

A. K. Capital Services Limited

14TH ANNUAL REPORT
2006 - 2007

CONTENTS	PAGE NO.
Corporate Information	2
Director's Report	3
Report on Corporate Governance	6
Management Discussion & Analysis	14
Auditors' Report on Consolidated Financial Statements	17
Consolidated Balance Sheet	18
Consolidated Profit & Loss Account	19
Consolidated Cash Flow Statement	20
Schedules forming part of Consolidated Balance Sheet and Profit & Loss Account	21
Auditors' Report on A. K. Capital Services Limited	32
Balance Sheet of A. K. Capital Services Limited	35
Profit & Loss Account of A. K. Capital Services Limited	36
Cash Flow Statement of A. K. Capital Services Limited	37
Schedules forming part of Balance Sheet and Profit & Loss Account of A. K. Capital Services Limited	38
Directors' Report of A. K. Stockmart Private Limited	49
Auditors' Report on A. K. Stockmart Private Limited	51
Balance Sheet of A. K. Stockmart Private Limited	54
Profit & Loss Account of A. K. Stockmart Private Limited	55
Cash Flow Statement of A. K. Stockmart Private Limited	56
Schedules forming part of Balance Sheet and Profit & Loss Account of A. K. Stockmart Private Limited	57
Statement Pursuant to Section 212 of the Companies Act, 1956	61
Directors' Report of A. K. Capital Corporation Private Limited	62
Auditors' Report on A. K. Capital Corporation Private Limited	64
Balance Sheet of A. K. Capital Corporation Private Limited	65
Profit & Loss Account of A. K. Capital Corporation Private Limited	66
Cash Flow Statement of A. K. Capital Corporation Private Limited	67
Schedules forming part of Balance Sheet and Profit & Loss Account of A. K. Capital Corporation Private Limited	68
Statement Pursuant to Section 212 of the Companies Act, 1956	71
Proxy Form	

BOARD OF DIRECTORS

Mrs. Anshu	*Non- Executive Chairperson*
Mr. A. K. Mittal	*Managing Director*
Mr. Deepak Mittal	*Whole Time Director*
Mr. Shyamlata Garg *(resigned on 16/07/2007)*	*Director*
Mr. Subhash Chandra Bhargava *(appointed on 04/09/2007)*	*Independent Director*
Mr. Raghubinder K. Rai	*Independent Director*
Mr. Subhash C. Madan	*Independent Director*

COMPANY SECRETARY

Ms. Krupali M. Daru *(appointed on 28/10/2006)*
Mr. Amit Chawla *(resigned on 28/10/2006)*

AUDITORS

Suresh Surana & Associates
Chartered Accountants

BANKERS

HDFC Bank Limited
Corporation Bank
ICICI Bank Limited

REGISTERED OFFICE

Flat No. N , Sagar Apartment,
6, Tilak Marg, New Delhi - 110 001

CORPORATE OFFICE

135, Free Press House, 13th Floor,
Free Press Journal Marg,
215, Nariman Point, Mumbai - 400 021

REGISTRAR AND SHARE TRANSFER AGENT

Abhipra Capital Limited,
Abhipra Complex, Dilkhush Industrial Area,
G. T. Karnal Road, New Delhi -110 033

DIRECTORS' REPORT

To,
The Members,
A. K. CAPITAL SERVICES LIMITED

Your Directors take pleasure in presenting their 14th Annual Report on the business and operations with the Audited Accounts of your Company for the year ended 31 March 2007. The summarized financial highlights of the company are given hereunder:

FINANCIAL HIGHLIGHTS

Particulars	Year ended 31.03.2007 (Rs. in Millions)	Year ended 31.03.2006 (Rs. in Millions)	Growth
Total Income	**468.88**	271.92	**72%**
Profit before tax	**177.59**	129.61	**37%**
Provision for taxation	**40.94**	29.25	
Profit after tax	**136.65**	100.36	**36%**
Profit brought forward	**67.16**	28.09	
Transfer to General Reserves	**15.00**	50.00	
Balance carried forward	**146.63**	67.16	
Networth	**347.00**	252.18	**38%**
Dividend	**35%**	25%	**40%**
Earning per share	**27.33**	20.07	**36%**

DIVIDEND

During the year, your Company achieved a net profit after tax of Rs.136.65 million. Your Directors recommend a dividend of Rs.3.50 per share. The total amount of dividend is Rs.20.47 million (inclusive of dividend tax of Rs.2.97 million).

REVIEW OF BUSINESS OPERATIONS

Income : The total income for this year was Rs. 468.88 million as compared to Rs. 271.92 million in the financial year 2005-06. The Company registered a rise of 81% in the Merchant Banking fees to Rs.359.33 million during the current financial year 2006-07 from Rs.197.99 million in financial year 2005-06 and growth of 51% in investment income to Rs.109.51 million current financial year 2006-07 from Rs.72.54 million in financial year.2005-06.

Operating Expenses : The total operating expenses for the current financial year 2006-07 were Rs.291.29 million as compared to Rs.142.31 million in the financial year 2005-06.

Profits : The Profit before taxes rose to Rs.177.59 million during the current financial year 2006-07 as compared to Rs.129.61 million in the financial year 2005-06. translating into a growth of 37%. The Company's Profit after tax increased to Rs.136.65 million current financial year 2006-07 as compared to Rs.100.36 million in financial year 2005-06.

DIRECTORS

Mrs. Anshu retire by rotation at the ensuing Annual General Meeting of the Company and being eligible offers herself for re-appointment.

Your Directors appreciate and thank Mrs. Shyam Lata Garg who tendered her resignation from Directorship on 16 July 2007, for her long tenure of service to the Company.

Mr. Subhash Chandra Bhargava had given his consent to act as Director and was appointed as Additional Director of the Company at the Board Meeting held on 4 September 2007. As Additional Director, Mr. Bhargava will hold office up to the date of the ensuing Annual General Meeting and is eligible for appointment pursuant to Section 257 of the Companies Act, 1956.

SUBSIDIARY COMPANY

During the year 2006-2007 your Company has purchased entire paid up equity share capital of A. K. Capital Corporation Private Limited as a result it has became wholly owned subsidiary of your Company. The requisite disclosures as per Clause 32 of the Listing Agreement and as per Section 212 of the Companies Act, 1956, the consolidated financial statements of the Company with its Subsidiaries are attached with the Annual Report.

AUDITORS

M/s Suresh Surana & Associates, Chartered Accountants, Auditors of the Company retire at the forthcoming Annual General Meeting and being eligible offer themselves for reappointment. The re-appointment, if effected, will be in accordance with Section 224(IB) of the Companies Act, 1956.

MANAGEMENT DISCUSSION AND ANALYSIS

As required under Clause 49 of the Listing Agreement, Management Discussion and Analysis of the financial condition and operation of the Company for the year ended under review, is given vide a separate statement in the annual report.

CORPORATE GOVERNANCE

Pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges, a separate section on Corporate Governance and a certificate from the Auditors of the Company regarding compliance with the conditions of the Corporate Governance are forming part of the annual report.

DEPOSITS

Your Company has not accepted any deposits from the public for the year under consideration.

DIRECTOR'S RESPONSIBILITY STATEMENT

Pursuant to the requirement under Section 217 (2AA) of the Companies Act, 1956 with respect to Directors' Responsibility Statement, it is hereby confirmed:

1. That in the preparation of the annual accounts, the applicable Accounting Standards had been followed along with proper explanation relating to material departures.

2. That the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that were 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 the current financial year 2006-07 under review.

3. That the 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.

4. That the Directors had prepared the annual accounts on a going concern basis.

CONSERVATION OF ENERGY, RESEARCH AND DEVELOPMENT, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

In view of the nature of activities which are being carried on by the Company, Rules 2A and 2B of the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 concerning conservation of energy and technology absorption respectively are not applicable to the Company.

There was no inflow or outflow foreign exchange during the year under review.

PARTICULARS OF EMPLOYEES

As required under the provisions of Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of employees) Rules, 1975 are given in a separate annexure which forms a part of the report. As per the provisions of Sec. 219(1)(b)(iv) of the Companies Act, 1956 the reports and accounts are being sent to all the members of the Company excluding the aforesaid information. Any member interested in obtaining such particulars may write to the Company at the registered office.

ACKNOWLEDGEMENT

The Directors would like to express their grateful appreciation for the assistance and co-operation received from the banks & government authorities.

The Directors are happy to place on record their gratitude to the employees at all levels for their commitment and dedicated efforts. The Directors are also thankful to the shareholders for their continued support to the Company.

By the order of the Board

Place: Mumbai
Date : 4 September 2007

Anshu
Chairperson

REPORT ON CORPORATE GOVERNANCE

1. The Company's philosophy on Corporate Governance

The Company has been regularly practicing sound Corporate Governance practices and the Management is of the view that a good Corporate Governance policy is one which results in the administration of the Company in a regulated manner, which makes management transparent, accountable, sustainable and ethical. As trustees of the Company's shareholders, we relentlessly endeavour to enhance the shareholder wealth while sparing no effort to deliver long-term value to all stakeholders. The Management is pleased to provide a detailed disclosure of specific matters required by Securities and Exchange Board of India.

