5. Members are requested to notify immediately any change in their address to the Registrar and Share Transfer Agents of the Company quoting their folio numbers, to ensure prompt service.
6. Members holding shares in the same name under different folios are requested to apply for consolidation of such folios and send relevant Share Certificates to the Registrar and Share Transfer Agents of the Company.
7. Members are requested to produce the enclosed Attendance Slip at the entrance of the Office and bring their copies of Annual Report to the meeting, as extra copies will not be supplied.
8. Re-appointment / Appointment of Directors: Pursuant to clause 49 of the listing agreement with the Stock Exchanges, the information in respect of Directors being re-appointment has been provided in the section of Corporate Governance incorporated elsewhere in the Annual Report.

**DIRECTORS' REPORT**

To  
The Members

Your Directors have pleasure in presenting the Eleventh Annual report on the business and operations of the Company together with Audited statements of accounts for the year ended 31st March, 2005.

**REVIEW OF OPERATION**

Some highlights of the performance during the said year are reproduced for your consideration:

	CURRENT YEAR	PREVIOUS YEAR
	Rs.	Rs.
Profit/(Loss) Before Tax	5,39,870.13	2,25,582.62
Provision for Loss on Equity Stock/Index Futures	26,65,701.00	—
Income Tax for earlier years	—	19,484.00
Current Tax	—	17,342.00
Deferred Tax	(18,278.19)	(6,678.17)
	(21,07,552.68)	1,95,434.79
Profit/(Loss) after Tax		
Balance brought forward from last year	(1,72,225.21)	(3,67,660.00)
Balance carried to Balance Sheet	(22,79,777.89)	(1,72,225.21)

**DIVIDEND**

Your Directors regret their inability to recommend dividend due to insufficient Profit.

**OPERATION**

During the financial year 2004-2005, the company took up stock market operation in a big way. However, due to sluggish market during the month of March, 2005 the performance from the capital market was not in keeping with the results envisaged by the management. The Directors are hopeful of achieving higher profitability from capital market operation. The company's business of Loans & Advances is facing intense competition from banks & financial institutions and with the falling rates of interest, the margins are severally squeezed. The Directors are looking at alternate channels for deployment of funds. Nevertheless, your Company expects to achieve satisfactory growth in the coming years.

**DIRECTORS**

Shri Kuldeep Jain retires from office by rotation in accordance with the requirements of the Companies Act, 1956 and being eligible, offers himself for reappointment.

## **STEP TWO CORPORATION LIMITED**

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### **DIRECTORS RESPONSIBILITY STATEMENT**

Your Directors would like to inform members that the audited accounts containing the financial statement for the year 2004-2005 are in full conformity with the requirement of the Companies Act and they believe that the financial statements reflect fairly, the form and substance of transactions carried out during the year, and reasonably present the Company's financial condition and results of operations. These financial statements have been audited by the Statutory Auditors, B. P. Agarwal & Associates, Chartered Accountants, Kolkata.

Based on the same, your Directors further confirm that :

- (i) In the preparation of the annual accounts, applicable accounting standards have been followed.
- (ii) The accounting policies are consistently followed and applied to give a true and fair view of the state of affairs of the Company.
- (iii) Proper and sufficient care has been taken for the maintenance of accounting records in accordance with the provisions of the Companies Act for safeguarding the assets of the Company.
- (iv) The annual accounts have been prepared on a going concern basis.

### **PUBLIC DEPOSITS :**

The company has not accepted any deposits from the public during the year under review, nor does the company intend to invite any deposit from the public in future.

### **AUDITORS :**

M/s. B. P. Agarwal & Associates, Chartered Accountants, Kolkata, statutory Auditors of your Company hold office till the conclusion of the 11<sup>th</sup> Annual General Meeting and are recommended for re-appointment. The Company has received a certificate from them to the effect that their reappointment, if made, would be within the limits prescribed under section 224(1C) of the Companies Act, 1956.

### **HUMAN RESOURCES :**

The Company continues to place major emphasis on doing the best for, and getting the best from, its employees.

### **CONSERVATION OF ENERGY, TECHNOLOGICAL ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTFLOW :**

Since your company's operations do not involve any manufacturing or processing activities the particulars under the Companies (disclosure of particulars in the Reports of Board of Director) Rule, 1988 regarding conservation of energy and technological absorption, are not applicable. There was no earning & outflow of foreign exchange and hence no particulars are required to be furnished.

**CORPORATE GOVERNANCE**

Your Company has complied with all the requirements pertaining to Corporate Governance, in terms of Clause 49 of the Listing Agreement. A detailed report on Corporate Governance has been included in this report alongwith a certificate from the auditors of the company regarding compliance of conditions of Corporate Governance. Further, a separate Management Discussion and Analysis report is also given in this report.

**ACKNOWLEDGEMENT**

Your Directors wish to convey their gratitude to the Company's clients, Bankers, Business Associates, Share holders, well wishers and employees, for their valued and timely support and also for the role played in the continued growth of the Company.

Place : Kolkata

Date : 30th July, 2005.

For and on behalf of the Board

Sd/-  
**Raj Kumar Agarwal**  
*Chairman*

# STEP TWO CORPORATION LIMITED

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## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Scenario

Non-Banking Finance Companies (NBFCs) are an integral part of the country's financial system because of their complementary as well as competitive role. They act as a critical link in the overall financial system catering to a large market of niche customers. As a result of consolidation and restructuring in the financial sector and liberalisation and globalisation of markets only a few strong NBFCs now remain in business. However, competition continues to be intense, as the Indian and foreign banks have entered the retail lending business in a big way, thereby exerting pressure on margins. The erstwhile providers of funds have now become competitors. NBFCs can sustain in this competitive environment only through optimisation of funding costs, identification of potential business areas, widening geographical reach, use of technology, cost efficiencies, strict credit monitoring and raising the level of customer service.

On the regulatory front, NBFCs are regulated by the Reserve Bank of India (RBI) almost at par with banks. All the prudential norms for asset classification, income recognition, provisioning etc., are applicable to NBFCs.

Step Two Corporation Limited (STCL) is a retail finance company, which has been able to withstand the turbulent period of change, due to its clear understanding of the business dynamics, optimising of funding, credit delivery mechanism and emphasis on efficient recovery system.

### ANALYSIS OF PERFORMANCE FOR THE YEAR

The detail highlight of the performance are produced elsewhere in the Directors Report.

### MANAGEMENT OF RISKS

As an NBFC, STCL is exposed to risks such as changes in liquidity conditions, interest rate risk, credit risk and operational risk. STCL has always tried to minimize its risks by implementation of well developed credit appraisal process in the view of its vast experience in financing business. The credit risk is managed through appropriate processes and due diligence.

### INTERNAL CONTROL SYSTEM AND THEIR ADEQUACY

STCL has adequate internal control systems commensurate with its size and nature of business. Its internal audit process reviews internal controls and compliance of the control systems. The Audit Committee of the Board reviews the adequacy and effectiveness of internal control system and suggests improvements for strengthening them.

### FULFILMENT OF RBI NORMS AND STANDARDS

STCL continues to fulfil all the norms and standards laid by the RBI. STCL follows very stringent provisioning policies which ensure that the non-performing assets are fully provided for as per RBI's prudential norm guidelines.

### DEVELOPMENT IN HUMAN RESOURCES

With the Company's operations gaining steadily in size, reach and complexity, its human resources have kept pace with the changes. They have played a significant role to enable the Company to maintain its performance continuously.

