

## STEP TWO CORPORATION LIMITED

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### NOTICE

NOTICE IS HEREBY GIVEN that the Thirteenth Annual General meeting of the Members of Step Two Corporation Limited will be held at 21, Hemanta Basu Sarani, 5th Floor, Suite No.507, Kolkata-700 001, on Monday, the 24th day of September, 2007 at 10.00 A.M. to transact the following business:

### AS ORDINARY BUSINESS.

1. To receive, consider and adopt the Audited Balance Sheet as on 31st March, 2007 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 Sanjay Agarwal 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.

### 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 20<sup>th</sup> day of September, 2007 to 24<sup>th</sup> day of September, 2007 (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.

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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.

Registered Office :  
21, Hemanta Basu Sarani,  
5<sup>th</sup> Floor, Suite No.507,  
Kolkata - 700 001  
Dated : 20th August, 2007

By Order of the Board  
**Raj Kumar Agarwal**  
Director

## STEP TWO CORPORATION LIMITED

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### DIRECTORS' REPORT

To  
The Members

Your Directors have pleasure in presenting the Thirteenth Annual report on the business and operations of the Company together with Audited statements of accounts for the year ended 31st March, 2007.

### REVIEW OF OPERATION

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

	CURRENT YEAR		PREVIOUS YEAR	
	Rs.	P.	Rs.	P.
Profit/(Loss) Before Tax	4,64,979.49		41,78,599.35	
Provision for Loss on Equity Stock/Index Future	91,284.00		1,42,200.00	
Current Tax	32,600.00		1,18,605.00	
Add : Deferred Tax	(5,354.73)		(13,470.94)	
Profit/(Loss) after Tax	3,46,450.22		39,31,265.29	
Transfer to Reserve Fund	69,290.20		7,86,253.06	
Balance brought forward from last year	8,65,234.34		(22,79777.89)	
Balance Carried to Balance Sheet	11,42,394.36		8,65,234.34	

### DIVIDEND

The Company's Dividend policy is based on the need to balance the objectives of rewarding the shareholders with Dividend and retaining the earned surplus to support future growth and healthy Capital Adequacy Ratio. With a view to conserving resources and building up reserves, your Directors do not recommend payment of Dividend for the year.

### OPERATION

During the year under review, your Company has earned a total Income of Rs.2181.84 Lacs from business operations, compared to previous year Rs.7489.61 Lacs. during the year under review, Your Company has posted a net profit of Rs.3.46 Lacs compared to previous year 39.31 Lacs. The current year's revenue has been generated mostly from investment and securities trading business and other financial services and the efforts would continue on this front as your company sees opportunities in these areas.

The year 2006-2007 witnessed an increase in the prevalent market rates of interest thereby giving boost to the company's profitability. Your Directors are very optimistic about the future prospects and expect to achieve still better results.

### DIRECTORS

Shri Sanjay Agarwal retires from office by rotation in accordance with the requirements of Companies Act,1956 and being eligible, offers himself for reappointment. The particulars regarding the retiring directors and mentioned in the corporate Governance report.

## STEP TWO CORPORATION LIMITED

### DIRECTORS RESPONSIBILITY STATEMENT

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

- i) In the preparation of the annual accounts, the applicable accounting standards have been followed and that no material departures have been made from the same.
- ii) Your directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the Profit or Loss of the company for that period.
- iii) Your directors have 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) Your directors have prepared the accompanying Annual Accounts for the year ended 31st, March, 2007 on a going concern basis.

### AUDITORS

M/s. B.P. Agarwal & Associates, Chartered Accountants, Kolkata, statutory Auditors of your Company hold office till the conclusion of the 13th 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.

### PERSONNEL

During the year, no employee was in receipt of remuneration of or in excess of the amount prescribed under section 217(2A) of the Companies Act, 1956.

### STATUTORY INFORMATION

Particulars required to be furnished by the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988:

1. Part A and B pertaining to conservation and technology absorption are not applicable to the company.
2. Foreign Exchange earnings nil and outgoes : Rs.5850/-.

### CORPORATE GOVERNANCE

Your Company complies with all the mandatory requirements pertaining to Corporate Governance, in terms of Clause 49 of the Listing Agreement with the Stock Exchanges. 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.

For and on behalf of the Board

Sd/-

Raj Kr. Agarwal  
Ashok Kumar Sharma  
Directors

Place : Kolkata  
Date : 31.07.2007

**MANAGEMENT DISCUSSION AND ANALYSIS**

**Economic Scenario**

India has emerged as one of the biggest and fastest growing economies in the world during the last decade. Today, India is the tenth largest economy in the world and it is expanding in every field. India is also the second fastest growing economy in the world with a GDP growth rate of over 8% in last few years. The financial market reforms, evolving macroeconomic environment and several micro-level factors are responsible for the paradigm shift in the financial sector. For sustainable economic growth of any country, a competent financial system providing access to affordable credit to an extensive section of society is necessary.

**Business Outlook**

In India, Non-Banking Finance Companies (NBFCs) act as a critical link in the overall financial system by providing credit to the unorganized sector and small borrowers by offering a wide variety of financial services. 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 has become intense due to the entry of the Indian and foreign banks into the retail lending business in a big way, thereby exerting pressure on margins. The banks possess greater resources than NBFCs and access to cheaper funds. However, as compared to banks, NBFCs have the ability to take quicker decisions and customize their services in accordance with the needs of the customer. Reserve Bank of India (RBI), which is the regulating body for NBFCs, has been continuously strengthening the supervisory framework for NBFCs in order to ensure sound and healthy functioning and avoid excessive risk taking. The degree of supervision is based on the size, type of activity and acceptance or non-acceptance of deposits. Various prudential norms for asset classification, income recognition, provisioning etc., are applicable to NBFCs. Step Two Corporation Limited (STCL) has managed to withstand the intense competition from banks and financial institutions and with its clear understanding of business dynamics and its ability to efficiently switch between the equity and debt markets on a timely basis, it has managed to expand its business and profits.

**Analysis of performance for the year**

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

**Opportunities and Threats**

STCL faces risks from factors like increased competition, economic slowdown, challenge of retaining manpower, likely decline in asset quality, increase in operating costs, RBI provisioning policies etc. As an NBFC, STCL is also exposed to credit risk, liquidity risk and interest rate risk. STCL has in place suitable mechanisms to effectively reduce such risks. All these risks are continuously analysed and reviewed at various levels of management through an effective information system. STCL recognises the importance of risk management on account of increased competition and market volatility in financial services business.