2. Board of Directors (Board)

A. Composition and size of the Board

All the members of the Board are eminent persons with considerable experience in the capital market, banking, finance and mutual fund sectors. The range of experience and skills that the Directors bring to the Board immensely benefits the Company and leads to growth in future.

As on 31 March 2007, the Board of Directors of the Company comprised of Six Directors. The composition and category of the members of the Board and number of their other Directorships is as follows:

Name	Category	No. of Directorships in other Companies	No. of Memberships in other Board Committees
Mrs. Anshu	Non Executive Director – Chairperson	6	Nil
Mr. A. K. Mittal	Managing Director	7	Nil
Mr. Deepak Mittal	Whole Time Director	Nil	Nil
Mrs. Shyamlata Garg	Non Executive Director	Nil	Nil
Mr. Raghubinder K.Rai	Non Executive Independent Director	Nil	Nil
Mr. Subhash C. Madan	Non Executive Independent Director	1	Nil

B. Board Meetings & Attendance at Board Meetings

The Board of Directors formulates the business and operational policies and decide on strategic issues concerning the Company.

During the year under review, six meetings of the Board of Directors were held:

Name of the Director	Number of Board Meetings attended	Attendance at the last AGM held on 30 September 2006
Mrs. Anshu	Five	Yes
Mr. A. K. Mittal	Four	Yes
Mr. Deepak Mittal	Five	Yes
Mrs. Shyamlata Garg	Five	Yes
Mr. Raghubinder K.Rai	Six	Yes
Mr. Subhash C. Madan	Six	Yes

None of the Directors on the Board is a member of more than ten committees or Chairman of more than five committees across all the Companies in which he is a Director.

3. Audit Committee

The constitution of the Audit Committee meets the requirements under Section 292A of the Companies Act, 1956 and the Listing Agreement.

As per the terms of reference of the Audit Committee oversees the following functions:

1. The Audit Committee looks into the insight of the Company's financial reporting process.
2. Reviewing, with the management, the annual financial statements before submission to the Board for approval,
3. Reviewing, with the management, the quarterly financial statements before submission to the Board for approval
4. Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
5. Discussion with internal auditors, any significant findings and follow up there on.
6. Reviewing the findings of any internal audit report by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
7. Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.

During the year ended 31 March 2007, the Committee met five times and attendance of the members are as follows:

Name of the Director	Status	Number of meeting attended
Mr. Subhash. C. Madan (Independent Director)	Chairman	5
Mr. A. K. Mittal (Member)	Member	5
Mr. Raghubinder K.Rai(Independent Director)	Member	5

The Company Secretary of the Company, is the Secretary to the Audit Committee.

4. Remuneration Committee

The Committee met once during the year to review the salary structure of the Directors.
Composition of remuneration Committee :

Name of the Director	Status
Mr. Raghubinder K.Rai	Chairman
Mrs. Anshu	Member
Mr. Subhash. C. Madan	Member

The Company Secretary of the Company, is the Secretary to the Remuneration Committee.
The Remuneration Committee undertakes the following functions:

1. To recommend the remuneration package and sitting fees of directors including their benefits, bonuses, pensions, etc.
2. To keep a constant track of the revision in remuneration so that the package does not exceed the limits prescribed under Schedule XIII of the Companies Act, 1956.
3. Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.

The Details of remuneration paid to the Directors for the financial year 2006-07 is as under:

Name of the Director	Salary	Conveyance	Bonus	Perquisites	Total
Mrs Anshu	Nil	Nil	Nil	Nil	Nil
Mr. A. K. Mittal	60,00,000	Nil	Nil	12,00,000	72,00,000
Mr. Deepak Mittal	7,75,280	9600	30,000	Nil	8,14,880
Mrs. Shyamlata Garg	Nil	Nil	Nil	Nil	Nil

5. Shareholders Grievance Committee

The Shareholder Grievance Committee formed under Clause 49 of the Listing Agreement is as follows:

Composition of the Committee:

Name of the Director	Status	Number of meetings attended
Mrs. Anshu	Chairperson	Four
Mr. Deepak Mittal	Member	Four
Mrs. Shyamlata Garg	Member	Four

The scope of the Shareholders Grievance Committee is to:

a. Approve and monitor transfers, transmissions, splits and consolidation of shares of the Company.

b. Review redressal of complaints from shareholders relating to transfer of shares, non- receipt of dividends and other grievances and

c. Review the compliances with various statutory and regulatory requirements.

None of the investors complains was pending unresolved as on 31 March 2007.

6. General Shareholder Information

a. Annual General Meeting : 29 September 2007, 9.00 a.m., at Tivoli garden, Resort hotel, Chattarpur Road, New Delhi - 110030

b. Financial Year : 2006-07

c. Date of Book Closure : 27 September 2007 to 29 September 2007 (Both days inclusive)

d. Dividend payment date : Within 30 days from the date of AGM

e. Listing on Stock Exchanges : Delhi Stock Exchange (DSE), Bombay Stock Exchange Limited (BSE)

f. Stock Code : DSE - 1305, BSE - 530499

g. Stock Market Price Data for the year 2006-07 on the Bombay Stock Exchange Limited

Month	High	Low
April 2006	143.00	103.00
May 2006	187.30	129.30
June 2006	139.25	84.60
July 2006	103.80	81.50
August 2006	139.00	94.00
September 2006	127.00	104.55
October 2006	129.40	108.00
November 2006	150.00	108.00
December 2006	152.00	120.00
January 2007	145.00	113.20
February 2007	144.00	111.00
March 2007	134.95	85.85

During the year under review no trading in the shares of the Company has taken place at Delhi Stock Exchange.

h. Registrar and Share Transfer Agent : M/s Abhipra Capital Limited are acting as the Registrar and Share Transfer Agents of the Company for handling the share related matters both in physical and dematerialised mode.

Office Address :
Abhipra Complex, A - 387, Dilkhush Industrial Area,
G. T. Karnal RoadNew Delhi - 110 033

i. Share transfer system : All the share transfer request lodged with the registrar & share transfer agents are processed within maximum period of 30 days provided all the documents are submitted.

j. Distribution of shareholding as on 31 March 2007:

Sr.	Category	No. of shares	% holding
1	Promoters	3,283,599	65.67%
2	Private Corporate Bodies	623,216	12.46%
3	Institutions	869	0.02%
4	Indian Public	1,092,316	21.85%
	Total	**5,000,000**	**100.00%**

k. Financial Calendar (Tentative)

Financial reporting for the Quarter ending on

30 June 2007	Last Week of July 2007
30 September 2007	Last Week of October 2007
31 December 2007	Last Week of January 2008
31 March 2008	Last Week of April 2008

l. Dematerialization of shares

Shares of the Company are compulsorily traded in dematerialized form and are available for trading under both the depositories i.e. NSDL and CDSL. The ISIN no. Allotted to the securities is INE701G01012. The total dematerialised shares constituted approximately 91% of the total shareholdings. Members holding shares in physical form are advised to dematerialise their shares to avoid the risks associated with the physical holding of such share certificates.

m. Outstanding GDR/ADR/Warrants or any convertible instrument and impact on equity : The Company has not issued GDR/ADR/Warrants or any convertible instruments for the year ending 31 March 2007.

n. Plant Location : Not Applicable

o. Address for correspondence : The Company has its own Investors' Service department at 609, 6th Floor, Antriksh Bhavan, 22, Kasturba Gandhi Marg, Connaught Place, New Delhi 110 001. Any queries or any difficulties experienced by the shareholders may be sent in writing to the above-mentioned corporate office of the Company.

7. Annual General Meeting

Time and location of last three Annual General Meetings of the Company:

Year	Date	Time	Location
2003-04	18.09.2004	9.30 a.m.	Rangoli Garden, Village Chhawla, Bijwasan Road, New Delhi-110 071
2004-05	03.09.2005	9.15 a.m.	Rangoli Garden, Village Chhawla, Bijwasan Road, New Delhi-110 071
2005-06	30.09.2006	9.00 a.m.	Mayfair Celebrations, 1, Qutub Minar Enclave, Restaurant Complex, Mehrauli, New Delhi -110 030.

No postal ballots were used at these meetings. At the ensuing meeting, there is no items on the agenda that need approval by postal ballots.

8. Disclosures

The Company has complied with all the requirements of the Listing Agreement with the Stock Exchanges, Securities and Exchange Board of India (SEBI) and other statutory authorities. During the last three years, no penalty was imposed by SEBI or any Stock Exchanges or any other statutory authority on the Company for non-compliance of any matter related to capital markets. No transaction of material nature has been entered into by the Company with its Promoters, Directors or Management or relatives etc., that may have potential conflict with the interest of the Company.

9. Means of Communication

The financial results for each quarter and the annual results of the Company, in prescribed format, are approved and taken on record by the Board of Directors and sent to the Delhi Stock Exchange Association Limited and The Bombay Stock Exchange Limited, where the Company is listed. The results are also published in leading newspapers such as Economic Times, Business Standard, Financial Express, Navbharat Times, Jansatta, Veer Arjun and are also available on the Company website.

10. Compliance of Code of Conduct.

In consonance with the requirements of the amended clause 49 of the Listing Agreement, Board of Directors has laid down a code of conduct for the Board members and senior management of the Company. The said code of conduct has also been posted on the website of the Company.