### CONCLUSION

Statements in this "Management Discussion and Analysis" describing the Company's objectives, projections, estimates, expectation or predictions may be "forward looking statements" within the meaning of applicable securities law and regulations. Actual results could differ materially from those expressed or implied, depending on Government policies, interest rates, economic development and such other factors.

**CORPORATE GOVERNANCE**

**1. BRIEF STATEMENT ON THE COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE**

In the recent times the concept of "Maximizing Shareholder Value" is regarded as the mantra for good corporate governance & the be all & end all of all business ventures. Good Corporate Governance in so far as it caters to all interests, is an integral part of Business Ethics. Step Two Corporation Limited (STCL) has been endeavoring to practice good Corporate Governance since its inception and has always acted as a good corporate citizen. The Company's philosophy on Corporate Governance is based on the tenets of transparency, accountability and professionalism and due concern for shareholders, employees and the society at large. It has complied with the relevant regulations prescribed by various authorities from time to time.

**2. BOARD OF DIRECTORS**

The Board of Directors of STCL consists of persons having vast and varied experience in the field of Finance, Law and allied areas. Normally the Board meetings are held at its Registered Office situated at Kolkata. The Board of Directors meets as often as required. The members of the Board have access to all the information relating to the company and are free to suggest/recommend any matter(s) for the efficient governance of the Company. During this year the Board had meetings on 07.04.2004, 30.04.2004, 31.07.2004, 31.08.2004, 04.09.2004, 18.10.04, 30.10.2004, 06.11.04, 09.12.04, 03.01.05, 31.01.2005 & 18.03.05. All relevant information, as required under clause 49 of the listing agreement was placed before the Board from time to time.

Name of Director	Type	Executive/ Non-executive	Number of meetings attended	Number of other Directorships*	Whether attended last AGM
Mr. Raj Kumar Agarwal	Promoter	Non-executive	12	2	Yes
Mr. Sanjay Agarwal	Independent	Non-executive	10	Nil	Yes
Mr. Kuldeep Jain	Independent	Non-executive	10	Nil	Yes
Mr. Manoj Kumar Agarwal	Independent	Non-executive	1	Nil	No

\* Directorship held in Public Limited Company only have been considered.

**3. INFORMATION ON DIRECTORS' RE-APPOINTMENT / APPOINTMENT**

Shri Manoj Kumar Agarwal resigned from the Board on 30.04.2004 due to his preoccupation. The board places on records its sincere appreciation for the valuable contribution made by him. Shri Kuldeep Jain is retiring by rotation in the ensuing Annual General Meeting and being eligible offers himself for re-appointment. His brief particulars are as under:

Shri Kuldeep Jain (35 years) possesses immense knowledge in the fields of corporate laws, income tax and retail financing. His rich experience in the corporate world is an asset for the Company and would surely go a long way in terms of value addition for the Company.

- 1) Raj Overseas Finance Pvt. Ltd.
- 2) Jain Enclave Pvt. Ltd.
- 3) Pierre Cardian Pvt. Ltd.

**4. AUDIT COMMITTEE**

At present the Audit Committee comprises of 3 Directors, Shri Raj Kumar Agarwal, Promoter Non-executive Director, Shri Sanjay Agarwal, Independent Non-executive Director and Shri Kuldeep Jain, Independent Non-executive Director. The Committee is chaired by Shri Sanjay Agarwal, Independent Non-executive Director, who possesses the necessary financial background.

The Audit Committee met five times during the year i.e. on 30.06.2004, 31.07.2004, 31.08.2004, 30.10.2004 and 31.01.2005 which was attended by Shri Raj Kumar Agarwal, Shri Sanjay Agarwal and Shri Kuldeep Jain. Besides the committee members statutory Auditors were also present at the meeting.

## STEP TWO CORPORATION LIMITED

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### 5. SHAREHOLDERS GRIEVANCE COMMITTEE

The Company has already constituted Investors/ Shareholders' Grievance Committee to look into the redressing of Shareholders' and Investors' complaints. This committee presently comprises of Shri Sanjay Agarwal, Independent Non-executive Director, Shri Kuldeep Jain, Independent Non-executive Director and Shri Raj Kumar Agarwal, Promoter Non-executive Director. Shri Sanjay Agarwal, Independent Non-executive Director, is the Chairman of the committee. The Committee ensures speedy redress of investor complaints, queries and grievance.

No shareholder complaints were received during the year 2004-2005.

### 6. SHARE TRANSFER

The Company has appointed M/s Niche Technologies (P) Ltd. as it's Registrar and share transfer agent for share transfer in physical and demat form. Shri Raj Kumar Agarwal, Promoter Non-executive Director, has been authorized to approve the transfers and transmissions of shares, securities, debentures, etc., issue of duplicate share certificates, consolidation and sub-division of shares and investors' grievance. The transfers/transmissions of shares are approved at least once in a fortnight.

### 7. REMUNERATION COMMITTEE

There are no whole time directors on the Board of Directors of the Company and the non-executive directors do not draw any remuneration from the Company and hence there is no need to constitute a remuneration committee.

### 8. DETAILS OF LAST 3 ANNUAL GENERAL MEETINGS

Information about last three Annual General Meeting

Year	Date	Time	Location
2002	30.09.2002	10:00 A.M.	17, Ganesh Chandra Avenue, 6 <sup>th</sup> Floor, Kolkata - 700 013
2003	27.09.2003	09:45 A.M.	17, Ganesh Chandra Avenue, 6 <sup>th</sup> Floor, Kolkata - 700 013
2004	30.09.2004	10:00 A.M.	21, Hemanta Basu Sarani, 5 <sup>th</sup> Floor, Suite No.507, Kolkata - 700 001

No resolutions have been put through postal ballot so far. Similarly, there are no resolutions which are required to be put through postal ballot at this Annual General Meeting.

### 9. DISCLOSURE

- i) There were no materially significant transactions with related parties, i.e., promoters, directors or the management and their relatives conflicting with the Company's interest.
- ii) The Company has complied with various rules and regulations prescribed by Stock Exchanges, Securities and Exchange Board of India or any other statutory authority relating to capital markets during the last three years. The Stock Exchange, Mumbai has temporarily suspended trading in the shares, alleging non-compliance of certain clauses of the listing agreement. However, the management has taken necessary steps to satisfy the exchange and is hopeful that the trading of the Company's scrip would soon be allowed on the exchange.

### 10. MEANS OF COMMUNICATION

The Unaudited Quarterly results of the Company are regularly submitted to the Stock Exchanges and published in newspapers in accordance with the Listing Agreement.



**11. SHAREHOLDER INFORMATION**

**A. Annual General Meeting**

Date : 30th day of August, 2005

Time : 11:00 A.M.

Venue : 17, Ganesh Chandra Avenue, 6th Floor, Kolkata - 700 013

**B. Financial Calender 1<sup>st</sup> April to 31<sup>st</sup> March,2006** : Will be published during  
(Provisional)

Result for Quarter ending June 30, 2005 : On or before 31st July, 2005

Result for Quarter ending September 30, 2005 : On or before 31st October, 2005

Result for Quarter ending December 31, 2005 : On or before 31st January,2006

Result for Quarter ending March 31, 2006 : On or before 30th April, 2006

**C. Book Closure**

The Register of members and Share Transfer Book will remain closed from 27<sup>th</sup> August, 2005 to 30<sup>th</sup> August, 2005 (both days inclusive) on account of Annual General Meeting.

**D. Dividend**

No dividend is recommended for the year.