**Internal control system and their adequacy**

STCL has adequate internal control systems commensurate with its size and nature of business to ensure operational efficiency, protection and conservation of resources, accuracy and promptness in financial

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reporting and compliance of laws and regulations. The Audit Committee of the Board reviews the internal control systems and the adequacy and effectiveness of internal controls.

### Fulfilment of RBI norms and standards

STCL continues to fulfill all the norms and standards laid down by RBI pertaining to non-performing assets, capital adequacy, statutory liquidity ratio etc. 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

During the period under review, your Company maintained healthy, cordial and harmonious relations at all levels. The company puts emphasis on attracting and retaining the right talent. The company's culture promotes high performance and high professional standards. Your Directors record their appreciation for this hard work and efficiency.

### 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. Many unforeseen factors may come into play and affect results, which could be different from what the Management envisages in terms of performance and outlook

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### CORPORATE GOVERNANCE

Step Two Corporation Limited has been practicing the code of Corporate Governance since inception. The strong edifice of the Company, built in 1994, is supported by the pillars of customers faith investors support & employer loyalty. The Company has been growing over the past one decade on the foundations of dedicated investor service, fair business practices, and efficient, safe and trusted financial policies. It continues to maintain the highest standards of integrity through excellence in service to all stakeholders.

As additional measures to strengthen corporate Governance, the Company follows the "know your Customer" (KYC) guidelines issued by Reserve Bank of India. Further, the Company has adopted a "fair-practices code", which lays down detailed guidelines for dealing with customers, including an appropriate dispute resolution mechanism.

#### 1. BOARD OF DIRECTORS

All the members of the Board are eminent persons with considerable expertise and experience in the field of corporate laws, Taxation, Investment and Financial Market. The Company is immensely benefited by the range of experience and skills that the directors bring to the Board.

The Board comprises Four Non-Executive Directors. The Promoter Non-executive director is Sri Raj Kumar Agarwal. The Board is chaired by Sri Sanjay Agrawal. Sri Raj Kumar Agarwal and Sri Anup Fatehpuria are Independent Director on the board. The composition of the board is in conformity with the listing requirements.

All Directors and senior Management personnel have re-affirmed compliance with the code of conduct approved and adopted by the Board of Directors.

#### 2. BOARD MEETINGS

The Board of Directors formulates the business and operational policies and decides on strategic issues concerning the Company. The Board generally meets every quarter to review the business performance.

During the year under review, 10 meetings of the Board of Directors were held.

29/04/2006	30/06/2006	30/10/2006	31/03/2007
17/05/2006	28/07/2006	31/10/2006	
12/06/2006	31/07/2006	31/01/2007	

The composition of the Board of Directors, attendance of the Directors at the Board Meetings during the year and at the last Annual General Meeting as also the number of other directorships are as follows:-

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	10	Nil	Yes
Mr. Sanjay Agarwal	Independent	Non-executive	10	Nil	Yes
Mr. Ashok Kumar Sharma	—	Non-executive	10	Nil	Yes
Mr. Anup Fatehpuria	Independent	Non-executive	10	Nil	Yes

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

Shri Sanjay Agarwal 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 Sanjay Agarwal ( 38 years) possesses immense knowledge in the fields of Investing Banking & 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. He is also on the Board of several Private Companies.

### **4. AUDIT COMMITTEE**

The Audit Committee reviewed the financial accounting policies, adequacy of internal control systems and systems audit and interacted with the statutory auditors, Senior Executives are invitees to the committee meetings. Besides, the Committee reviews the audit plans, interim and annual financial results, management discussion and analysis of financial condition and results of operations, related party transactions, and observations of the management and the auditors on internal control weaknesses and follow-up reports of the management.

During the year, the Committee met five times on 29<sup>th</sup> April 2006, 30<sup>th</sup> June 2006, 31<sup>st</sup> July 2006, 31<sup>st</sup> October 2006, and 31<sup>st</sup> January 2007.

Composition of the Committee and attendance of the members are as follows:

<b><u>Name of the Director</u></b>	<b><u>Type</u></b>	<b><u>No. of Meetings Attended</u></b>
Shri Raj Kurnar Agarwal	Member	5
Shri Sanjay Agarwal	Chairmain	5
Shri Ashok Kumar Sharma	Member	5
Shri Anup Fatehpuria	Member	5

### **5. SHARE HOLDERS & INVESTOR GRIEVANCE COMMITTEE**

The Share holders & Investor Grievance Committee

- i) Approves and monitors transfers, transmission, splits and consolidation of shares of the Company,
- ii) Reviews redressal of complaints from shareholders relating to transfer of shares, non-receipt of balance sheet, etc.,
- iii) Reviews the compliances with various statutory and regulatory requirements.

During the year, the Committee met on 17<sup>th</sup> May 2006 and 12<sup>th</sup> June 2006.



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Composition of the Committee and the attendance of the members are as follows:

<u>Name of the Director</u>	<u>Type</u>	<u>No. of Meeting Attended</u>
Shri Raj Kumar Agarwal	Member	2
Shri Sanjay Agarwal	Chairman	2
Shri Ashok Kumar Sharma	Member	2
Shri Anup Fatehpuria	Member	2

No investor compliant was received during the year and none was pending unresolved as on 31<sup>st</sup> March, 2007. No transfer of shares is pending as on date.

### 6. REMUNERATION COMMITTEE

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

### 8. GENERAL BODY MEETINGS

Time and location of last three Annual General Meetings

<u>Year</u>	<u>Date</u>	<u>Time</u>	<u>Location</u>
2004	30.09.2004	10:00 A.M.	17, Ganesh Chandra Avenue, 6 <sup>th</sup> Floor, Room No.601 Kolkata-700 013
2005	30.08.2005	11:00 A.M.	17, Ganesh Chandra Avenue, 6 <sup>th</sup> Floor, Room No.601 Kolkata - 700 013
2006	27.09.2005	10:00 A.M.	21, Hemant Basu Sarani, 5 <sup>th</sup> Floor, Suite No.507 Kolkata - 700 001

### Postal Ballot

The Company successfully completed the process of obtaining the approval of its Members on the Special Resolution under Section 17 for amendment of Objects Clause vide the Postal Ballot. Mr.Navneet Jhunjhunwala, Practicing Company Secretary, who was appointed as the Scrutinizer, carried out the Postal Ballot process in a fair and transparent manner. The results were announced on 27<sup>th</sup> September 2006.