The Directors and the senior management is committed to keep updating this Code to keep it relevant with the changing dynamics of the business and environment. The code of conduct is strictly followed. A declaration by the CEO to this effect is appended to this report (Annexure II).

11. Compliance Certificate from the Auditors

A certificate from the Auditors certifying the Company's compliance with the conditions of Corporate Governance as stipulated under clause 49 of the Listing Agreement is annexed as (Annexure III).

By the order of the Board

Place: Mumbai
Date: 4 September 2007

A. K. Mittal
(Managing Director)

Annexure I

Brief resume of the Director/s to be appointed / re-appointed

Profile of Mrs. Anshu

1.	Name of the Director	Anshu
2.	Date of Birth	25/09/1958
3.	Education Qualification	Diploma In Business Administration, B. A.
4.	Date of appointment on the Board	05/10/1993
5.	Category of Director	Non-Executive Director
6.	Areas of experience	Mrs. Anshu has 13 years experience as Director in the Company in Merchant Banking Division.
7.	Name of other Public Limited Companies in which Directorship held	A. K. Capital Markets Limited
8.	Number of shares held	91,900 equity shares

Profile of Mr. Subhash Chandra Bhargava

1.	Name of the Director	Mr. Subhash Chandra Bhargava
2.	Date of Birth	20/07/1945
3.	Education Qualification	B. Com. (Hons.), F. C. A.
4.	Date of appointment on the Board	04/09/2007
5.	Category of Director	Non-Executive Independent Director
6.	Areas of experience	Mr. Bhargava has extensive knowledge in the field of securities market, treasury operations, investments and insurance. He has worked as member of Technical Advisory Committee on Money, Foreign Exchange and Government, Securities Market, Reserve Bank of India.
7.	Name of other Public Limited Companies in which Directorship held	1. Aditya Birla Nuvo Limited 2. DCM Shriram Consolidated Limited 3. Escorts Limited 4. Swaraj Engine Limited 5. Jaiprakash Associates Limited 6. Jaiprakash Enterprises Limited 7. Jaiprakash Power Ventures Limited 8. Jaypee Cement Limited 9. Mudra Lifestyles Limited 10. IL&FS Academy For Insurance and Finance Limited
8.	Number of shares held	NIL

Annexure II

Declaration

The Board has laid down the code of conduct for all Board Members and senior management of the Company which is posted on the website of the Company. The Board members and senior Management have affirmed compliance with the code of conduct for and in respect of the year 2006-07.

By the order of the Board

Place: Mumbai
Date: 4 September 2007

A. K. Mittal
(Managing Director)

CEO Certification

The CEO has certified the Board of Directors of the Company that:

a) He has reviewed financial statements and cash flow statement for the year and that to the best of his knowledge and belief:

   i. These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading

   ii. These statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.

b) There are, to the best of his knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or which will violate the Company's code of conduct.

c) He accepts the responsibility for establishing and maintaining internal controls for financial reporting and that he has evaluated the effectiveness of internal control systems of the Company pertaining financial reporting and he has disclosed to the Auditors and the Audit Committee, the deficiencies in the design or operation of such internal controls, if any, of which he is aware and the steps he has taken or proposes to take to rectify these deficiencies.

d) He has indicated to the Auditors and the Audit Committee that there is:

   i. No significant change in internal control over financial reporting during the year,

   ii. No significant change in accounting policies during the year under review and

   iii. No instances of any fraud in the Company in which the management has any role.

Annexure III

Compliance Certificate from the Statutory Auditors of the Company.

As required by clause 49 of the Listing Agreement, the certificate from the Statutory Auditor is given as an Appendix to the report on Corporate Governance.

By the order of the Board

Place: Mumbai
Date: 4 September 2007

A. K. Mittal
(Managing Director)

Compliance Certificate on Corporate Governance by the Auditors

To the Members of
A.K. Capital Services Limited

We have examined the compliance of conditions of Corporate Governance by A. K. Capital Services Limited for the year ended on 31 March 2007, as stipulated in Clause 49 of the Listing Agreement of the said company with stock exchanges in India.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was carried out in accordance with Guidance Note on Certification of Corporate Governance (As stipulated in Clause 49 of the Listing Agreement) issued by the Institute of Chartered accountants of India and was limited to procedures and implementation thereof, adopted by the company for ensuring 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 and the representations made by the Directors and the Management, we certify that the company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the abovementioned Listing Agreement.

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

For **Suresh Surana & Associates**
Chartered Accountants

(Nirmal Jain)
Partner
Membership No .34709
Mumbai: Dated 4 September 2007

Management's Discussion & Analysis

Industry Outlook

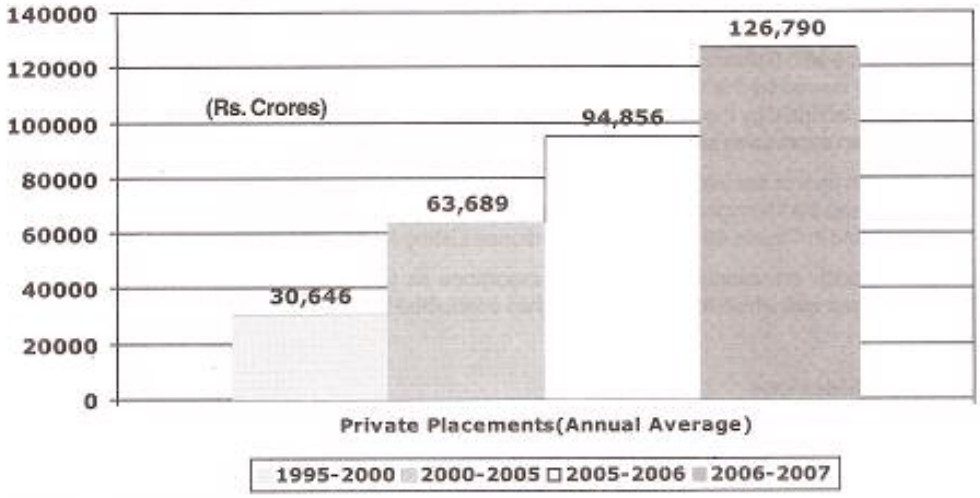
Indian Corporate Debt Market

The Indian Corporate debt market, and the government securities market, is at a turning point in India with significant changes taking place in the domestic economic environment along with various proposed legislative changes. The economy is growing above 8 per cent with modest inflation and if this growth is to be maintained and accelerated in the medium and long run, financial intermediation will have to improve and the debt market, in this context will become even more important. Further, the sustenance of such growth will be possible only if investments in both infrastructure and industry accelerate. Again, this will require debt financing with medium to long term maturity to supplement traditional bank financing.

In the 1990s, the equity market in India witnessed a series of reforms, which helped in bringing it on par with international standards. The Government of India (GOI), Securities and Exchange Board of India (SEBI) and Reserve Bank of India (RBI) has recognized the need to develop an efficient and liquid corporate bond market in India and has already started the process of implementing various measures to develop the said market.

The emergence of private placement market in India has provided an easier alternative to the corporate to raise long-term funds. Corporate access the private placement market because of its certain inherent advantages. First, it is a cost and time-effective method of raising funds. Second, it can be structured to meet the needs of the entrepreneurs. Third, private placement does not require detailed compliance of formalities as required in public or rights issues.

Resource Mobilization through Corporate Debt Issues in India



Future Growth Prospective - Indian Corporate Debt Market

India is now one of the fastest growing economies in the world and is endeavouring to step up the growth rate. Limited availability of adequate long-term resources could adversely affect India's infrastructure development. Banks have been able to fill the void created by the conversion of two major DFIs into banks, but only to some extent.

In the absence of a well-functioning debt market, even large corporate fund their requirements from the banking system, limiting the availability of bank funds for small and medium enterprises and other sectors. This also raises the cost of borrowings for them. Thus, development of the capital market, in general, and the debt market, in particular, is crucial from the point of view of reducing corporate sector's reliance on the banking system so as to enable it to focus more on lending to small and medium enterprises, and agriculture and allied activities.

India is fairly well placed insofar as pre-requisites for the development of the corporate bond market are concerned. There is a reasonably well-developed government securities market, which generally precedes the development of the market for corporate debt securities. The major stock exchanges have trading platforms for the transactions in debt securities. The infrastructure also exists for clearing and settlement. The Clearing Corporation of India Limited (CCIL) has been successfully settling trades in government bonds, foreign exchange and other money market instruments.

The experience with the depository system has been satisfactory. The presence of multiple rating agencies in India also meets the requirement of an assessment framework for bond quality.

Equity Market

Indian Equity Markets reflected the improved growth prospects of the economy. The benchmark BSE Sensex rallied from a low of 8,929 on 14 June 2006 to an all time intra day high of 14,724 on 9 February 2007.The Sensex closed at 13,072 on 30 March 2007 from 11,280 on 31 March 2006 (year on year increase of 15.90%). Aggregate resource mobilization through the primary market, particularly private placement and initial public offerings (IPOs), increased by 30.50% to Rs.161,769 crores in the calendar year 2006. In order to make Indian markets more competitive and efficient, Securities and Exchange Board of India (SEBI) introduced an additional mode for listed companies to raise funds from the domestic market in the form of "Qualified Institutional Placements"(QIP). India's market capitalization compares well with other emerging economies. Net investments by Foreign Institutional Investors (FIIs) in the equity spot market fell by around 22% to Rs.36,540 crores in the calendar year 2006. Net purchases by mutual funds in the equity segment of stock exchange amounted to Rs.15,384 crores in the calendar year 2006 (Rs.13,435 crores in the calendar year 2005).