**E. Listing at Stock Exchange**

(i) The Calcutta Stock Exchange Association Ltd. (Stock Code 29182)

(ii) The Stock Exchange, Mumbai (Stock Code 31509)

(iii) The Stock Exchange, Ahmedabad (Stock Code 56708)

(iii) The Jaipur Stock Exchange Ltd. (Stock Code 758)

The Company has paid the Listing Fees for the year 2004-05 to all stock exchanges.

**F. ISIN Number : INE623D01015**

**G. Depository Connectivity : NSDL and CDSL**

**H. STOCK MARKET DATA**

The shares of the Company are thinly traded in the market and no data regarding the same is available with the Company.

**12. REGISTRAR & TRANSFER AGENTS**

Name

Address

Niche Technologies (P) Ltd.  
(For Physical and Demat Shares)  
Tel.No.(033)22357271  
Fax No.(033)22156823

D-511, Bagree Market, 71 B.R.B. Road,  
Kolkata - 700001

**13. COMPLIANCE OFFICER**

Mr. Suresh Ramaswamy is presently acting as the compliance officer in accordance with the provisions of the Listing Agreement. His brief particulars are as under:

Address : 17, Ganesh Chandra Avenue, 6th Floor,  
Kolkata-700 013

Tel. No. : (033 )2236 0680/81

## STEP TWO CORPORATION LIMITED

### 14. DISTRIBUTION OF SHAREHOLDING AS ON 31.03.2005

No. of Equity Shares Held	No. of Shares holder	% of Share holders	No. of Shares held	% of Share holding
Upto 500	456	20.946	161400	3.195
501 to 1000	1184	54.387	827700	16.383
1001 to 5000	474	21.773	1004500	19.883
5001 to 10000	14	0.643	101800	2.015
10001 to 50000	37	1.700	1164000	23.040
50001 to 100000	9	0.413	848900	16.803
100001 and above	3	0.138	943800	18.681
Totals		100.000	5052100	100.000

### 15. SHAREHOLDING PATTERN AS ON 31.03.2005

Category	No. of Share held	% of Share holding
Indian Promoters	2050600	40.59
Indian Public including corporate bodies	3001500	59.41
	5052100	100.00

### 16. DEMATERIALIZATION OF SHARES

3,79,037 shares have been dematerialised upto 31.03.2005 which is 7.50 percent of the total shares of the Company.

### 17. BREAK-UP OF SHARES IN PHYSICAL AND DEMAT SEGMENT (As on 31.03.2005)

Segment	No. of Shareholders	% to total Shareholders	No. of Shares held	% to total Shares
Physical	2120	97.38%	4673063	92.50%
Demat	57	2.62%	379037	07.50%
Total	2177	100.00	5052100	100.00

### 18. OUTSTANDING GDRs/ADRs/WARRANTS OR ANY CONVERTIBLE INSTRUMENTS, CONVERSION DATE AND LIKELY IMPACT ON EQUITY

Not applicable as the Company has not issued any such instruments.

### 19. ADDRESS FOR CORRESPONDENCE

For any assistance regarding Share Transfers and transmissions, change of Address, duplicate/missing share certificates, demat and other matters, please write to or contact the Registrar & Share Transfer Agents at the address mentioned above.

**CERTIFICATE ON CORPORATE GOVERNANCE**  
**TO THE MEMBERS OF STEP TWO CORPORATION LIMITED**

We have examined the compliance of conditions of Corporate Governance by Step Two Corporation Limited for the year ended March 31,2005, as stipulated in clause 49 of the Listing Agreement of the said company with the Stock Exchanges.

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.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

On the basis of representation received from the Share Transfer Agent, we state that no investor grievance is pending for a period exceeding one month against the Company as per the records maintained by the Shareholders/Investors Grievance Committee.

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

**For B.P. AGARWAL & ASSOCIATES**  
Chartered Accountants

Place : Kolkata  
Date : 30th July, 2005

**Sanjay Dixit**  
(Partner)

# STEP TWO CORPORATION LIMITED

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## AUDITOR'S REPORT

TO  
THE SHAREHOLDERS OF  
M/S. STEP TWO CORPORATION LIMITED

We have audited the attached Balance Sheet of M/s. Step Two Corporation Limited, as at 31st March, 2005, and the Profit and Loss Account of the company for the year ended on that date annexed thereto and the cash flow statement for the period ended on that date, which we have signed under reference to this report. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our Audit.

We have conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material mis-statement. 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.

We report that:

1. 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.
2. In our opinion proper books of accounts as required by law have been kept by the company so far as it appears from our examination of the books of the company.
3. The Balance Sheet and the Profit and Loss Account dealt with by this report are in agreement with the books of accounts of the company.
4. In our opinion the Profit and Loss Account and the Balance Sheet comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.
5. On the basis of written representations received from the directors, as on 31<sup>st</sup> March, 2005, and taken on record by the Board of Directors, we report that none of the directors are disqualified as on 31<sup>st</sup> March 2005 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
6. In our opinion and to the best of our information and according to the explanations given to us, the said Balance Sheet & the Profit & Loss Accounts read together with and subject to the Notes thereon and Schedules 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:
  - a) In the case of the Balance Sheet of the state of affairs of the Company as on 31st March, 2005,
  - b) In the case of the Profit and Loss Account of the profit of the company for the year ended on that date.
  - c) In the case of cash flow statement, of the cash flows for the year ended on that date.

As required by the Companies (Auditors' Report) Order, 2003, issued by the Central Government of India in terms of Section 227(4A) of the Act and on the basis of such checks as we considered appropriate, and

## STEP TWO CORPORATION LIMITED

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according to the information and explanation given to us, we annex hereto a statement on the matters specified in paragraphs 4 and 5 of the said Order to the extent applicable to the Company.

As required by the "Non Banking Financial Companies Auditor's Report (Reserve Bank) Directions, 1998", we further state that we have submitted a Report to the Board of Directors of the Company containing a statement on the matters of supervisory concern to the Reserve Bank of India as specified in the said Directions, namely the following :-

- i) The company, incorporated prior to January 9, 1997, has applied for registration as provided in section 451A of the Reserve Bank of India Act, 1934 (2 of 1934). The Company has been granted certificate of registration as NBFC by the Reserve Bank of India & the Registration no. is 05.02614 dated 04.06.1998.
- ii) The Board of Directors of the Company has passed a Resolution for non-acceptance of any public deposits.
- iii) The Company has not accepted any public deposits during the year under reference.
- iv) The Company has complied with the prudential norms relating to income recognition, accounting standards, asset classification and provisioning of bad doubtful debts as applicable to it.

For B. P. AGARWAL & ASSOCIATES  
Chartered Accountants

Place : Kolkata.  
Dated : 30th July, 2005

(Sanjay Dixit)  
Partner.