### Details of the voting Pattern are as follows:

<u>Votes cast</u>	<u>% of Total</u>	<u>votes cast</u>	<u>% of Total</u>	<u>Result</u>
<u>In favour</u>	<u>valid votes</u>	<u>Against</u>	<u>Valid votes</u>	
2252465	100	NIL	NIL	passed with the requisite majority.

The procedure prescribed under Section 192A of the Companies Act, 1956 read with the Companies (passing of the Resolution by postal Ballot) Rules, 2001, has been followed for the postal ballot conducted for the special resolutions mentioned above. The results of the postal ballot were announced by the chairman at the Registered Office of the Company.

No special resolution is proposed to be passed through postal ballot at the ensuing AGM.

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### 8. 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 other than those mentioned in the notes to the accounts.
- 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. However, trading in shares of the company has been temporarily suspended for alleged non-compliance of certain clauses of the listing agreement in the past by The Stock Exchange, Mumbai. Your Directors are liaising with the BSE on a continuous basis and hope that trading in shares of the company would resume on the BSE very soon.
- iii) No persons have been denied access to the chairman or members of the Audit Committee. The mechanism of whistle blower policy is not established.

### 9. 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.

### 10. GENERAL SHAREHOLDER INFORMATION

#### A. Annual General Meeting

Date - 24<sup>th</sup> September, 2007

Time - 10:00 A.M.

Venue- 21, Hemanta Basu Sarani, 5<sup>th</sup> Floor, Suite No.507, Kolkata - 700 001

B. Financial Calender 1 <sup>st</sup> April to 31 <sup>st</sup> March Provisional)	: Will be published during
Result for Quarter ending June 30, 2007	: On or before 31st July, 2007
Result for Quarter ending September 30, 2007	: On or before 31st October, 2007
Result for Quarter ending December 31, 2007	: On or before 31st January, 2008
Result for Quarter ending March 31, 2008	: On or before 30th April, 2008

#### C. Book Closure

The Register of members and Share Transfer Book will remain closed from 20<sup>th</sup> September, 2007 to 24<sup>th</sup> September, 2007 (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)
(iv) The Jaipur Stock Exchange Ltd.	(Stock Code 758)

The Company has paid the Listing Fees for the year 2006-07 to all stock exchanges.

F. ISIN Number : INE623D01015

G. Depository Connectivity : NSDL and CDSL

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### 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.

### 11. REGISTRAR & TRANSFER AGENTS

<u>Name</u>	<u>Address</u>
Niche Technologies (P) Ltd. (For Physical and Demat Shares)	D-511, Bagree Market, 71 B.R.B. Road, Kolkata - 700001 Tel No. : (033) 2235-7171/70/3070 Fax No. : (033) 2215 6823 E-mail : nichetechpl@nichetechpl.com

### 12. COMPLIANCE OFFICER

Shri Bhola Nath Manna, Manager & Compliance officer is presently acting as the compliance officer in accordance with the provisions of the listing agreement, HIS brief particulars are as under :

Address: 21, Hemanta Basu Sarani, 5th Floor, R.No.507, Kolkata - 700 001

Tel No.: 033-22318207/08

E-mail: [admin@stentwo.in](mailto:admin@stentwo.in)

### 13. DISTRIBUTION OF SHAREHOLDING AS ON 31.03.2007

<u>No. of Equity Shares Held</u>	<u>No. of Shares holders</u>	<u>% of Share holders</u>	<u>No. of Shares held</u>	<u>% of Share holding</u>
Upto 500	459	25.0273	159500	3.1571
501 to 1000	1060	57.7972	740600	14.6593
1001 to 5000	232	12.6499	516900	10.2314
5001 to 10000	20	1.0905	169900	3.3630
10001 to 50000	57	3.1080	1273100	25.1994
50001 to 100000	3	0.1636	214500	4.2458
100001 and above	3	0.1636	1977600	39.1441
Totals	1834	100.000	5052100	100.000

### 14. SHAREHOLDING PATTERN AS ON 31.03.2007

<u>Category</u>	<u>No. of Share held</u>	<u>% of Share holding</u>
Indian Public	2050600	40.59
Private corporate bodies	3001500	59.41
	5052100	100.00

**STEP TWO CORPORATION LIMITED**

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**15. DEMATERIALIZATION OF SHARES**

379037 shares have been dematerialised upto 31.03.2007 which is 7.5026% percent of the total shares of the Company.

**16. BREAK-UP OF SHARES IN PHYSICAL AND DEMAT SEGMENT (As on 31.03.2007)**

Segment	No.of Shareholders	% to total Shareholders	No. of Shares held	% to total Shares
Physical	1712	93.3479	4673063	92.4974
Demat	122	6.6521	379037	7.5026
Total	1834	100.00	5052100	100.00

**17. 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.

**18. ADDRESS FOR CORRESPONDENCE**

REGISTERED OFFICE:  
Step Two Corporation Limited  
21, Hemanta Basu Sarani,  
5<sup>th</sup> Floor, Suite No.507,  
Kolkata - 700 001

**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, 2007, 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 & ASSOCIATE**  
Chartered Accountants

Place : Kolkata  
Date : The 31st Day of July, 2007

**Sanjay Dixit**  
(Partner)

**STEP TWO CORPORATION LIMITED**

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**DECLARATION ON COMPLIANCE OF THE  
COMPANY'S CODE OF CONDUCT**

**To the Members of Step Two Corporation Limited**

The Company has framed specific code of conduct for the members of the Board of Directors and the Senior Management Personnel of the Company pursuant to Clause 49 of the Listing Agreement with the Stock Exchange to further strengthen corporate governance practices in the Company. All the members of the Board and Senior Management Personnel of the Company have affirmed due observance of the said code of conduct in so far as it is applicable to them and there is no non-compliance thereof during the year ended March 31, 2007.

Place : Kolkata

Date : The 31st Day of July, 2007

**Raj Kumar Agarwal**  
Director

**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, 2007, 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 misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Companies (Auditors' Report) Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004, (together the 'Order') 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 according to the information and explanations given to us, we annex hereto a statement on the matters specified in paragraphs 4 and 5 of the said Order.