Business Overview- Financial Year 2006-2007

The robust Indian economy and capital markets helped in ensuring that the year under review was positive and fruitful for A. K. Capital Services Limited (AKCSL), comprising numerous landmark deals.

AKCSL emerged amongst the very few Merchant Bankers in India to have active presence in both the Fixed Income as well as the Equity Market segments. During the year under review, AKCSL concluded various transactions in the both these segments, few of which were of very unique nature & amongst the 1st of its kind in the Indian Capital Market. Some of the transactions are as under:

Fixed Income Market

- AKCSL acted as Lead Arranger for the INR 1500 million Perpetual bond issue of UCO Bank, a leading Public sector bank, for which it was awarded the International Financing Review (IFR) - Asia, India Bond deal of the Year award in Hongkong. The said transaction was first of its kind to be issued in the Indian Fixed Income Market.
- AKCSL was the Lead Arranger for the INR 4000 million Optionally Fully Convertible Bond issue of Shree Maheshwar Hydel Power Corporation Limited, which was guaranteed by Power Finance Corporation Limited (PFC), again amongst the first of its kind in the Indian Fixed Income market.
- AKCSL was the Sole Arranger for the INR 2500 Million Non Convertible Redeemable Preference Shares Issue of Aban Offshore Limited, a leading Private Sector Company in India.

Equity Market

- AKCSL acted as Book Running Lead Manager (BRLM) for the INR 2110 million composite public issue of D. S. Kulkarni Developers Limited, a leading real estate developer company in India
- AKCSL was the Joint Lead Manager for the INR 1560 million Qualified Institutional Placement (QIP) of Peninsula Land Limited, an Ashok Piramal group company
- AKCSL acted as Book Running Lead Manager (BRLM) for the INR 230 million Initial Public Offering of Ruchira Papers Limited

Hybrid Instruments

- AKCSL acted as Advisor & Lead Arranger for syndicating commitments for Venture Capital Funds viz. Aureous India Fund, a CDC - UK sponsored Fund & Urban Infrastructure Opportunity Fund, promoted by Shri Anand Jain from the Reliance Industries group.

New Initiatives

In view of further expanding its gamut of services in the Financial Market, during the financial year 2006-2007, AKCSL along with its nominee shareholders acquired the entire paid-up equity share capital of A. K. Capital Corporation Private Limited, making it a wholly owned subsidiary. A. K. Capital Corporation Private Limited will carry on the business of Non-Banking Finance Company (NBFC) as permitted under the RBI Act. A. K. Stockmart Private Limited another wholly owned subsidiary of AKCSL, being incorporated in the financial year 2005-2006, has also commenced its operations in financial year 2007-2008.

Operational Performance

AKCSL continued its growth trajectory in the current financial year also with the Company's topline growing to INR 469 million, an increase of almost 74% over the previous financial year and Profit after tax of INR 138 million, an increase of almost 38% over the previous financial year.

A snapshot of the past 3 years financial results are as follows:

Financial Performance	2004-05 (Audited)	2005-06 (Audited)	2006-07 (Audited) (Standalone)
Total Income	144.81	271.92	468.88
EBITDA	71.91	133.74	187.59
PAT	52.72	100.36	136.65
EPS	10.54	20.07	27.33

Internal Controls and their Adequacy

The internal controls within the Company are commensurate with the size and nature of its business. The Company has an Audit Committee as required under Clause 49 of the Listing Agreement. The Audit Committee of the Company consists of 3 Members of which 2 are Non- Executive Independent Directors. The Audit Committee provides direction to the audit and risk management functions of the Company and monitors the quality of external audit. It also monitors performance and reviews financial statements on a periodic basis.

The current internal control and processes are adequate, considering that presently there are no direct business activities.

Human resources

We firmly believe that our people are our key driving force & it is imperative to build, develop and retain quality human capital. This is evident from the fact that, the core team of AKCSL has been with the Company for more than 6 years. The core team of AKCSL includes young, dynamic, energetic and hard working professionals from diverse fields and apart from specializing in their respective divisions are multi skilled to lead any of the activity in the financial sector of the group. This uniqueness of the core team has ensured that the efforts & energy of the group is rationalized towards the most lucrative product mix within the financial sector.

Risks & Concerns

India has emerged as one of the fastest growing economies in the globe and has generated a lot of interest among foreign investors both financial and strategic. Global players see India as the future economic powerhouse and they are making huge investments in different businesses within the country.

Every surge in business opportunities also brings along with it new deep pocket competitors into the market. AKCSL derives its revenues from the Indian Capital Market (Debt & Equity), and recognizes that quality human Resource and Funds are of utmost importance for its business. Concrete measures on both these fronts are being planned. However, even in the past, competition has only helped the Company to build a strong business model, employ the best human talent and capitalise on the long years of excellent client relationships.

AUDITORS' REPORT

To,
The Members of
A. K. CAPITAL SERVICES LIMITED

1. We have audited the attached consolidated balance sheet of A. K. Capital Services Limited and its subsidiaries (the 'Group') as at 31 March 2007, the consolidated profit and loss account and also the consolidated cash flow statement for the year ended on that date annexed thereto. These consolidated financial statements are the responsibility of the Company's management and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit the financial statements of the subsidiary companies, namely, A. K. Stockmart Private Limited and A. K. Capital Corporation Private Limited, whose financial statements reflect total assets of Rs. 71,419,218 as at 31 March 2007, total revenue of Rs. 353,095 and cash inflows amounting to Rs. 10,255,222 for the year ended on that date. These financial statements and other financial information have been audited by other auditors whose reports have been furnished to us, and our opinion, in so far as it relates to the amounts included in respect of the said subsidiaries, is based solely on the report of other auditors.
4. We report that the consolidated financial statements have been prepared by the A. K. Capital Services Limited management in accordance with the requirements of Accounting Standard (AS) -21, 'Consolidated Financial Statements' and Accounting Standard (AS) - 23, 'Accounting for Investments in Associates in Consolidated Financial Statements', issued by the Institute of the Chartered Accountants of India.
5. Based on our audit and on consideration of report of other auditors and on the other financial information of the components and to the best of our information and according to the explanations given to us, we are of the opinion that the attached consolidated financial statements read with notes thereon in Schedule 'N', give a true and fair view in conformity with the accounting principles generally accepted in India in the case of:
   a) the consolidated balance sheet, of the state of affairs of the **A.K. Capital Services Limited Group** as at 31 March 2007;
   b) the consolidated profit and loss account, of the profits for the year ended on that date; and
   c) the consolidated cash flow statement, of the cash flows for the year ended on that date.

FOR SURESH SURANA & ASSOCIATES

Chartered Accountants

(Nirmal Jain)

PARTNER

Membership No.: 34709

Mumbai; Dated: 4 September 2007

A. K. Capital Services Limited

CONSOLIDATED BALANCE SHEET AS ON 31ST MARCH 2007.

SOURCES OF FUNDS	SCHEDULE	Rupees	AS AT 31.03.2007 Rupees	AS AT 31.03.2006 Rupees
Shareholders' funds				
Share capital	A	50,000,000		50,000,000
Reserves and surplus	B	297,117,282		202,528,358
			347,117,282	252,528,358
Loan funds				
Secured loans	C		10,004,012	5,368,936
Deferred tax liabilities(net)			1,939,007	4,091,570
TOTAL FUNDS EMPLOYED			359,060,301	261,988,864
APPLICATION OF FUNDS				
Fixed assets	D			
Gross block		64,137,851		31,820,635
Less : Depreciation		12,263,076		7,891,731
Net block			51,874,775	23,928,904
Investments	E		21,517,982	116,325,158
Current assets, loans and advances				
Sundry debtors	F	94,373,660		20,329,989
Cash and bank balances	G	102,770,690		40,228,785
Loans and advances	H	190,686,072		96,920,046
			387,830,422	157,478,820
Less : Current liabilites and provisions	I			
Liabilities		6,814,432		8,391,841
Provisions		99,581,487		28,185,000
			106,395,919	36,576,841
Net Current Assets			281,434,503	120,901,979
Miscellaneous expenditure (To the extent not written off or adjusted)	J		4,233,041	832,823
TOTAL FUNDS UTILISED			359,060,301	261,988,864
Significant accounting policies and notes to accounts	N			

Schedules referred to above form an Integral part of the consolidated financial statements

As per our report of even date attached
For Suresh Surana & Associates
Chartered Accountants