## STEP TWO CORPORATION LIMITED

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### ANNEXURE TO AUDITORS' REPORT

1. a) The company has maintained proper records showing full particulars including quantitative details and situation of its fixed assets.  
b) The fixed assets of the Company have been physically verified by the management during the year. No discrepancies were noticed on such verification.  
c) There was no substantial disposal of fixed assets during the year.
2. a) The nature of the business of the company is dealing in shares and securities and financing activities. In view of the said nature of the business Accounting Standard 2 - "Valuation of Inventories" is not applicable to the company.  
Therefore the clause relating to the physical verification of the inventory is not applicable to the company.  
b) As Accounting Standard 2 is not applicable to the company, therefore clause relating to the procedure of physical verification of stocks is not applicable to the company.  
c) As the clause relating to the physical verification of the stocks is not applicable accordingly no records of the same were required to be maintained.
3. According to the information and explanations given to us the Company has neither granted not taken any loans, secured or unsecured to / from companies, firms & other parties covered in the register maintained u/s 301 of the Companies Act, 1956.
4. In our opinion, there are adequate internal control procedures commensurate with the size of the company and nature of its business with regard to the purchase and sale of inventories and fixed assets.
5. a) According to the information and explanations given to us, the Company has entered the transaction that need to be entered into a register in pursuance of section 301 of the Act have been so entered.  
b) On the basis of our examination of the books of account, the transactions that the Company has entered into exceeding Rs.5 lacs have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
6. The Company has not accepted any deposits under the provisions of Section 58A and 58AA or any other relevant provisions of the Act and the rules framed there under.
7. According to the information and explanations given to us, the company does not have an internal audit system commensurate with its size and nature of its business.
8. No cost record has been prescribed by the Central Government unde clause (d) of sub-section (1) of section 209 of the Act.
9. a) The company is regular in depositing undisputed statutory dues in respect of Income-tax, cess and any other statutory dues with the appropriate authorities at the year end, for a period of more then six months from the date they become due.  
b) Provisions of the Employee's Provident Fund and Miscellaneous Provisions Act and the

Employee's State Insurance Act are not applicable to the company. Provisions in respect of gratuity has not been made during the year. Accounting for the same is done on payment basis.

10. The Company has been registered for a period of more than five years and its accumulated losses at the end of the financial year are not equal to or more than fifty per cent of its net worth and it has not incurred cash losses in the current financial year and in the immediately preceding financial year.
11. The Company does not have dues to a financial institution or bank or debenture holders.
12. The Company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures and other securities.
13. In our opinion, considering the nature of activities carried on by the Company during the year, the provisions of any special statute applicable to chit funds/nidhi/mutual benefit funds/societies are not applicable to it.
14. In our opinion, the company has maintained proper records of transactions and contracts in respect of trading in shares & other investments and timely entries have been made therein and the shares, securities, debentures and other securities have been held by the company, in its own name.
15. The Company has not given any guarantee for loans taken by others from banks or financial institutions, the terms and conditions whereof are prejudicial to the interest of the company.
16. The Company has not taken any term loans during the year under reference.
17. The Company has not raised any funds on short-term basis, which have been used for long term investment.
18. The company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under section 301 of the act.
19. The Company has not raised any money by issue of debentures.
20. The Company has not raised any money by public issue during the year.
21. As per the information and explanations given to us and on the basis of examination of records, no material fraud on or by the Company was noticed or reported during the year.

# STEP TWO CORPORATION LIMITED

## BALANCE SHEET AS ON 31ST MARCH 2005

SCHEDULE	As on 31.03.2005		As on 31.03.2004	
	Rs.	P.	Rs.	P.
<b>SOURCES OF FUNDS</b>				
<b>Shareholders' Fund</b>				
Share Capital	1	45,424,956.00	43,739,590.00	
<b>Loan Funds</b>				
Secured Loans	2	13,728,408.58		-
Unsecured Loans	3	5,750,000.00		-
Deferred Tax Liability		64,624.67	82,902.86	
<b>Total:-</b>		<b>64,967,989.25</b>	<b>43,822,492.86</b>	
<b>APPLICATION OF FUNDS</b>				
<b>Fixed Assets</b>				
Gross Block	4	1,307,623.00	1,307,623.00	
Less: Depreciation		809,880.59	675,087.59	
Net Block		497,742.41	632,535.41	
<b>Investments</b>	5	9,387,543.55	8,162,281.74	
<b>Current Assets, Loans &amp; Advances</b>				
<b>Current Assets</b>				
Inventories	6	17,385,965.12	730,022.00	
Cash & Bank Balances	7	2,876,318.25	570,031.20	
Loans & Advances	8	40,029,188.95	42,709,164.95	
		60,291,472.32	44,009,218.15	
<b>Less : Current Liabilities &amp; Provisions</b>				
Current Liabilities	9	4,822,845.92	9,422,868.65	
Provisions	10	2,665,701.00	17,342.00	
		7,488,546.92	9,440,210.65	
Net Current Assets		52,802,925.40	34,569,007.50	
Misc. Expenditure	11	-	286,443.00	
(To the extent not written off or adjusted)				
Profit & Loss A/c		2,279,777.89	172,225.21	
(Loss to the extent not adjusted)				
<b>Total:-</b>		<b>64,967,989.25</b>	<b>43,822,492.86</b>	
Significant Accounting Policies & Notes on Accounts	16			

The schedules referred to above form an integral part of the Balance Sheet.

As per report of even date attached.

For B. P. AGARWAL & ASSOCIATES  
Chartered Accountants

(Sanjay Dixit)  
Partner

For and on behalf of the Board  
Sd/-  
Raj Kr. Agarwal  
Sanjay Agarwal  
Directors

Place : Kolkata

Dated : 30th July, 2005



**STEP TWO CORPORATION LIMITED**

**PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2005.**

	<u>SCHEDULE</u>	Year ended 31.03.2005 <u>Rs.</u> <u>P.</u>	Year ended 31.03.2004 <u>Rs.</u> <u>P.</u>
<b>INCOME</b>			
Sale of Shares		84,051,286.86	621,600.00
Interest & Other Income	12	4,266,394.97	4,036,883.35
Profit / (Loss) on Sale of Investments		1,892.14	144,544.20
Accretion / (Decretion) of stock		16,655,943.12	726,498.00
	<b>Total:-</b>	<b>104,975,517.09</b>	<b>5,529,525.55</b>
<b>EXPENDITURE</b>			
Purchases of Shares		101,643,997.82	3,644,400.00
Administrative & Other Expenses	13	1,014,381.01	1,019,448.29
Share Transaction Expenses		672,882.94	450.08
Depreciation w/off		134,793.00	128,886.00
Finance Charges	14	683,149.19	221,313.56
Misc. Expenditure W/off	15	286,443.00	289,445.00
	<b>Total:-</b>	<b>104,435,646.96</b>	<b>5,303,942.93</b>
<b>Profit (Loss) before Tax</b>		539,870.13	225,582.62
Provision for Loss on Equity/Index Futures		2,665,701.00	—
Income tax for earlier years		—	19,484.00
<b>Tax Expense</b>			
Current Tax		0.00	17,342.00
Deferred Tax		(18,278.19)	(6,678.17)
<b>Profit (Loss) after Tax</b>		(2,107,552.68)	195,434.79
Balance brought Forward from the last year		(172,225.21)	(367,660.00)
<b>Balance carried to Balance Sheet</b>		(2,279,777.89)	(172,225.21)
Basic & Diluted Earning Per Share		(0.464)	0.039
Significant Accounting Policies & Notes on Accounts	16		

The schedules referred to above form an integral part of the Profit & loss Account.