We further 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, 2007, 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 2007 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

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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, 2007,
- 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 "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 45IA 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 & ASSOCIATE**  
**Chartered Accountants**

**Place : Kolkata**  
**Date : 31.07.2007**

**(Sanjay Dixit)**  
**Partner**



**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) 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. Accordingly, clauses (ii)(a), (ii)(b) and (ii)(c) of paragraph 4 of the 'Order' are not applicable.
- 3) a. According to the information and explanations given to us the Company has not granted loans to any person covered in the register maintained u/s 301 of the Companies Act, 1956. Accordingly clauses (iii)(a), (iii)(b), (iii)(c), (iii)(d) of paragraph 4 of the 'Order' are not applicable to the Company.  
b. The Company has not taken any loans secured or unsecured from companies, firms & other parties covered in the register maintained u/s. 301 of the Companies Act, 1956. Accordingly clauses (iii)(f) and (iii)(g) of paragraph 4 of the 'Order' are not applicable to the Company.
- 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. In our opinion and according to the information and explanations given to us, no contracts or arrangements as referred to in section 301 of the Act have been entered into by the Company. Accordingly clauses (v)(a) and v (b) of paragraph 4 of the 'Order' are not applicable to the Company.  
b) The register, required to be maintained under section 301 of the Companies Act, 1956 has been properly maintained.
- 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 under 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. Provisions of the Employee's Provident Fund, Miscellaneous Provisions Act, Employee's State Insurance Act, Sales Tax,

## STEP TWO CORPORATION LIMITED

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Wealth Tax, Service tax, Custom Duty and Excise Duty are not applicable to the Company.

- b. According to the information and explanations given to us and the records of the Company examined by us, there are no statutory dues, which have not been deposited on account of any dispute.
- 10) The Company has been registered for a period of more than five years and it neither have accumulated losses at the end of the financial year nor it has incurred cash losses in the current financial year nor 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 2007**

SOURCES OF FUNDS	SCHEDULE	As on	As on
		31.03.2007	31.03.2006
		Rs. P.	Rs. P.
<b>Shareholders' Fund</b>			
Share Capital	1	45,922,536.00	45,922,536.00
Reserves & Surplus	2	1,997,937.62	1,651,487.40
<b>Loan Funds</b>			
Secured Loans	3	17,800,250.65	65,799,278.43
Unsecured Loans	4	20,000,000.00	20,000,000.00
Deferred Tax Liability		45,799.00	51,153.73
<b>Total :</b>		<b>85,766,523.27</b>	<b>133,424,455.56</b>
<b>APPLICATION OF FUNDS</b>			
<b>Fixed Assets</b>	5		
Gross Block		1,513,045.00	1,324,623.00
Less: Depreciation		1,013,210.00	911,967.87
Net Block		499,835.00	412,655.13
Investments	6	9,844,915.60	19,893,137.39
<b>Current Assets, Loans &amp; Advances</b>			
<b>Current Assets</b>			
Inventories	7	50,418,062.69	91,187,469.57
Cash & Bank Balances	8	6,204,535.92	5,589,474.59
Loans & Advances	9	26,906,511.15	30,560,752.64
		83,529,109.76	127,337,696.80
<b>Less : Current Liabilities &amp; Provisions</b>			
Current Liabilities	10	7,977,392.09	14,103,428.76
Provisions	11	129,945.00	115,605.00
		8,107,337.09	14,219,033.76
Net Current Assets		75,421,772.67	113,118,663.04
<b>Total :</b>		<b>85,766,523.27</b>	<b>133,424,455.56</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

Place : Kolkata  
Date : 31.07.2007

For and on behalf of the Board  
Sd/-

**Raj Kr. Agarwal**  
**Ashok Kumar Sharma**  
Directors

**STEP TWO CORPORATION LIMITED**

**PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2007**

	SCHEDULE	Year ended 31.03.2007 Rs. P.	Year Ended 31.03.2006 Rs. P.
<b>INCOME</b>			
Sale of Shares		236,196,531.41	669,365,339.79
Interest & Other Income	12	21,623,848.14	5,379,944.77
Profit / (Loss) on Sale of Investments		1,133,040.54	413,945.84
Accretion / (Decretion) of stock	13	(40,769,406.88)	73,801,504.45
	Total	218,184,013.21	748,960,734.85
<b>EXPENDITURE</b>			
Purchases of Shares		210,131,498.09	732,980,084.67
Administrative & Other Expenses	14	2,201,964.68	1,139,473.32
Share Transaction Expenses		1,393,236.34	3,250,881.52
Depreciation w/off		101,242.13	102,087.28
Finance Charges	15	3,891,092.48	7,309,608.71
	Total	217,719,033.72	744,782,135.50
<b>Profit (Loss) before Tax</b>		464,979.49	4,178,599.35
Provision for Loss on Equity Stock/ Index Futures		91,284.00	142,200.00
<b>Tax Expense</b>			
Current Tax		-	97,345.00
Deferred Tax		(5,354.73)	(13,470.94)
Fringe Benefit Tax		32,600.00	21,260.00
<b>Profit (Loss) after Tax</b>		346,450.22	3,931,265.29
Transfer to Reserve Fund		69,290.20	786,253.06
Balance brought Forward from the last year		865,234.34	(2,279,777.89)
<b>Balance carried to Balance Sheet</b>		1,142,394.36	865,234.34
Basic & Diluted Earning Per Share		0.069	0.855

Significant Accounting Policies & Notes on Accounts 16

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

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**  
**Ashok Kumar Sharma**  
Directors