Nirmal Jain
Partner Membership No.: 34709

Place : Mumbai
Date : 4 September 2007

For and on behalf of the Board of Directors

A. K. Mittal Managing Director
Anshu Director

Krupali Daru
Company Secretary

Place : Mumbai
Date : 4 September 2007

A. K. Capital Services Limited

Consolidated Profit and Loss Account for the year ended 31 March 2007

	SCHEDULE	Rupees	Current Year Rupees	Previous Year Rupees
INCOME				
Merchant banking fees			359,325,645	197,993,382
Investment income	K		109,778,293	72,542,581
Other income			44,421	1,384,529
			469,148,359	271,920,492
EXPENDITURE				
Personnel cost	L		43,772,055	26,504,977
Administrative, selling and other expenses	M		237,527,207	111,672,799
Interest expenses			5,053,851	2,330,455
Depreciation			4,518,385	1,754,221
Miscellaneous expenditure written off			452,310	45,959
			291,323,808	142,308,411
Profit before tax			177,824,551	129,612,081
Less : Provision for taxation				
Income tax		40,978,960		26,500,000
Fringe benefit tax		2,132,000		1,685,000
Deferred tax		(2,152,563)		1,071,570
Wealth tax		88,274		-
			41,046,671	29,256,570
Profit after tax			136,777,880	100,355,511
Prior year expenses - Gratuity			2,072,517	-
Prior year tax adjustments			5,371,107	2,735,357
Share of loss of associates for the year			16,727	
Profit after tax and prior period items			129,317,529	97,620,154
Add : Balance brought forward from last year		67,157,548		28,089,269
Share of loss of associates up to 31/03/2006		980		-
			67,156,568	
Profit available for appropriation			196,474,097	125,709,423
Appropriations				
Amount transferred to general reserve			15,000,000	50,000,000
Dividend paid				
2004 - 2005			-	7,500,000
2005 - 2006			12,500,000	-
Tax paid on dividend				
2004 - 2005			-	1,051,875
2005 - 2006			1,753,500	-
Proposed dividend (2006 - 2007)			17,500,000	-
Tax on proposed dividend			2,974,125	-
Surplus carried to balance sheet			146,746,472	67,157,548
Basic and diluted earnings per share (Face value Rs. 10 each)			27.36	20.07
Significant accounting policies and notes to accounts	N			

Schedules referred to above form an Integral part of the consolidated financial statements

As per our report of even date attached
For Suresh Surana & Associates
Chartered Accountants

Nirmal Jain
Partner Membership No.: 34709

Place : Mumbai
Date : 4 September 2007

For and on behalf of the Board of Directors

A. K. Mittal Managing Director
Anshu Director

Krupali Daru
Company Secretary

Place : Mumbai
Date : 4 September 2007

A. K. Capital Services Limited

Consolidated Cash Flow Statement for the year ended 31 March 2007

		Current Year Rupees	Previous Year Rupees
A.	**CASH FLOW FROM OPERATING ACTIVITIES**		
	Net Profit before Tax and extra ordinary items	177,824,551	129,612,081
	Adjustments for		
	Depreciation	4,518,385	1,754,221
	Preliminary expenses written off	452,310	45,959
	Loss/(profit) on sale of fixed assets	(25,000)	368,465
	Interest received - Others	(5,276,932)	(3,658,916)
	Provision for diminution in value of current investments	271,890	-
	Interest paid	5,053,851	2,330,455
	Profit on sale of current investments (Net)	(39,620,186)	(30,373,077)
	Dividend income on short term investments	(60,262,823)	(34,890,885)
	Interest income on short term investments	(4,618,352)	(84,822)
	Profit on sale of long term investments	-	(3,534,881)
		78,317,694	61,568,600
	Operating Profit / (Loss) before working capital changes		
	Adjustments for		
	i) Trade and other receivables	(123,996,948)	(56,587,227)
	ii) Trade payable and other trade liabilities	1,417,131	(16,642,566)
	Cash generated from Operations	(44,262,123)	(11,661,193)
	Direct taxes paid	(43,800,268)	(30,611,803)
	Prior year expenses - Gratuity	(2,072,517)	-
	Net cash generated from Operations	(90,134,908)	(42,272,996)
B.	**CASH FLOW FROM INVESTING ACTIVITIES**		
	Acquisition of fixed assets	(32,464,256)	(9,285,004)
	Changes of investments (net)	94,517,579	14,496,281
	Sale of fixed assets	25,000	364,000
	Share appication money refunded	(655,000)	-
	Profit on sale of current investments (Net)	39,620,186	30,373,077
	Dividend income on short term investments	60,262,823	34,890,885
	Interest income on short term investments	4,618,352	84,822
	Profit on sale of long term investments	-	3,534,881
	Net cash generated from Investment activities	165,924,684	74,458,942
C.	**CASH FLOW FROM FINANCING ACTIVITIES**		
	Interest received	5,276,932	3,658,916
	Loans taken	4,635,076	3,676,485
	Miscellaneous expenses paid	(3,852,528)	(871,873)
	Dividends paid	(14,253,500)	(7,500,000)
	Interest paid	(5,053,851)	(2,330,455)
	Net cash used in financial activities	(13,247,871)	(3,366,927)
	Net Increase/decrease,in cash and cash equivalents (A+B+C)	62,541,905	28,819,019
	Cash and cash equivalents at the beginning of the year	40,228,785	11,409,766
	Cash and cash equivalents at the end of the year	102,770,690	40,228,785
	Significant accounting policies and notes to accounts are given in Schedule 'N'		

Schedules referred to above form an Integral part of the consolidated financial statements

As per our report of even date attached
For Suresh Surana & Associates
Chartered Accountants

Nirmal Jain
Partner Membership No.: 34709

Place : Mumbai
Date : 4 September 2007

For and on behalf of the Board of Directors

A. K. Mittal Managing Director
Anshu Director

Krupali Daru
Company Secretary

Place : Mumbai
Date : 4 September 2007

Schedules forming part of Consolidated Balance Sheet as at 31 March 2007

	Rupees	AS AT 31.03.2007 Rupees	AS AT 31.03.2006 Rupees
SCHEDULE - A			
SHARE CAPITAL			
Authorised			
12,000,000 Equity shares of Rs. 10 each		120,000,000	120,000,000
200,000 Redeemable cumulative preference shares of Rs. 100 each		20,000,000	20,000,000
		140,000,000	140,000,000
Issued, Subscribed and Paid Up			
5,000,000 Equity shares of Rs. 10 each fully paid up		50,000,000	50,000,000
		50,000,000	50,000,000
SCHEDULE - B			
RESERVES AND SURPLUS			
General Reserve			
As per last balance sheet	135,005,000		85,005,000
Transferred from reserve fund	365,810		-
Transferred from profit and loss account	15,000,000		50,000,000
		150,370,810	135,005,000
Reserve Fund			
As per last balance sheet	365,810		365,810
Transferred to general reserve	(365,810)	-	-
		-	365,810
Surplus as per Profit and Loss Account		146,746,472	67,157,548
		297,117,282	202,528,358
SCHEDULE - C			
SECURED LOANS			
Vehicle loans from Bank		10,004,012	5,368,936
		10,004,012	5,368,936

SCHEDULE - D
FIXED ASSETS

(Amount in Rupees)

ASSETS DESCRIPTION	GROSS BLOCK As at 01.04.2006	Additions during the year	Sales/ Adjustment	As at 31.03.2007	DEPRECIATION As at 01.04.2006	For the year	Sales/ adjustments	As at 31.03.2007	NET BLOCK As at 31.03.2007	As at 31.03.2006
Leasehold improvements	-	7,366,906	-	7,366,906	-	1,288,695	-	1,288,695	6,078,211	-
Office building	11,016,284	-	-	11,016,284	1,541,018	179,566	-	1,720,584	9,295,700	9,475,266
Machinery	369,060	-	-	369,060	191,349	17,530	-	208,879	160,181	177,711
Computer	6,240,860	2,414,997	-	8,655,857	4,196,678	1,230,666	-	5,429,344	3,226,513	2,042,182
Office equipment	2,612,731	5,005,678	-	7,618,409	559,767	267,451	-	827,218	6,791,191	2,052,964
Furniture and fixtures	1,594,664	7,301,133	-	8,895,797	124,571	288,485	-	413,056	8,482,741	1,470,093
Vehicles (Refer note below)	9,967,036	10,375,542	147,040	20,215,538	1,276,348	1,245,992	147,040	2,375,300	17,840,238	8,710,688
Total	31,820,635	32,464,256	147,040	64,137,851	7,891,731	4,518,385	147,040	12,263,076	51,874,775	23,928,904
PREVIOUS YEAR	24,103,044	9,285,004	1,567,413	31,820,635	6,972,458	1,754,221	834,948	7,891,731	23,928,904	

Note:
Secured against hypothecation of vehicles (Gross block Rs. 17,020,530; Previous year Rs. 7,751,988) (Accumulated Depreciation Rs.1,576,588; Previous year Rs. 631,529)

A. K. Capital Services Limited

Schedules forming part of Consolidated Balance Sheet as at 31 March 2007

SCHEDULE - E
INVESTMENTS
(Other than Trade)