As per report of even date attached.  
For **B. P. AGARWAL & ASSOCIATES**  
Chartered Accountants

For and on behalf of the Board  
Sd/-  
**Raj Kr. Agarwal**  
**Sanjay Agarwal**  
Directors

(Sanjay Dixit)  
Partner

Place : Kolkata  
Dated : 30th July, 2005

# STEP TWO CORPORATION LIMITED

## SCHEDULES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET

	As on 31.03.2005		As on 31.03.2004	
	Rs.	P.	Rs.	P.
<b>SCHEDULE - 1</b>				
<b>SHARE CAPITAL</b>				
Authorised				
53,50,000 Equity Shares of Rs.10/- each	53,500,000.00		53,500,000.00	
	<u>53,500,000.00</u>		<u>53,500,000.00</u>	
Issued, Subscribed & Paid up				
50,52,100 Equity Shares of Rs.10/- each fully called up in cash	50,521,000.00		50,521,000.00	
Less: Calls in arrear	5,096,044.00		6,781,410.00	
	<u>45,424,956.00</u>		<u>43,739,590.00</u>	
<b>Schedule - 2</b>				
Secured Loans				
Fortis Finvest Ltd. (Secured by way of pledge over securities held as investments and inventories)	13,728,408.58			—
	<u>13,728,408.58</u>			<u>0.00</u>
<b>Schedule - 3</b>				
Insecured Loans				
Form body corporates	5,750,000.00			—
	<u>5,750,000.00</u>			<u>0.00</u>

## SCHEDULE - 5

INVESTMENTS	No. of Shares 31.03.2005	No. of Shares 31.03.2004	Value	
			As on 31.03.2005 Rs. P.	As on 31.03.2004 Rs. P.
(Long Term, at cost)				
<b>Quoted</b>				
(Equity Shares of Rs.10/- each fully paid up)				
Aftek Infosys Ltd.	NIL	20000	—	1,129,027.95
Balaji Telefilm Ltd.	NIL	60500	—	5,432,584.64
BASF Ltd.	NIL	300	—	56,106.00
NRC Ltd.	NIL	14500	—	514,438.00
Shyam Telecom Ltd.	NIL	9000	—	605,125.15
Srei infrastructure Finance Ltd.	1,000	NIL	54,610.93	—
Priyadarshini Cement Ltd.	NIL	500	—	25,000.00
Himachal Futuristic Communications Ltd.	210,000	NIL	4,972,604.96	—
Satnam Overseas Ltd.	40,000	NIL	4,360,327.66	—
<b>TOTAL (A)</b>			<u>9,387,543.55</u>	<u>7,762,281.74</u>
<b>Unquoted</b>				
(Equity Shares of Rs.10/- each fully paid up)				
Topper Builders & Construction Pvt. Ltd.	NIL	40,000	—	400,000.00
<b>TOTAL (B)</b>			<u>0.00</u>	<u>400,000.00</u>
<b>TOTAL (A+B)</b>			<u>9,387,543.55</u>	<u>8,162,281.74</u>
Aggregate Market Value of Quoted Shares.			<u>7,420,100.00</u>	<u>7,234,760.00</u>

**SCHEDULE - 4**  
**FIXED ASSETS**

AMOUNT (RS)

Particulars	GROSS BLOCK				DEPRECIATION			NET BLOCK	
	Balance as on 01.04.2004	Additions during the year	Sales during the year	Total	As on 01.04.2004	Depreciation for the year	As on 31.03.2005	WDV as on 31.03.2005	WDV as on 31.03.2004
<b>OWN ASSETS</b>									
Computer	259,360.00	-	-	259,360.00	210,523.72	42,043.00	252,566.72	6,793.28	48,836.28
Furniture & Fixture	28,300.00	-	-	28,300.00	15,161.71	1,791.00	16,952.71	11,347.29	13,138.29
Office Equipment	80,997.00	-	-	80,997.00	30,481.16	3,847.00	34,328.16	46,668.84	50,515.84
Elec. Installation.	44,000.00	-	-	44,000.00	17,921.00	2,090.00	20,011.00	23,989.00	26,079.00
Vehicles	894,966.00	-	-	894,966.00	401,000.00	85,022.00	486,022.00	408,944.00	493,966.00
<b>Total :-</b>	<b>1,307,623.00</b>	<b>-</b>	<b>-</b>	<b>1,307,623.00</b>	<b>675,087.59</b>	<b>134,793.00</b>	<b>809,880.59</b>	<b>497,742.41</b>	<b>632,535.41</b>
<b>Previous year</b>	<b>1,261,123.00</b>	<b>46,500.00</b>	<b>-</b>	<b>1,307,623.00</b>	<b>546,201.59</b>	<b>128,886.00</b>	<b>675,087.59</b>	<b>632,535.41</b>	

**STEP TWO CORPORATION LIMITED**

**SCHEDULE - 6**

**INVENTORIES**

(As certified by the management)

(Valued at lower of cost or market price)

Stock of Shares / Securities	17,385,965.12	730,022.00
(As per Annexure - 1)	<u>17,385,965.12</u>	<u>730,022.00</u>

**SCHEDULE - 7**

**CASH & BANK BALANCES**

Cash in hand	69,542.58	184,227.43
(As certified by the management)		
Cheques in hand	—	8,315.00
Balances with Scheduled banks		
in Current Accounts	<u>2,806,775.67</u>	<u>377,488.77</u>
	<u>2,876,318.25</u>	<u>570,031.20</u>

**SCHEDULE - 8**

**LOANS & ADVANCES (Unsecured considered good)**

Loans	36,301,868.95	40,969,700.95
Mark to Market Margin - Equity Index/ Stock Futures A/c	2,665,701.00	—
Advances Recoverable in cash or in Kind or for value to be received	453,127.00	1,631,726.00
Security Deposits	106,000.00	106,000.00
Share Application Money (Pending Allotment)	500,000.00	—
Prepaid Expenses	2,492.00	1,738.00
	<u>40,029,188.95</u>	<u>42,709,164.95</u>

**SCHEDULE - 9**

**CURRENT LIABILITIES**

Dundry Creditors	4,637,745.86	9,336,489.65
Other Liabilities	185,100.06	86,379.00
	<u>4,822,845.92</u>	<u>9,422,868.65</u>

**SCHEDULE - 10**

**PROVISIONS**

Provision for Loss on Equity Stock/Index Futures	2,665,701.00	—
Provision for Taxation	—	17,342.00
	<u>2,665,701.00</u>	<u>17,342.00</u>

**STEP TWO CORPORATION LIMITED**

	As on 31.03.2005	As on 31.03.2004
	<u>Rs.</u>	<u>P.</u>
<b>SCHEDULE - 11</b>		
<b>MISCELLANEOUS EXPENDITURE</b>		
(To the extent not written off or adjusted)		
Preliminary Expenses	—	16,216.00
Public Issue Expenses	—	270,227.00
	0.00	286,443.00
	0.00	286,443.00
<b>SCHEDULE - 12</b>		
<b>INTEREST &amp; OTHER INCOME</b>		
Dividend (TDS Rs. NIL)	11,800.00	13,250.00
Previous Year NIL)		
Interest income (TDS Rs.3,52,213/- Previous Year Rs.61,932/-)	3,247,192.00	3,612,217.00
Share Speculation	877,818.92	223,569.35
Brokerage & Commission (TDS Rs.NIL, Previous Year-Rs.NIL/-)	127,577.05	172,474.00
Miscellaneous income	—	307.00
Interest on I.T.Refund	2,007.00	15,066.00
	4,266,394.97	4,036,883.35
	4,266,394.97	4,036,883.35
<b>SCHEDULE - 13</b>		
<b>ADMINISTRATIVE &amp; OTHER EXPENSES</b>		
Personnel Cost	348,350.00	296,537.00
Advertisement Expenses	3,327.00	10,691.00
Travelling & Conveyance Expenses	110,732.50	179,632.75
Rent	18,750.00	30,000.00
Rates & Taxes	151,769.00	95,069.00
Auditor's Remuneration	8,816.00	7,560.00
Business Promotion expenses	82,241.20	88,123.01
General Expenses	83,822.20	93,271.35
Communication cost	69,555.76	82,556.45
Printing & Stationery	45,352.85	46,258.75
Share Transfer Expenses	19,524.00	17,476.00
Vehicle up-keep	54,002.50	67,365.98