Place : Kolkata  
Date : 31.07.2007

**STEP TWO CORPORATION LIMITED**

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

	<u>As on</u> <b>31.03.2007</b>		<u>As on</u> <b>31.03.2006</b>	
	Rs.	P.	Rs.	P.
<b><u>SCHEDULE - 1</u></b>				
<b><u>SHARE CAPITAL</u></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	4,598,464.00		4,598,464.00	
	<u>45,922,536.00</u>		<u>45,922,536.00</u>	
<b><u>SCHEDULE - 2</u></b>				
<b><u>RESERVES &amp; SURPLUS</u></b>				
Profit & Loss Account	1,142,394.36		865,234.34	
Reserve Fund	855,543.26		786,253.06	
	<u>1,997,937.62</u>		<u>1,651,487.40</u>	
<b><u>SCHEDULE - 3</u></b>				
<b><u>SECURED LOANS</u></b>				
Fortis Finvest Ltd.	17,800,250.65		63,943,208.34	
Finflow Investment Pvt. Ltd. (Secured by way of pledge over securities held as investments & inventories)	-		1,856,070.09	
	<u>17,800,250.65</u>		<u>65,799,278.43</u>	
<b><u>SCHEDULE - 4</u></b>				
<b><u>UNSECURED LOANS</u></b>				
Form body corporates	20,000,000.00		20,000,000.00	
	<u>20,000,000.00</u>		<u>20,000,000.00</u>	
<b><u>SCHEDULE - 6</u></b>				
	<u>No. of</u> <u>Shares</u> <b>31.03.2007</b>	<u>No. of</u> <u>Shares</u> <b>31.03.2006</b>	<u>As on</u> <b>31.03.2007</b>	
			Rs.	P.
<b><u>INVESTMENTS</u></b>				
(Long Term, at cost)				
Quoted				
(Equity Shares of Rs. 10/- each fully paid up)				
Raj Rayon Ltd.	NIL	200000	-	12,693,742.40
Radhamadhav Corporation Ltd.	NIL	50000	-	2,464,940.75
LKP Merchant Finance Ltd.	15000	NIL	1,447,787.00	-
Himachal Futuristic Ltd.	NIL	200000	-	4,734,454.24
Clutch Auto Ltd.	25000	NIL	3,461,853.60	-
Diana Tea Ltd.	282500	NIL	4,935,275.00	-
<b>TOTAL</b>			<u>9,844,915.60</u>	<u>19,893,137.39</u>
Aggregate Market Value of Quoted Shares.			<u>5,535,650.00</u>	<u>17,820,000.00</u>

**STEP TWO CORPORATION LIMITED**

**SCHEDULE-5  
FIXED ASSETS**

**AMOUNT (Rs)**

Particulars	GROSS BLOCK			DEPRECIATION			NET BLOCK	
	Balance as on 01.04.2006	Additions during the year	Sales during the year	As on 01.04.2006	Depreciation for the year	As on 31.03.2007	WDV as on 31.03.2007	WDV as on 31.03.2006
Computer	276,360.00	173,422.00	-	261,904.00	8,237.00	270,141.00	179,641.00	14,456.00
Furniture & Fixture	28,300.00	-	-	18,743.71	1,791.29	20,535.00	7,765.00	9,556.29
Office Equipment	80,997.00	-	-	38,175.16	3,847.84	42,023.00	38,974.00	42,821.84
Elec. Installation	44,000.00	-	-	22,101.00	2,090.00	24,191.00	19,809.00	21,899.00
Vehicles	894,966.00	-	-	571,044.00	85,022.00	656,066.00	238,900.00	323,922.00
Mobile Vehicles	-	15,000.00	-	-	254.00	254.00	14,746.00	-
<b>Total :</b>	<b>1,324,623.00</b>	<b>188,422.00</b>	<b>-</b>	<b>911,967.87</b>	<b>101,242.13</b>	<b>1,013,210.00</b>	<b>499,835.00</b>	<b>412,655.13</b>
<b>Previous year</b>	<b>1,307,623.00</b>	<b>17,000.00</b>	<b>-</b>	<b>809,880.59</b>	<b>102,087.28</b>	<b>911,967.87</b>	<b>412,655.13</b>	<b>-</b>

**STEP TWO CORPORATION LIMITED**

	As on 31.03.2007 Rs. P.	As on 31.03.2006 Rs. P.
<b>SCHEDULE - 7</b>		
<b>INVENTORIES</b>		
(As certified by the management)		
(Valued at lower of cost or market price)		
Stock of Shares / Securities	50,418,062.69	91,187,469.57
(As per Annexure - 1)	<u>50,418,062.69</u>	<u>91,187,469.57</u>
<b>SCHEDULE - 8</b>		
<b>CASH &amp; BANK BALANCES</b>		
Cash in hand	165,580.86	269,828.38
(As certified by the management)		
Cheques in hand	3,500,000.00	200,000.00
Balances with Scheduled banks in Current Accounts	2,538,955.06	5,119,646.21
	<u>6,204,535.92</u>	<u>5,589,474.59</u>
<b>SCHEDULE - 9</b>		
<b>LOANS &amp; ADVANCES (Unsecured considered good)</b>		
Loans	25,882,755.95	14,067,906.95
Advances Recoverable in cash or in kind or for value to be received	717,755.20	10,081,829.69
Security Deposits	306,000.00	156,000.00
Share Application Money (Pending Allotment)	-	6,255,016.00
	<u>26,906,511.15</u>	<u>30,560,752.64</u>
Mark to Market Margin - Equity Index/ Stock Futures A/c	91,284.00	142,200.00
Less: Provision for Loss on E I F	91,284.00	142,200.00
	<u>26,906,511.15</u>	<u>30,560,752.64</u>
<b>SCHEDULE - 10</b>		
<b>CURRENT LIABILITIES</b>		
Sundry Creditors	7,524,462.33	13,579,583.57
Other Liabilities	452,929.76	523,845.19
	<u>7,977,392.09</u>	<u>14,103,428.76</u>
<b>SCHEDULE - 11</b>		
<b>PROVISIONS</b>		
Provision for Taxation	97,345.00	97,345.00
Provision for Fringe Benefit Tax	32,600.00	18,260.00
	<u>129,945.00</u>	<u>115,605.00</u>