	Numbers	Face Value Rupees	Rupees	As at 31.03.2007 Rupees	As at 31.03.2006 Rupees
Quoted (Fully paid up) - Short Term					
Equity shares of JSW Steels Limited	Nil (854)	10		-	341,659
Equity shares of Blue Bird (I) Limited	8,200 (Nil)	10		652,305	-
Equity shares of Jindal South West Holdings Limited	125 (125)	10		31,945	31,945
Equity shares of Flex Industries Limited	245 (245)	10		11,803	11,803
Equity shares of IEC Software Limited	1,356 (1,356)	10		71,868	71,868
Equity shares of Bell Ceramics Limited	3,000 (3,000)	10		45,000	45,000
Equity shares of Kajaria Ceramics Limited	440 (440)	2		37,400	37,400
Equity shares of Precision Electronics Limited	115 (46)	10		483	483
Equtiy shares of Shamken Spinners Limited	9,000 (9,000)	10		36,000	36,000
Bonds of 7.35% Karnataka State Finance Corporation	Nil (120)	1,000,000		-	114,552,000
Bonds of 10.10% UTI Bank Limited	17 (Nil)	1,000,000		17,000,000	-
				17,886,804	115,128,158
Less: Provision for diminution in value of quoted investments				271,890	-
				17,614,914	115,128,158
Unquoted - Investments in Associates (Long Term)					
Equity shares of Intelligroup Advisors Private Limited	19,600 (19,600)	10	196,000		196,000
Less: Share of loss upto 31/03/2006			980		
Less: Share of loss for the year			1,927		
				193,093	-
Equity shares of A.K. Capital Retail Private Limited	4,000 (Nil)	10	40,000		
Less: Share of loss for the year			4,916		
				35,084	-
Equity shares of A.K. Commodities Private Limited	8,000 (Nil)	10	80,000		
Less: Share of loss for the year			4,942		
				75,058	-
Equity shares of A.K. Wealth Management Private Limited	20,000 (Nil)	10	200,000		
Less: Share of loss for the year			4,942		
				195,058	-
				498,293	196,000
Unquoted - Others (Long Term)					
Equity shares of A.M. Care Limited	100 (100)	10		1,000	1,000
Equity shares of Sunrise Corporate Services Limited	100,000 (100,000)	10		1,000,000	1,000,000
				1,001,000	1,001,000
Others					
Gold coins and ornaments				2,403,775	-
TOTAL				21,517,982	116,325,158
Aggregate value of quoted investments				17,886,804	115,128,158
Aggregate value of unquoted investments				1,499,293	1,197,000
Market value of quoted investments				662,692	114,968,493

Schedules forming part of Consolidated Balance Sheet as at 31 March 2007

	As at 31.03.2007 Rupees	As at 31.03.2006 Rupees
SCHEDULE - F		
SUNDRY DEBTORS (Unsecured, Considered good)		
More than six months	4,572,993	-
Others	89,800,667	20,329,989
	94,373,660	20,329,989
SCHEDULE - G		
CASH AND BANK BALANCES		
Cash on hand	2,350,238	1,721,674
Balances with scheduled banks		
- In current accounts	79,749,392	38,507,111
- In unpaid dividend accounts	671,060	-
- In fixed depoist accounts	20,000,000	-
	102,770,690	40,228,785
SCHEDULE - H		
LOANS AND ADVANCES (Unsecured, considered good)		
Advances recoverable in cash or in kind for value to be received	1,920,130	1,148,979
Deposits	118,783,622	68,291,496
Advance towards share application money	-	655,000
Advance tax and tax deducted at source (including fringe benefit tax paid Rs. 3,653,389; previous year Rs.585,000)	69,982,320	26,824,571
	190,686,072	96,920,046
SCHEDULE - I		
CURRENT LIABILITIES AND PROVISIONS		
Current Liabilities		
Sundry creditors	4,576,435	6,792,259
Advance from customers	-	1,000,000
Other liabilities	1,566,937	599,582
Unpaid dividend*	671,060	-
	6,814,432	8,391,841
Provisions		
Provision for income tax	71,718,347	26,500,000
Provision for wealth tax	109,086	-
Provision for fringe benefit tax	4,285,389	1,685,000
Provision for retirement benefits	2,994,540	-
Provision for proposed dividend	17,500,000	-
Provision for tax on proposed dividend	2,974,125	-
	99,581,487	28,185,000
	106,395,919	36,576,841
SCHEDULE - J		
MISCELLANEOUS EXPENDITURE (to the extent not written off or adjusted)		
Preliminary expenses	832,823	878,782
Add: Incurred during the year	743,400	-
Less : Written off during the year	452,310	45,959
	1,123,913	832,823
Pre-Operative Expenses	3,109,128	-
Less : Written off during the year	-	-
	4,233,041	832,823

* There are no dues which need to be credited in to Investor Education and Protection Fund as of 31 March 2007.

A. K. Capital Services Limited

Schedules forming part of Consolidated Profit & Loss Account for the year ended 31 March 2007

	Current Year Rupees	Previous Year Rupees
SCHEDULE - K		
INVESTMENT INCOME		
Profit on sale of current investments (Net)	39,620,186	30,373,077
Interest income		
On short term investments	4,618,352	84,822
On others	5,276,932	3,658,916
Dividend income on short term investments	60,262,823	34,890,885
Profit on sale of long term investments	-	3,534,881
	109,778,293	72,542,581
SCHEDULE - L		
PERSONNEL COST		
Salaries, bonus and allowances	43,278,255	25,667,596
Contribution to provident and other funds	45,228	62,361
Staff welfare expenses	448,572	775,020
	43,772,055	26,504,977
SCHEDULE - M		
ADMINISTRATIVE AND OTHER EXPENSES		
Travelling and conveyance expenses	10,646,873	13,159,500
Rent, rates and taxes	42,757,201	9,109,962
Electricity expenses	2,443,391	1,159,784
Auditors' remuneration	171,492	19,000
Communication charges	3,384,318	3,788,654
Books and subscription expenses	854,801	932,886
Printing and stationary expenses	2,744,722	1,733,014
Conference and AGM expenses	71,232	2,052,942
Legal and professional expenses	16,821,393	665,686
Bank charges	320,468	59,102
Securities transaction tax	369,623	292,131
Repairs and maintenance - Building	353,917	194,821
- Others	3,383,719	1,897,310
Loss on sale of fixed assets	-	368,485
Provision for dimunition in value of current investments	271,890	-
Service tax	32,562,778	13,690,633
Directors sitting fees	155,000	35,000
Advances / debtors written off (Net)	3,042,841	-
Donation	50,000	-
Software expenses	143,313	-
Advertisement expenses	9,004,134	6,017,514
Business promotion expenses	14,582,789	7,514,966
Brokerage paid	14,948,777	1,591,839
Incentive expenses	5,689,336	7,252,026
Sub arranger fees	72,142,282	39,878,625
Miscellaneous expenses	610,917	258,939
	237,527,207	111,672,799

SCHEDULE - 'N'

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO CONSOLIDATED ACCOUNTS

A. Significant accounting policies:

1) **Basis of preparation of consolidated financial statements:**

These consolidated financial statements have been prepared on the basis of historical cost convention on an accrual basis, in accordance with the generally accepted accounting principles (GAAP) in India and comply with the Accounting Standard (AS)-21 'Consolidated Financial Statements' and Accounting Standard (AS)-23 ' Accounting for Investments in Associates in Consolidated Financial statements' issued by the Institute of Chartered Accountants of India, to the extent applicable. The consolidated financial statements are presented in Indian rupees.

2) Principles of consolidation

a) The consolidated financial statements include the financial statements of A.K. Capital Services Limited, the parent company (hereinafter referred to as the 'Company') and its subsidiaries (collectively referred to as the 'Group').

The consolidated financial statements have been prepared on the following basis:

I. The financial statements of the parent company and the subsidiaries have been combined on a line by line basis by adding together the book values of like items of assets, liabilities, income and expenses after eliminating intra-group balances / transactions and resulting unrealised profits in full. Unrealised losses resulting from intra-group transactions have also been eliminated except to the extent that recoverable value of related assets is lower than their cost to the Group. The amounts shown in respect of reserves comprise the amount of the relevant reserves as per the balance sheet of the parent company and its share in the post acquisition increase in the relevant reserves of the subsidiaries.

II. Transactions relating to Profit and Loss Account of the acquired subsidiaries have been included in the Consolidated Profit and Loss Account from the effective date of acquisition on proportionate basis assuming that profits / loss have accrued evenly through out the year wherever financial statements are not drawn till the date of acquisition.

b) The excess of the cost of acquisition of investments in the subsidiaries over the acquired portion of equity in the subsidiaries is recognised in the financial statements as 'goodwill'. The excess of acquired portion of equity in subsidiaries over the cost of acquisition of investments in the subsidiaries is recognised in the financial statements as 'capital reserve'.

c) Minority interest in the net assets of consolidated subsidiaries consists of:

- the amount of equity attributable to minorities at the date on which investment in subsidiary is made; and
- the minorities' share of movements in equity since the date the parent and subsidiary relationship came into existence.

d) Investments in associates are accounted under equity method. Under the equity method, the investment is initially recorded at cost, identifying goodwill/capital reserve arising at the time of acquisition and the carrying amount is increased/decreased to recognise Group's share of profits/losses of the associates after the date of acquisition. Goodwill/Capital reserve arising on acquisition of the associates is included in the carrying amount of the respective investments. Unrealised profits resulting from transactions between the Group and the associates are eliminated to the extent of Group's interest in the associates. Unrealised losses resulting from intra-group transactions have also been eliminated except to the extent that recoverable value of related assets is lower than their cost to the Group.

e) The consolidated financial statements are presented, to the extent possible, in the same format as that adopted by the parent company for its separate financial statements.

f) The consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances to the extent possible.

3) Fixed assets :

Fixed assets are stated at cost less accumulated depreciation. Cost includes original cost of acquisition, including incidental expenses related to such acquisition and installation.