**STEP TWO CORPORATION LIMITED**

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	As on 31.03.2004		As on 31.03.2003	
	Rs.	P.	Rs.	P.
Repair & Maintenance		11,250.00		—
Car Insurance		6,888.00		4,907.00
		<u>1,014,381.01</u>		<u>1,019,448.29</u>
<b>SCHEDULE - 14</b>				
<b>FINANCE CHARGES</b>				
Interest Paid		683,149.19		221,313.56
		<u>683,149.19</u>		<u>221,313.56</u>
<b>SCHEDULE - 15</b>				
<b>MISC. EXPENDITURE W/OFF</b>				
Preliminary Expenses		16,216.00		19,218.00
Share Issue Expenses		270,227.00		270,227.00
		<u>286,443.00</u>		<u>289,445.00</u>

**SCHEDULE - 16**

(Notes annexed to & forming part of the accounts for the year ended 31<sup>st</sup> March'2005)  
**Significant Accounting Policies & Notes on Accounts**

**1. Significant Accounting Policies**

**1.1 Accounting Convention**

The accounts have been prepared on historical cost convention under accrual method of accounting and under the going concern concept & in accordance with the applicable accounting standards.

**1.2 Basis of Accounting**

The Company prepares its financial statement in accordance with generally accepted Accounting practices and also in accordance with the requirement of the Companies Act, 1956.

**1.3 Inventories**

Stock of all quoted shares and securities has been valued at cost or market price whichever is lower.

**1.4 Investments**

Investments are stated at its cost of acquisition.

**1.5 Income & Expenditure**

Income & Expenditure are accounted for on accrual basis except dividend income which is accounted on receipt basis.

**1.6 Fixed Assets**

Fixed Assets are stated at their original cost of acquisition (which includes expenditure incurred for the acquisition and/or installation if any) as reduced by accumulated depreciation there on.

Depreciation on Fixed Assets has been provided on straight line basis at rates prescribed under Schedule XIV of the Companies Act, 1956.

**1.7 Taxation**

Provision for income tax is made on the assessable income at the tax rate applicable for the relevant assessment year.

Deferred tax is recognised, subject to the consideration of prudence, on timing difference, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

Deferred tax assets are not recognised unless there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.

**2. Particulars in respect of opening stock, purchases, sales & closing stock of shares, etc.**

	Quantity as at <u>31.03.2005</u>	Quantity as at <u>31.03.2004</u>
Opening Stock:	50162	162
Purchases:	2322370	116750
Sales	1847055	66750
Closing Stock	525477	50162

## STEP TWO CORPORATION LIMITED

3. In terms of the Reserve Bank of India guidelines issued to Non-Banking Financial Companies, all investments in securities are bifurcated into current investments & long term investments. Investments which acquired with the intention of short term holding are considered as Stock-in-trade and classified as current assets and others are considered as long term investments. Long term investments are valued at cost, whereas current investments are valued at cost or market price whichever is lower.
4. **Miscellaneous Expenditure**  
Preliminary expenses & Public issue expenses have been amortised and are to be written off in 10 years.
5. **Auditor's Remuneration**

	<u>2004-2005</u> Amount (Rs.)	<u>2003-2004</u> Amount (Rs.)
Statutory Audit Fees	5,510.00	5,400.00
Tax Audit Fees and other matters	<u>3,306.00</u>	<u>2,160.00</u>
<b>Total</b>	<b>8,816.00</b>	<b>7,560.00</b>

6. During the financial year 1997-98, a sum of Rs.25,00,000/- (Rupees Twenty Five Lacs only) had been fraudulently withdrawn from Punjab & Sind Bank Ltd., New Targri Road Branch, Kolkata. The matter is under litigation. The closing balance of this account as appearing in the balance sheet under the head "cash & bank balances" is Rs.25,02,195/-.

7. Related party disclosures as per Accounting Standard-18 are given below :

(i) Details of transactions with Related parties: (Amount in Rs.)

Sl.No.	Nature of Relationship Particulars/Transactions	Key Management personnel and their relatives
1.	Loan repayments received during the year	2637602.00
2.	Loan taken during the year	427000.00
3.	Advances given during the year	—
4.	Interest received	—
5.	Rent	18750.00
6.	Legal & Professional Charges	18000.00
7.	Outstanding amount as on the balance sheet date	
	- Payables	72000.00
	- Recievables	—

(ii) Name and description of relationship with the related parties :

Key Management personnel and their relatives :

Mr. Ravi Shankar Agarwal, Mrs. Sapna Agarwal, M/s. Raj Bhavna & Associates, M/s Asra Abasan Pvt. Ltd.



## STEP TWO CORPORATION LIMITED

8. Deferred Tax

The break up of deferred tax liability as at 31st March, 2005 is as follows :  
(Figures in brackets are in respect of the previous year)

	Amount in Rs. Deferred Tax asset	Amount (in Rs.) Deferred Tax liability
Timing difference of account of :		
Difference between book depreciation and depreciation under Income tax Act, 1961		82902.86
Reverse during the year for Difference between book depreciation and depreciation under Income tax Act, 1961		(18,278.19)
Deferred Tax Liability as on 31.03.2005		64,624.67

9. Earnings per shares - The numerators and denominators used to calculate Basic/Diluted

Earning per share:

	(Amount in Rs.)	
	<u>2004-05</u>	<u>2003-04</u>
(a) Amount used as the numerator Profit after tax (A) (Rs.)	(2,107,552.68)	1,95,434.79
(b) Basic/weighted average number of equity shares used as denominator (B)	4542495	5052100
(c) Nominal value of equity shares (Rs.)	10.00	10.00
(d) Basic/diluted Earnings per share(A/B)	(0.464)	0.039

10. a. The Company has entered into Equity Index/Stock Futures.

b. Open interests relating to such entered contracts till the year-end are mentioned underneath.

Name of Equity Index/Stock Futures	No. of Contracts	No. of Units	
		Long	Short
Nifty Index	1	25000	-
Reliance Industries Limited	1	35400	-
Ranbaxy Laboratories Limited	1	30000	-
Jet Airways Limited	1	25000	-
Indian Petrochemicals Company Limited	1	1100	-

11. Previous years figures have been re-grouped & re-arranged wherever considered necessary.

## STEP TWO CORPORATION LIMITED

### 12. BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE FOR THE YEAR ENDED 31ST MARCH 2005.

#### I. REGISTRATION DETAILS

Registration No.	21-66080	State Code	21
Balance Sheet Date	31.03.2005		

#### II. CAPITAL RAISED DURING THE YEAR (Amount in Rs. '000)

Public Issue	NIL	Right Issue	NIL
Bonus Issue	NIL	Private Placement	NIL

#### III. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS AMOUNT (Rs. in '000)

Total Liabilities	64968	Total Assets	64968
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#### SOURCE OF FUNDS

Paid-up Capital	45425	Reserve & Surplus	NIL
Secured Loans	13728	Unsecured Loans	5750
Deferred Tax Liability	65		

#### APPLICATION OF FUNDS

Net Fixed Assets	498	Investments	9,388
Net Current Assets	52803	Misc. Expenditure	NIL
Accumulated Losses	2280		

#### IV. PERFORMANCE OF COMPANY (Amount in Rs. '000)

Turnover / Total Income	104976	Total Expenditure	104436
Profit before tax	540	Profit after tax	(2108)
Basic E.P.S. in Rs.	(0.46)	Dividend Rate %	NIL

#### V. GENERIC NAMES OF THREE PRODUCTS/SERVICES OF COMPANY (as per monetary terms)

Products / Service Description	Item Code No.
1. Dealing in Shares & Securities	N.A.
2. Finance Activities	N.A.