**STEP TWO CORPORATION LIMITED**

	As on 31.03.2007 Rs. P.	As on 31.03.2006 Rs. P.
<b>SCHEDULE - 12</b>		
<b>INTEREST &amp; OTHER INCOME</b>		
Dividend	487,064.08	1,205,249.50
Interest Income (TDS Rs.72,612/- Previous Year Rs.1,68,064/-)	525,281.00	1,640,604.00
Share Speculation	(492,709.02)	4,415,471.41
Loss From Derivatives	(44,294,962.09)	(1,881,380.14)
Income from Commodities	65,369,237.17	-
Interest on I.T. Refund	29,937.00	-
	<u>21,623,848.14</u>	<u>5,379,944.77</u>
<b>SCHEDULE - 13</b>		
<b>ACCRETION / (DECRETION) OF STOCK</b>		
Closing Stock	50,418,062.69	91,187,469.57
Less: Opening Stock	91,187,469.57	17,385,965.12
	<u>(40,769,406.88)</u>	<u>73,801,504.45</u>
<b>SCHEDULE - 14</b>		
<b>ADMINISTRATIVE &amp; OTHER EXPENSES</b>		
Personnel Cost	426,500.00	390,000.00
Advertisement Expenses	15,488.02	10,640.20
Tour & Travelling & Expenses	1,130,222.41	125,792.00
Rent	204,000.00	168,000.00
Rates & Taxes	127,027.00	116,984.00
Auditor's Remuneration	13,483.00	16,775.00
Bank Charges	2,444.80	19,289.90
Conveyance expenses	20,485.00	55,137.85
General Expenses	35,489.73	38,879.00
Communication cost	107,166.22	69,078.27
Website Development Charges	8,000.00	-
Printing & Stationery	31,494.50	32,090.00
Share Transfer Expenses	43,029.00	19,836.00
Vehicle up-keep	-	43,990.10
Repair & Maintenance & Electricity	37,135.00	30,489.00
Car Insurance	-	2,492.00
	<u>2,201,964.68</u>	<u>1,139,473.32</u>
<b>SCHEDULE - 15</b>		
<b>FINANCE CHARGES</b>		
Interest Paid	3,891,092.48	7,309,608.71
	<u>3,891,092.48</u>	<u>7,309,608.71</u>



SCHEDULE - 16

(Notes annexed to & forming part of the accounts for the year ended 31<sup>st</sup> March '2007)  
**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.

Fringe Benefit Tax has been provided for the accounting year 2006-2007 as per the provisions of the Income Tax Act, 1961.

2. **Notes on Accounts**

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

	Quantity as at <u>31.03.2007</u>	Quantity as at <u>31.03.2006</u>
Opening Stock:	16,47,765	5,25,477
Purchases:	30,83,363	1,07,86,638
Sales	37,66,130	96,64,350
Closing Stock	9,64,998	16,47,765

**STEP TWO CORPORATION LIMITED**

2.2. 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 are 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.

**2.3. Miscellaneous Expenditure**

Preliminary expenses & Public issue expenses have been amortised and are to be written off in 10 years.

**2.4. Auditor's Remuneration**

	<b>2006-2007</b> <b>Amount (Rs.)</b>	<b>2005-2006</b> <b>Amount (Rs.)</b>
Statutory Audit Fees	5,618.00	5,612.00
Tax Audit and Quarterly Review fees	5,551.00	5,551.00
Others matters	2,314.00	5,612.00
<b>Total</b>	<b>13,483.00</b>	<b>16,775.00</b>

2.5. 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/-.

2.6. 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.	Rent Paid	96,000/-
2.	Repairs & Electricity Paid	37,135/-
3.	Legal & Professional Charges	18,000/-
4.	Outstanding amount as on the balance sheet date	
	- Payables	50,000/-
	- Receivable	NIL

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

Associates of Key Managerial Personnel.

M/s. Raj Bhavna & Associates & M/s. Asra Abasan Pvt. Ltd.

2.7. Deferred Tax

	31-3-2007 Deferred Tax		31-3-2006 Deferred Tax	
	Asset	Liability	Asset	Liability
Opening Balance (A)	NIL	51,154	NIL	64,625
Timing difference on account of difference in W.D.V. of Assets as per books & as per Income Tax Act, 1961		1,48,214		1,51,972
Deffered tax liability as on 31.03.2007 on above (B)	NIL	45,799	NIL	51,154
Deffered tax liability reversed during the year (A) - (B)	NIL	5,354		13,471

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

	(Amount in Rs.)	
	2006-07	2005-06
(a) Amount used as the numerator		
Profit after tax (A) (Rs.)	3,46,450.22	39,31,265.29
(b) Basic/weighted average number of equity shares used as denominator (B)	50,52,100	46,00,416
(c) Nominal value of equity shares (Rs.)	10.00	10.00
(d) Basic/diluted Earnings per share(A/B)	0.069	0.855

2.9. Open interests relating to Equity Stock/Index Futures entered contracts as on 31.03.2007 is shown below :

Name of Equity Index/Stock Futures	No. of Contracts	No. of Units	
		Long	Short
LIC Housing Finance Limited	1	5100	-
Reliance Communications Limited	1	-	25200

2.10. Previous years figures have been re-grouped & rearranged whenever considered necessary.

**STEP TWO CORPORATION LIMITED**

**3. BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE FOR THE YEAR ENDED 31ST MARCH 2007.**

**I. REGISTRATION DETAILS**

Registration No.	21-66080	State Code	21
Balance Sheet Date	31.03.2007		

**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.'000)**

Total Liabilities	85767	Total Assets	85767
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**SOURCE OF FUNDS**

Paid-up Capital	45923	Reserve & Surplus	1198
Secured Loans	17800	Unsecured Loans	20000
Deferred Tax Liability	46		

**APPLICATION OF FUNDS**

Net Fixed Assets	500	Investments	9,845
Net Current Assets	75422	Misc. Expenditure	NIL

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

Turnover / Total Income	218184	Total Expenditure	217719
Profit before tax	465	Profit after tax	346
Basic E.P.S. in Rs.	0.069	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	Not Applicable
2. Finance Activities	Not Applicable

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

Place : Kolkata  
Date : 31.07.2007

(Sanjay Dixit)  
Partner

STEP TWO CORPORATION LIMITED

Annexure-1

INVENTORIES

Quoted shares

(Equity shares fully paid up)