4) Depreciation :

Depreciation on fixed assets has been provided on straight-line method on pro-rata basis in the manner and at the rates specified in Schedule XIV to the Companies Act, 1956.

Leasehold improvements has been amortised over the lease period.

5) Investments:

i) Long-term investments are valued at cost after deducting provision, if any, made for permanent diminution in the values. Premium paid/ discount received on purchase or acquisition of an investment, is adjusted in the year of sale / redemption of that investment.

ii) Current investments are valued at lower of cost or fair market value determined on an individual investment basis.

6) Revenue recognition:

Revenue from service charges, fees and commission is recognised when the contract has been completed.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

7) Foreign currency transactions:

The transactions in foreign currency are recorded in rupee by applying to the foreign currency amount, the exchange rate prevailing at the time of the transaction. Amount short or excess realized is debited or credited to exchange difference account, if any.

8) Retirement benefits:

Liability in respect of retirement benefits is provided and charged to profit and loss account as follows:

a) **Provident fund:** Liability towards contribution to Employee Provident Fund (EPF) is charged to profit and loss account of the year and are provided for in compliance with the requirement of respective statutes applicable.

b) **Leave encashment:** As determined on the basis of accumulated leave to the credit of the employees as at the year end as per the Company's rules.

c) **Gratuity:** Gratuity is provided at the year end as per the provisions of "The Payment of Gratuity Act, 1972".

9) Accounting for taxes on income:

i) Provision for income tax is made on the basis of the estimated taxable income for the accounting year in accordance with the Income-tax Act, 1961.

ii) The deferred tax for timing differences between the book profits and tax profits for the year is accounted for using the tax rates and laws that have been enacted or substantially enacted as of the balance sheet date. Deferred tax assets arising from timing differences are recognised to the extent there is a virtual certainty that these would be realised in future and are reviewed for the appropriateness of their respective carrying values at each balance sheet date.

iii) Fringe benefit tax is provided as per the provisions of Income Tax Act, 1961 on chargeable expenses incurred during the year.

10) Lease:

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased term, are classified as operating leases. Operating lease payments are recognised as an expense in the profit and loss account on straight-line basis over the lease term.

11) Borrowing costs:

Borrowing costs attributable to the acquisition and construction of qualifying assets upto the date of such

acquisition or construction are capitalised as part of the cost of respective assets. Other borrowing costs are charged to revenue in the period in which they are incurred.

12) Impairment of assets:

The Company assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the management estimates the recoverable amount of the asset. If such recoverable amount of the asset is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognized in the profit and loss account. If at the balance sheet date there is an indication that if a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciated historical cost.

13) Provisions and contingent liabilities:

The Company creates a provision when there is a present obligation as result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, requires an outflow of resources. Where there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

B. Notes to accounts:

1) The subsidiary companies considered in the consolidated financial statements are:

Name of the Subsidiaries	Country of incorporation	Extent of holding (%)	Reporting currency	Effective date of becoming subsidiary
A.K. Stockmart Private Limited	India	100.00	Indian Rupees	20/02/2006
A.K. Capital Corporation Private Limited	India	100.00	Indian Rupees	29/01/2007

2) The Associates of the Group and the ownership interest of the Group are as follows:

Name of the Associates	Country of incorporation	Extent of holding (%)	Reporting currency	Effective date of becoming Associates
A.K. Wealth Management Private Limited	India	40.00	Indian Rupees	29/12/2006
A.K. Capital Retail Private Limited	India	40.00	Indian Rupees	07/02/2007
A.K. Commodities Private Limited	India	40.00	Indian Rupees	07/02/2007
Intelligroup Advisors Private Limited	India	49.00	Indian Rupees	20/12/2005

3) Secured loans from bank includes loan of Rs. 10,004,012 (previous year Rs. 5,368,936) secured against hypothecation of vehicles.

4) (i) The profit and loss account includes remuneration to Directors as follows:

	2006 - 2007 Rs.	2005 - 2006 Rs.
Salaries, Bonus and Allowances	6,814,880	5,459,470
Perquisites	1,200,000	600,000
	8,014,880	**6,059,470**

Note: The perquisites for which monetary value is not determinable are considered as per Income Tax Rules.

(ii) No commission is payable to Directors / Managing director and hence, computation of Net Profit in accordance with Section 198, 309 and 349 of the Companies Act, 1956 has not been given.

5) Related party disclosure:

i) **Related parties and their relationships:**

Associates	A.K. Wealth Management Private Limited (w.e.f. 29.12.2006) A.K. Capital Retail Private Limited (w.e.f. 07.02.2007) A. K. Commodities Private Limited (w.e.f. 07.02.2007) Intelligroup Advisors Private Limited
Key Management Personnel	Mr. Atul Kumar Mittal Mr. Deepak Mittal
Relative of Key Management Personnel	Mrs. Anshu Mr. Abhinav Kumar Ms. Aditi Mittal
Enterprise controlled by or having significant influence of Key Management Personnel	A. K. Capital Markets Limited A.K. Services Private Limited Second Leasing Private Limited

Notes:

a) The related party relationships have been determined on the basis of the requirements of the Accounting Standard AS-18 'Related Party Disclosures' issued by the Institute of Chartered Accountants of India and the same have been relied upon by the auditors.

b) The relationships as mentioned above pertain to those related parties with whom transactions have taken place during the year.

c) The details of subsidiaries have been given in Note no. B(1) above.

d) Previous year figures in para (ii) and (iii) below have been furnished based on the audited consolidated financial statements for the year ended 31 March 2006.

ii) Transactions with related parties:

Particulars	Related parties				Total
	Key Management Personnel	Relatives of Key Management Personnel	Enterprise in which key management personnel have control / significant influence	Associates	
Investments in share capital	-	-	-	120,000	120,000
	(-)	(-)	(-)	(-)	(-)
Inter Corporate Deposits taken and repaid	-	-	7,555,000	450,000	8,005,000
	(-)	(-)	(-)	(-)	(-)
Inter Corporate Deposits given and received back	-	-	2,594,066,656	-	2,594,066,656
	(-)	(-)	(-)	(-)	(-)
Loans taken and repaid	1,700,000	3,800,000	-	-	5,500,000
	(-)	(-)	(-)	(-)	(-)
Interest received	-	-	4,959,453	-	4,959,453
	(-)-	(-)	(-)	(-)-	(-)

Particulars	Related parties				Total
	Key Management Personnel	Relatives of Key Management Personnel	Enterprise in which key management personnel have control / significant influence	Associates	
Remuneration paid	6,814,880 (6,059,470)	- (-)	- (-)	- (-)	6,814,880 (6,059,470)
Deposits given	10,000,000 (-)	15,250,000 (1,712,000)	- (-)	- (-)	25,250,000 (1,712,000)
Deposits repaid	- (-)	975,000 (-)	- (-)	- (-)	975,000 (-)
Brokerage received	- (-)	- (-)	22,500,000 (-)	- (-)	22,500,000 (-)
Purchase of securities	- (-)	- (-)	1,359,806,597 (-)	- (-)	1,359,806,597 (-)
Sales of securities	- (-)	- (-)	2,450,778,400 (-)	- (-)	2,450,778,400 (-)
Rent paid	1,550,000 (300,000)	4,028,200 (636,600)	- (-)	- (-)	5,578,200 (936,600)
Balances receivable as at year end	11,450,000 (1,500,000)	17,437,000 (3,187,000)	7,500,000 (-)	- (-)	36,387,000 (4,687,000)
Investment in Share Capital as at year end	- (-)	- (-)	- (-)	516,000 (-)	516,000 (-)

iii) **Disclosure in respect of transactions which are more than 10% of the total transactions of the same type with related parties during the year:**

Particulars	Current Year Rs.	Previous Year Rs.
Investments in share capital		
A.K. Capital Retail Private Limited	40,000	-
A. K. Commodities Private Limited	80,000	-
Inter Corporate Deposits taken and repaid		
A.K. Capital Markets Limited	1,550,000	55,00,000
Second Leasing Private Limited	6,005,000	6,915,649
Inter Corporate Deposits given and received back		
A. K. Services Private Limited	2,594,066,656	-
Loans taken and repaid		
A. K. Mittal	1,700,000	-
Anshu	2,000,000	-
Abhinav Kumar	1,300,000	-
Interest received		
A.K. Services Private Limited	4,959,453	-
Remuneration paid		
A. K. Mittal	6,000,000	5,225,000
Deepak Mittal	814,880	834,470

Particulars	Current Year Rs.	Previous Year Rs.
Deposits given		
A. K. Mittal	10,000,000	–
Anshu	5,000,000	–
Abhinav Kumar	10,250,000	1,712,000
Deposits repaid		
Abhinav Kumar	975,000	–
Brokerage received		
A. K. Capital Markets Limited	22,500,000	–
Purchase of securities		
A.K. Services Private Limited	1,357,832,550	–
Sales of securities		
A.K. Services Private Limited	2,450,778,400	–
Rent paid		
A. K. Mittal	1,550,000	300,000
Anshu	1,050,000	300,000
Abhinav Kumar	2,978,200	336,600
Balances receivable as at year end		
A.K. Mittal	11,450,000	1,500,000
Anshu	6,450,000	1,475,000
Abhinav Kumar	10,987,000	1,712,000
A. K. Capital Markets Limited	7,500,000	–
Investment in share capital as at year end		
Intelligroup Advisors Private Limited	196,000	–
A.K. Capital Retail Private Limited	40,000	–
A. K. Commodities Private Limited	80,000	–
A. K. Wealth Management Private Limited	200,000	–

6) In the opinion of the Company, current assets, loans, advances and deposits are approximately of the value stated, if realised in the ordinary course of business. The provision of all known liabilities is adequate and not in excess of the amount reasonably necessary.