Signature from Schedule 1 to Schedule 16.

For **B. P. AGARWAL & ASSOCIATES**  
Chartered Accountants

(Sanjay Dixit)  
Partner

On behalf of the Board.

Sd/-  
**Raj Kr. Agarwal**  
**Sanjay Agarwal**  
Directors

Place : Kolkata

Dated : 30th July, 2005

Annexure-1

**INVENTORIES**

Quoted shares

(Equity shares of Rs.10 each,fully paid up)

SR. No. Name of the company	No. of Shares as on 31.03.2005	No. of Shares as on 31.03.2004	Lower of Cost or Market Price as on 31.03.2005	Lower of Cost or Market Price as on 31.03.2004
1 Prime Capital Market Ltd.	—	50,000	—	7,25,000.00
2 South East Asia Marine Ltd.	—	162	—	5,022.00
3 Alka Spinners Ltd.	6000	—	9,320.00	—
4 Archies Ltd.	4500	—	320,400.00	—
5 Baffin Engineering Pro. Ltd.	23000	—	80,730.00	—
6 Bhusan Steel Ltd.	4000	—	827,200.00	—
7 BITS Ltd.	20000	—	54,200.00	—
8 BSEL Information Ltd.	100000	—	3200,000.00	—
9 Cerebra Intergrate Ltd.	125000	—	778,750.00	—
10 ECE India Ltd.	600	—	59,370.00	—
11 Eider Pharma Ltd.	15750	—	2820,825.00	—
12 Escorts Ltd.	1000	—	14,227.60	—
13 Essar Steel Ltd.	1000	—	34,050.00	—
14 Excei Glasses Ltd.	1000	—	11,280.00	—
15 Givo Ltd.	500	—	5,250.00	—
16 Gujrat Ambuja Ltd.	200	—	80,320.00	—
17 G. V. Films Ltd.	10000	—	5,100.00	—
18 Hindustan Motors Ltd.	1000	—	32,950.00	—
19 Hindustan Petroleum Ltd.	450	—	137,677.50	—
20 Hindustan Zinc Ltd.	500	—	85,000.00	—
21 Hotline Glass Ltd.	7000	—	89,250.00	—
22 Ingersoll Rand Ltd.	800	—	208,863.72	—
23 ISIBars Ltd.	30000	—	296,700.00	—

**STEP TWO CORPORATION LIMITED**

SR. No.	Name of the company	No. of Shares as on 31.03.2005	No. of Shares as on 31.03.2004	Lower of Cost or Market Price as on 31.03.2005	Lower of Cost or Market Price as on 31.03.2004
24	JCT Ltd.	1000	—	12,900.00	—
25	K. G. Khosia Ltd.	1000	—	114,450.00	—
26	Khoday India Ltd.	500	—	22,050.00	—
27	Maars Software Ltd.	25000	—	120,000.00	—
28	Maikal Fibres Ltd.	2000	—	7000.00	—
29	Mascon Global Ltd.	25000	—	512,500.00	—
30	Mysore Cement Ltd.	2500	—	58,750.00	—
31	National Peroxide Ltd.	650	—	2,375,132.50	—
32	National Steel Ltd.	11500	—	405,375.00	—
33	ONGC Ltd.	65	—	52552.50	—
34	Parag Bosmi Ltd.	2500	—	12,925.00	—
35	Petron Engineering Ltd.	250	—	30,917.50	—
36	Priyadarshini Cement Ltd.	500	—	16,125.00	—
37	Rama Vision Ltd.	10000	—	25,400.00	—
38	Sabero Organics Ltd.	500	—	11,600.00	—
39	SAIL	11000	—	696,850.00	—
40	Saint-Gobian Securities Ltd.	5000	—	149,750.00	—
41	Saregama India Ltd.	3000	—	220,961.30	—
42	SEAMAC Ltd.	162	—	11542.50	—
43	Shyam Tele Ltd.	6750	—	486,675.00	—
44	Spic Electronics Ltd.	2000	—	9800.00	—
45	Srei International Ltd.	55000	—	2,425,500.00	—
46	SRF Ltd.	2000	—	177800.00	—
47	Tamilnadu Newsprint Ltd.	800	—	46920.00	—
48	Tera Software Ltd.	2000	—	21600.00	—
49	Usha Beltron Ltd.	1000	—	92,200.00	—
50	Valecha Engineering Ltd.	500	—	75,575.00	—
51	Xpro India Ltd.	1000	—	41,650.00	—
		525,477.00	50,162.00	17,385,965.12	730,022.00

**STEP TWO CORPORATION LIMITED**

**Cash Flow Statement for the Year Ended 31st March 2005**

	<b>2005-2006</b>	<b>2004-2005</b>
	<b>Amount (Rs)</b>	<b>Amount (Rs)</b>
<b>A. <u>Net Cash from Operational Activities</u></b>		
Net Profit Before Taxes	539,870.13	225,582.62
Add : Loss from sale of investments	(1,892.14)	(144,544.20)
Depreciation & Amortisation	421,236.00	418,331.00
Income tax paid for earlier years	0.00	(19,484.00)
Provision for Taxation	0.00	(17,342.00)
Operating Profit before change in Working Capital	959,213.99	462,543.42
Increase/Decrease in trade & other receivable.	0.00	125,000.00
Increase/Decrease in Inventories	(16,655,943.12)	(726,498.00)
Increase/Decrease in Loans & Advance.	2,679,976.00	2,755,839.00
Increase/Decrease in trade & other Payable	(460,002.73)	2,627,867.44
Increase/Decrease in Provision	(17,342.00)	5,031.00
Net Cash from Operating Activities      A	(17,634,117.86)	5,249,782.86
<b>B. <u>Cash Flow from Investing Activities</u></b>		
Profit from sale of Investment	1,892.14	144,544.20
Purchase/Sale of Fixed Assets	0.00	(46,500.00)
Purchase/Sale of Investments	(1,225,261.81)	(7,688,646.74)
Cash Flow from Investing Activities      B	(1,223,369.67)	(7,590,602.54)
<b>C. <u>Cash Flow from Financing Activities</u></b>		
Loan Taken	19,478,408.58	—
Loan Repaid	—	—
Issue of shares	1,685,366.00	355,761.00
Cash Flow from Financing Activities      C	21,163,774.58	355,761.00
Net Increase in cash & Cash Requirement Total (A+B+C)	2,306,287.05	(1,985,058.68)
Cash & Cash Equivalent (Opening Balance)	570,031.20	2,555,089.88
Cash & Cash Equivalent (Closing Balance)	2,876,318.25	570,031.20

## STEP TWO CORPORATION LIMITED

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Notes to the Cash Flow Statement :

1. Cash & Cash AEquivalent comprises of :

	As on 31.03.2005	As on 31.03.2004
	<u>Amount (in Rs.)</u>	<u>Amount (in Rs.)</u>
Cash in hand	69,542.58	184,227.43
Cheques in hand	0.00	8,315.00
Balances with Scheduled banks in Current Accounts	<u>2,806,775.67</u>	<u>377,488.77</u>
	<u>2,876,318.25</u>	<u>570,031.20</u>

2. The opening as well as the closing balance of Cash & Cash Equivalents as shown in the Cash Flow Statement out of which Rs.25,00,000/- was fraudulently withdrawn from the Punjab & Sind Bank in the financial year 1996-97. The closing Balance of this account as appearing in Balance Sheet under the head "Cash & Bank Balances" is Rs.25,02,195/- as on 31.03.2005. The entire amount is not available for use by the Comopany.