SR. No. Name of the company	No. of Shares as on 31.03.2007	No. of Shares as on 31.03.2006	Lower of Cost or Market Price as on 31.03.2007	Lower of Cost or Market Price as on 31.03.2006
<b>Quoted Shares</b>				
1 ABC Bearing Ltd	5,500	6,500	652,470.78	774,800.00
2 ABG Heavy Inds Ltd	1,000	-	186,950.00	-
3 Adhunik Metals Ltd	11,000	-	380,600.00	-
4 Aegis Chemicals Ltd	2,500	-	295,000.00	-
5 Aftak Infosys Ltd	32,500	117,500	2,132,000.00	9,067,475.00
6 Alka India Ltd	-	4,000	-	2,560.00
7 Ansal Hsg & Const Ltd	500	-	16,325.00	-
8 Archies Ltd	3,500	2,000	393,488.03	169,480.00
9 Bajaj Hindustan Ltd	1,000	-	195,000.00	-
10 Bhagyanagar Metals Ltd	200	100	2,844.00	2,800.00
11 Bipinind Ltd	800	800	14,400.00	14,400.00
12 Brijlaxmi lease Ltd	-	4,000	-	1,040.00
13 Cairn India Ltd	2,000	-	264,300.00	-
14 Cerebra Intergrate Ltd	244,900	144,900	2,410,650.00	343,413.00
15 Clutch Auto Ltd	30,000	212,500	3,246,000.00	34,159,375.00
16 Datapro information Ltd	-	5,000	-	2,050.00
17 Diana Tea Ltd	-	100,500	-	1,648,200.00
18 Donear Industries Ltd	113,908	-	19,291,319.00	-
19 Elgi Equipments Ltd	-	10,000	-	708,300.00
20 Eskay Knit Ltd	-	401,908	-	3,062,538.96
21 Finolex Industries Ltd	75	75	5,152.50	5,250.00
22 Glenmark Pharmaceutical Ltd	-	5,500	-	1,732,280.00
23 Gold Stone Teleserv Ltd	-	10,000	-	150,900.00
24 Grasim Industries Ltd	-	250	-	278,137.50
25 Gujrat NRE Coke Ltd	1,000	18,156	39,850.00	1,670,352.00
26 Hindalco Industries Ltd	3,236	3,236	260,983.40	297,420.76
27 Hindustan Dorr Oliver Ltd	-	3,969	-	1,478,492.19
28 Hindustan Petroleum Ltd	450	450	111,510.00	145,305.00
29 Indraprastha Medic Ltd	-	10,000	-	357,000.00
30 Jayaswal Neco Ltd	-	9,600	-	155,520.00
31 Jet Airways/Spicejet Ltd	-	100	-	99,545.00
32 Kanishka Steel Industries Ltd	-	900	-	31,950.00
33 Li-Taka Pharma Ltd	-	50,000	-	1,330,000.00
34 LIC Housing Finance Ltd	6,350	3,200	875,982.50	607,200.00
35 LT Overseas Ltd	250,971	-	12,376,607.26	-
36 Lupin Ltd	-	1,000	-	1,015,490.00
37 Lyka labs Ltd	-	10,000	-	629,000.00
38 Mascon Global Ltd	100,000	-	930,000.00	-
39 Madhav Marbles Ltd	-	50,000	-	4,891,000.00

**STEP TWO CORPORATION LIMITED**

40 Mega Corp Ltd	-	2,000	-	1,120.00
41 Micro Techno Ltd	2,000	1,000	384,282.34	205,460.00
42 Modi Iuft Ltd	-	100,000	-	5,315,000.00
43 Moving Picture Ltd	-	69,449	-	982,008.86
44 National Alumunium Ltd	2,000	-	467,300.00	-
45 Nectar lifescience Ltd	-	500	-	129,425.00
46 NRB Bearings Ltd	500	500	49,500.00	147,495.00
47 Orient Abrasive Ltd	10,500	-	191,625.00	-
48 Oswal Chem & Fert Ltd	-	100,000	-	3,710,000.00
49 Paficot Ltd	-	10,000	-	98,000.00
50 Paragon Finance Ltd	14,436	-	89,696.79	-
51 Paramount Communicate Ltd	-	10,000	-	1,728,000.00
52 Parker Agrochem Ex Ltd	3,000	-	50,700.00	-
53 Parsvanath Developers Ltd	500	-	129,500.00	-
54 PBA Infrastructure Ltd	-	25,000	-	4,098,750.00
55 Petron Engineering Ltd	500	500	74,500.00	82,350.00
56 Pitti laminations Ltd	7,500	7,500	465,000.00	793,875.00
57 Priyadarshini Cement Ltd	500	500	20,375.00	20,375.00
58 Rain Commodities Ltd	-	15,000	-	510,000.00
59 Raghunath International Ltd	-	1,000	-	3,420.00
60 Raj Rayon Ltd	-	15,000	-	824,250.00
61 Rallis India Ltd	500	-	132,875.00	-
62 Ranbaxy lab Ltd	-	200	-	86,470.00
63 Rohit Ferro Tech Ltd	85,000	-	2,290,750.00	-
64 Rolta India Ltd	-	10,000	-	2,266,400.00
65 Saregama India Ltd	3,010	3,010	213,625.00	213,800.30
66 Sea mec Ltd	162	162	19,042.94	17,091.00
67 Shipping Corporation Ltd	2,500	2,500	395,968.15	395,975.00
68 Shree Rama Multitech Ltd	-	40,000	-	344,000.00
69 SPL Industries Ltd	4,200	4,200	110,250.00	313,110.00
70 Srei international Ltd	3,000	1,000	50,550.00	56,300.00
71 Stenly Credit Capital Ltd	3,400	3,400	245,650.00	245,650.00
72 Sujana Steel Ltd	-	14,000	-	1,114,680.00
73 Supra Eng Ltd	-	1,000	-	168,350.00
74 Surya Roshni Ltd	-	1,500	-	99,000.00
75 Tata Elxsi Ltd	-	3,000	-	83,050.00
76 Tata Infomedia Ltd	-	1,000	-	208,280.00
77 Tata Sponge Iron Ltd	1,000	1,000	94,950.00	139,350.00
78 Tata Teleservices Ltd	2,000	2,000	37,660.00	47,500.00
79 Tips Industries Ltd	-	2,500	-	87,500.00
80 Tricom Finance Ltd	3,400	1,700	264,180.00	284,835.00
81 Unichem Laboratories Ltd	500	-	125,975.00	-
82 Universal Cables Ltd	1,500	4,500	132,675.00	548,325.00
83 Zenith Birla Ltd	-	5,000	-	287,000.00
<b>Total (A)</b>	<b>962,998</b>	<b>1,645,765</b>	<b>50,218,063</b>	<b>90,987,470</b>
<b>Unquoted Shares</b>				
1 Yatharth Exports Pvt Ltd	2,000	2,000	200,000.00	200,000.00
<b>Total (B)</b>	<b>2,000</b>	<b>2,000</b>	<b>200,000</b>	<b>200,000</b>
<b>Total (A) + (B)</b>	<b>964,998.00</b>	<b>1,647,765.00</b>	<b>50,418,062.69</b>	<b>91,187,469.57</b>