3. The Cash Flow Statement has been prepared using 'Indirect Method' set out in Accounting Standard 3 issued by the Institute of Chartered Accountants of India.

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This is the Cash flow Statement referred to in our report of even date.

For and on behalf of the Board.

For B. P. AGARWAL & ASSOCIATES  
Chartered Accountants

(Sanjay Dixit)  
Partner

Sd/-  
Raj Kr. Agarwal  
Sanjay Agarwal  
Directors

Place : Kolkata

Dated : 30th July, 2005

**STEP TWO CORPORATION LIMITED**

**Schedule to the Balance Sheet of a Non-Banking Financial Company**  
*(as required in terms of Paragraph 9BB of Non-Banking Financial Companies Prudential Norms (Reserve Bank) Directions, 1998)*

Particulars	(Rs. in Thousands)	
<b>Liabilities side :</b>		
(1) Loans and advances availed by the NBFCs inclusive of interest accrued thereon but not paid:	Amount outstanding	Amount overdue
(a) Debentures : Secured	NIL	NIL
: Unsecured	NIL	NIL
(other than falling within the meaning of public deposits*)		
(b) Deferred Credits	NIL	NIL
(c) Term Loans	NIL	NIL
(d) Inter-corporate loans and borrowing	5,750	NIL
(e) Commercial Paper	NIL	NIL
(f) Public Deposits*	NIL	NIL
(g) Other Loans (specify nature)	13,728	NIL
* Please see Note 1 below		
(2) Break-up of (1)(f) above (Outstanding public deposits inclusive of interest accrued thereon but not paid):		
(a) In the form of Unsecured debentures	NIL	NIL
(b) In the form of partly secured debentures i.e. debentures where there is a shortfall in the value of security	NIL	NIL
(c) Other public deposits	NIL	NIL
* Please see Note 1 below		
<b>Assets Side :</b>		
(3) Break-up of Loans and Advances including bills receivables [other than those included in (4) below] :		
(a) Secured		NIL
(b) Unsecured		36,755
(4) Break up of Leased Assets and stock on hire and hypothecation loans counting towards EL/HP activities		
(i) Lease assets including lease rentals under sundry debtors :		
(a) Financial lease		NIL
(b) Operating lease		NIL
(ii) Stock on hire including hire charges under sundry debtors:		
(a) Assets on hire		NIL

**STEP TWO CORPORATION LIMITED**

(b) Repossessed Assets	NIL
(iii) Hypothecation loans counting towards EL/HP activities:	
(a) Loans where assets have been repossessed.	NIL
(b) Loans other than (a) above	NIL

**(5) Break-up of Investments :**

**Current Investments :**

**1. Quoted :**

(i) Shares : (a) Equity	17,386.00
(b) Preference	NIL
(ii) Debentures and Bonds	NIL
(iii) Units of mutual funds	NIL
(iv) Government Securities	NIL
(v) Others (please specify)	NIL

**2. Unquoted :**

(i) Shares : (a) Equity	NIL
(b) Preference	NIL
(ii) Debentures and Bonds	NIL
(iii) Units of mutual funds	NIL
(iv) Government Securities	NIL
(v) Others (please specify)	NIL

**Long Term investments :**

**1. Quoted :**

(i) Share : (a) Equity	9,387.00
(b) Preference	NIL
(ii) Debentures and Bonds	NIL
(iii) Units of mutual funds	NIL
(iv) Government Securities	NIL
(v) Others (Please specify)	NIL

**2. Unquoted :**

(i) Shares : (a) Equity	NIL
(b) Preference	NIL
(ii) Debentures and Bonds	NIL
(iii) Units of mutual funds	NIL
(iv) Government Securities	NIL
(v) Others (Please specify)	NIL

**(6) Borrower group-wise classification of all leased assets, stock-on-hire and loans and advances :**

Please see Note 2 below

**Category**

**Amount net of provisions**

	Secured	Unsecured	Total
1. Related Parties **	Nil	Nil	Nil
(a) Subsidiaries	Nil	Nil	Nil
(b) Companies in the same			



**STEP TWO CORPORATION LIMITED**

group	Nil	Nil	Nil
(c) Other related parties	Nil	Nil	Nil
2. Other than related parties	Nil	36,755.00	36,755.00
<b>Total</b>	<b>Nil</b>	<b>36,755.00</b>	<b>36,755.00</b>

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

Please see note 3 below

Category	Market Value/Break up or fair value or NAV	Book Value (Net of Provisions)
1. Related Parties **		
(a) Subsidiaries	NIL	NIL
(b) Companies in the same group	NIL	NIL
(c) Other related parties	NIL	NIL
2. Other than related parties	24,806.00	24,806.00
<b>Total</b>	<b>24,806.00</b>	<b>24,806.00</b>

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

**(8) Other information**

Particulars	Amount
(i) Gross Non-Performing Assets	NIL
(a) Related parties	NIL
(b) Other than related parties	NIL
(ii) Net Non-Performing Assets	NIL
(a) Related parties	NIL
(b) Other than related parties	NIL
(iii) Assets acquired in satisfaction of debt	NIL

**Notes:**

1. As defined in Paragraph 2(1)(xii) of the Non-Banking Financial Companies Acceptance of Public Deposits (Reserve Bank) Directions, 1998.
2. Provisioning norms shall be applicable as prescribed in the Non-Banking Financial Companies Prudential Norms (Reserve Bank) Directions, 1998.

All Accounting Standards and Guidance Notes issued by ICAI are applicable including for valuation of investments and other assets as also assets acquired in satisfaction of debt. However, market value in respect of quoted investments and break up/fair value/NAV in respect of unquoted investments should be disclosed irrespective of whether they are classified as long term or current in column (5) above.



**STEP TWO CORPORATION LIMITED**

Regd. Office : 17, G. C. Avenue, Kolkata-700 013

Folio

No. of Shares

**PROXY**

I/WE..... of..... being a member/  
Members of the abovenamed company, hereby appoint.....  
of..... or failing him.....of.....  
as my/our proxy absence to attend and vote for me/us and my/our behalf at Tenth Annual General Meeting of the Company, to be held at 17, Ganesh Chandra Avenue, 6th Floor, Suite No.601, Kolkata-700 13 on Tuesday 30th August, 2005 at 11 A.M. or at any adjournment thereof AS  
WITNESS my/our hand/hands this ..... day of ..... 2005.

Singed by the said



Note : The Proxy must be deposited at the Registered Office of the Company not less than 48 hours before the time for holding the meeting.

**STEP TWO CORPORATION LIMITED**

Regd. Office : 17, G. C. Avenue, Kolkata-700 013

**ADMISSION SLIP**

I/WE hereby record my/our presence at the Tenth Annual General Meeting of the Company to be held at 17, Ganesh Chandra Avenue, 6th Floor, Suite No.601, Kolkata-700 13 on Tuesday 30th August, 2005 at 11 A.M.

Name (s).....

Folio No.....

Signature(s) of Shareholders/Proxy attending the meeting.

**NOTES :** (1) A Member/Proxy/Representative wishing to attend the meeting must complete this Admission Slip and hand it over at the entrance.

(2) Name of the Proxy/Representative in Block Letters (in case of Proxy/Representative attends the meeting).