**Cash Flow Statement for the Year Ended 31st March 2007**

		<b>2006-2007</b>	<b>2005-2006</b>
		<b>Amount (Rs.)</b>	<b>Amount (Rs.)</b>
<b>A. <u>Net Cash from Operational Activities</u></b>			
Net Profit Before Taxes		464,979.49	4,178,599.35
Less : Profit from sale of investment		(1,133,040.54)	(413,945.84)
Depreciation & Amortisation		101,242.13	102,087.28
Provision for Taxation		(32,600.00)	(118,605.00)
Operating Profit before change in Working Capital		(599,418.92)	3,748,135.79
Increase/Decrease in trade & other receivable.			
Increase/Decrease in Inventories		40,769,406.88	(73,801,504.45))
Increase/Decrease in Loans & Advance.		3,562,957.49	6,660,535.79
Increase/Decrease in trade & other Payable		(6,126,036.67)	9,280,582.84
Increase/Decrease in Provision		14,340.00	115,605.00
Net Cash from Operating Activities	A	37,621,248.78	(53,996,645.51)
<b>B. <u>Cash Flow from Investing Activities</u></b>			
Profit from sale of Investment		1,133,040.54	413,945.84
Purchase/Sale of Fixed Assets		(188,422.00)	(17,000.00)
Purchase/Sale of Investments		10,048,221.79	(10,505,593.84)
Cash Flow from Investing Activities	B	10,992,840.33	(10,108,648.00)
<b>C. <u>Cash Flow from Financing Activities</u></b>			
Loan Taken		-	66,320,869.85
Loan Repaid		(47,999,027.78)	-
Issue of shares		-	497,580.00
Cash Flow from Financing Activities	C	(47,999,027.78)	66,818,449.85
Net Increase in cash & Cash Requirement	Total (A+B+C)	615,061.33	2,713,156.34
Cash & Cash Equivalent (Opening Balance)		5,589,474.59	2,876,318.25
Cash & Cash Equivalent (Closing Balance)		6,204,535.92	5,589,474.59

## STEP TWO CORPORATION LIMITED

Notes to the Cash Flow Statement :

1. Cash & Cash Equivalent comprises of :

	As on 31.03.2007	As on 31.03.2006
	<u>Amount (in Rs.)</u>	<u>Amount (in Rs.)</u>
Cash in hand	165,580.86	269,828.38
Cheques in hand	3,500,000.00	200,000.00
Balances with Scheduled banks in Current Accounts	<u>2,538,955.06</u>	<u>5,119,646.21</u>
	<u>6,204,535.92</u>	<u>5,589,474.59</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 31.03.2006. The entire amount is not available for use by the Company.
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.

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

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

(Sanjay Dixit)  
Partner

Place : Kolkata  
Date : 31.07.2007

For and on behalf of the Board  
Sd/-

**Raj Kr. Agarwal**  
**Ashok Kumar Sharma**  
Directors



**Schedule to the Balance Sheet of 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) <b>Loans and advances availed by the NBFCs inclusive of interest accrued thereon but not paid:</b>	<b>Amount outstanding</b>	<b>Amount overdue</b>
(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	20,000	NIL
(e) Commercial Paper	NIL	NIL
(f) Public Deposits*	NIL	NIL
(g) Other Loans (specify nature)	17,800	NIL
* Please see Note 1 below		
(2) <b>Break-up of (1)(f) above (Outstanding public deposits inclusive of interest accrued thereon but not paid):</b>		
(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) <b>Break-up of Loans and Advances including bills receivables [other than those included in (4) below] :</b>		
(a) Secured	NIL	
(b) Unsecured	26,653	
(4) <b>Break up of Leased Assets and stock on hire and hypothecation loans counting towards EL/HP activities</b>		
(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	
(b) Repossessed Assets	NIL	

## STEP TWO CORPORATION LIMITED

(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 :			
<b>Current Investments :</b>			
<b>1. Quoted :</b>			
(i) Shares : (a) Equity		50,218	
(b) Preference		NIL	
(ii) Debentures and Bonds		NIL	
(iii) Units of mutual funds		NIL	
(iv) Government Securities		NIL	
(v) Others (please specify)		NIL	
<b>2. Unquoted :</b>			
(i) Shares : (a) Equity		200	
(b) Preference		NIL	
(ii) Debentures and Bonds		NIL	
(iii) Units of mutual funds		NIL	
(iv) Government Securities		NIL	
(v) Others (please specify)		NIL	
<b>Long Term investments :</b>			
<b>1. Quoted :</b>			
(i) Share : (a) Equity		9,844	
(b) Preference		NIL	
(ii) Debentures and Bonds		NIL	
(iii) Units of mutual funds		NIL	
(iv) Government Securities		NIL	
(v) Others (Please specify)		NIL	
<b>2. Unquoted :</b>			
(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			
<b>Category</b>		<b>Amount net of provisions</b>	
	<b>Secured</b>	<b>Unsecured</b>	<b>Total</b>
1. Related Parties **	Nil	Nil	Nil
(a) Subsidiaries	Nil	Nil	Nil
(b) Companies in the same group	Nil	Nil	Nil

(c) Other related parties	Nil	Nil	Nil
2. Other than related parties	Nil	26,653	26,653
<b>Total</b>	Nil	26,653	26,653

(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	2,49,972	60,263
<b>Total</b>	2,49,972	60,263

\*\* 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:**

- As defined in Paragraph 2(1)(xii) of the Non-Banking Financial Companies Acceptance of Public Deposits (Reserve Bank) Directions, 1998.
- Provisioning norms shall be applicable as prescribed in the Non-Banking Financial 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: 21, Hemant Basu Sarani, 5th Floor, Room No.507, Kolkata-700 001

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 Thirteenth Annual  
General Meeting of the Company, to be held at 21, Hemant Basu Sarani, 5th Floor, Room No.507,  
Kolkata-700 001 on 24th September, 2007 at 10 A.M. or at any adjournment thereof AS  
WITNESS my/our hand/hands this ..... day of ..... 2007.

Singed by the said

1 Rupee  
Revenue  
Stamp

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: 21, Hemant Basu Sarani, 5th Floor, Room No.507, Kolkata-700 001

### ADMISSION SLIP

I/WE hereby record my/our presence at the Thirteenth Annual General Meeting of the Company  
to be held at 21, Hemant Basu Sarani, 5th Floor, Room No.507, Kolkata-700 001 on 24th  
September, 2007 at 10 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).