7) Balances of certain sundry debtors, sundry creditors, loans and advances are subject to confirmations / reconciliation and consequential adjustments, if any. The management does not expect any material difference affecting the current year's financial statements on such reconciliation / adjustments.

8) As per Accounting Standard (AS)-22 "Accounting for taxes on Income" issued by the Institute of Chartered Accountants of India, deferred tax liability (net) pertaining to timing difference arising for the period upto 31 March 2007 of Rs. 1,939,007(upto 31 March 2006 Rs. 4,091,570) have been determined.

Major components of deferred tax assets and liabilities as at year-end are as under:

Particulars	As at 31/03/2007 Rs.	As at 31/03/2006 Rs.
Deferred tax liability on account of :		
Depreciation	2,998,711	4,091,570
Total (A)	**2,998,711**	**4,091,570**
Deferred tax assets:		
Gratuity	956,356	–
Disallowance u/s 40 a (ia)	103,348	–
Total (B)	**1,059,704**	-
Deferred tax liability (Net) (A-B)	**1,939,007**	**4,091,570**

Subsidiaries have not recognised deferred tax assets/ liabilities as at 31 March 2007 and 31 March 2006 in its respective separate financial statements. Hence, the same has not been considered in the Consolidated Financial Statement.

9) **Segment information:**

The Company has single reporting segment i.e. "Providing Merchant Banking Services" for the purpose of Accounting Standard (AS) - 17 'Segment Reporting'. The Company does not have any reportable geographical segment.

10) **Earnings per share (EPS):**

		Current Year	Previous Year
(i)	Net profit after tax available for equity share holder (Rs.)	136,777,880	100,355,511
(ii)	Weighted average number of equity shares outstanding at the year end (No.)	5,000,000	5,000,000
(iii)	Basic and diluted earnings per share (Rs.)	27.36	20.07
(iv)	Nominal value of share (Rs.)	10	10

11) In case of A. K. Stockmart Private Limited (a subsidiary), depreciation on fixed assets i.e. computers purchased during the year for Rs. 536,800 has not been provided for. The impact of the depreciation has not been calculated as the cost of assets purchased itself is not significant.

12) Pre-operative expenditure has been treated as deferred revenue expenditure and the same has to be written off in the year of commencement of the operations.

13) Deposits include amount aggregating to Rs. 17,900,000 (previous year Rs. 2,900,000) given to directors of the Company as security deposit towards premises taken on rent. Maximum balance outstanding during the year Rs. 17,900,000; previous year Rs. 2,900,000.

14) Previous year's figures have been regrouped or rearranged, wherever considered necessary.

Signatures to schedules 'A' to 'N'

Schedules referred to above form an Integral part of the consolidated financial statements

As per our report of even date attached
For **Suresh Surana & Associates**
Chartered Accountants

Nirmal Jain
Partner Membership No.: 34709

Place : Mumbai
Date : 4 September 2007

For and on behalf of the Board of Directors

A. K. Mittal Managing Director
Anshu Director

Krupali Daru
Company Secretary

Place : Mumbai
Date : 4 September 2007

AUDITORS' REPORT

To,
The Members of
A. K. CAPITAL SERVICES LIMITED

1. We have audited the attached balance sheet of A. K. Capital Services Limited as at 31 March 2007, the profit and loss account and also the cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by Companies (Auditor's report) Order, 2003 as amended by the Companies (Auditor's report) (Amendments) Order 2004 (hereinafter referred to as 'the Order') issued by the Central Government of India in terms of Section 227(4A) of the Companies Act, 1956 (hereinafter referred to as 'the Act') and on the basis of such checks, as were considered appropriate, we annex hereto a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the annexure referred to in paragraph 3 above, we report that:
   a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
   b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
   c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
   d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956, to the extent applicable;
   e) On the basis of written representations received from the directors of the Company as on 31 March 2007 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31 March 2007 from being appointed as a director of the Company in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.
   f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with other notes thereon in Schedule 'N' give the information required by the Act, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
      i. in the case of the Balance Sheet, of the state of affairs of the Company as at 31 March 2007;
      ii. in the case of the Profit and Loss account, of the profit for the year ended on that date; and
      iii. in the case of Cash Flow statement, of the cash flows of the Company for the year ended on that date.

FOR SURESH SURANA & ASSOCIATES
Chartered Accountants

(Nirmal Jain)
PARTNER
Membership No.: 34709

Mumbai;
Dated: 4 September 2007

ANNEXURE TO THE AUDITORS' REPORT REFERRED TO IN PARAGRAPH 3 OF OUR REPORT OF EVEN DATE

1. In respect of its fixed assets:
   a) The Company has maintained records for its fixed assets and is in the process of updating the same to show full particulars including quantitative details and situation of its fixed assets.
   b) There is a regular programme for verification of fixed assets, which in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such physical verification.
   c) During the year, the Company has not disposed off substantial part of its fixed assets.
2. Considering the nature of business, the Company does not have inventory. In view of this, clauses 4 (ii) (a), 4 (ii) (b) and 4 (ii) (c) of the Order are not applicable to the Company.
3. In respect of loans, secured or unsecured, granted or taken by the Company to / from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956:
   a) The Company has granted inter corporate deposit to a company. The maximum amount involved during the year was Rs. 197,744,397 and year end balance was Rs. Nil.
   b) In our opinion, the rate of interest and other terms and conditions on which loans have been granted are prima facie, not prejudicial to the interest of the Company.
   c) In our opinion and according to information and explanations given to us, receipt of the principal amount is regular.
   d) There is no overdue amount of loan of more than Rs. One lac.
   e) The Company has taken unsecured loans from five companies and four other parties. The Maximum amount involved during the year was Rs. 55,526,000 and year end balance was Rs. Nil
   f) In our opinion and according to information and explanations given to us, in respect of such loans taken by the Company, the rate of interest and other terms and conditions are prima facie, not prejudicial to the interest of the Company.
   g) In respect of such loans taken by the Company, interest and the principal amounts are repayable on demand.
4. In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchases of inventory and fixed assets and for sale of services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal control system.
5. a) According to the information and explanations given to us, we are of the opinion that the particulars of contracts or arrangements referred to in Section 301 of the Act have been entered in the register required to be maintained under that Section.
   b) In our opinion, having regard to our comments in para 3 above and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements aggregating during the year to Rs. 500,000 or more in respect of each party 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 in terms of Section 58A and 58AA or any other relevant provisions of the Act, during the year.
7. In our opinion, the Company has an internal audit system and it has taken steps to further strengthen the same to make it commensurate with the size and nature of its business.
8. In our opinion and according to the information and explanations given to us, the Central Government has not prescribed maintenance of cost records under Section 209 (1) (d) of the Act.
9. a) According to the information and the explanations given to us, the Company has been generally regular in depositing undisputed statutory dues including income tax, service tax, provident fund, wealth tax and other statutory dues applicable to it, with the appropriate authorities. There were no arrears in this respect as at 31 March 2007 for a period of more than six months from the date they became payable.

b) According to information and explanations given to us, there are no dues on account of statutory dues, which have not been deposited with the appropriate authorities on account of any dispute.

10. The Company has no accumulated losses at the end of the financial year and it has not incurred any cash losses in the current year and in the immediately preceding financial year.
11. In our opinion and according to information and explanations given to us, the Company has not defaulted in repayment of dues to financial institution or bank or debenture holders.
12. According to the information and explanations given to us, 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 and according to information and explanations given to us, the Company is not a chit fund or a nidhi / mutual benefit fund / society. Accordingly, clause 4(xiii) of the Order is not applicable to the Company.
14. In our opinion and according to the information and explanations given to us, the Company has maintained proper records in respect of transactions relating to dealing in shares, securities, debentures and other investments. As per our examination of such records, we report that timely entries had been made in such records and that shares, securities, debentures and other investments have been held by the Company in its own name.
15. According to information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
16. The Company has not taken any term loan during the year.
17. According to information and explanations given to us and on an overall examination of the cash flow statement of the Company, we report that funds raised on short-term basis have not been used for long term investment.
18. During the year under audit, the Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under Section 301 of the Act.
19. The Company has not issued any debentures during the year.
20. The Company has not raised any money through a public issue during the year.
21. During the course of our examination of books of account and records of the Company, carried out in accordance with the generally accepted auditing practices in India, we have not come across any instance of fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by the management.

FOR SURESH SURANA & ASSOCIATES
Chartered Accountants

(Nirmal Jain)
PARTNER
Membership No.: 34709

Mumbai; Dated: 4 September 2007

A. K. Capital Services Limited

BALANCE SHEET AS ON 31ST MARCH 2007.

SOURCES OF FUNDS	SCHEDULE	Rupees	AS AT 31.03.2007 Rupees	AS AT 31.03.2006 Rupees
Shareholders' funds				
Share capital	A	50,000,000		50,000,000
Reserves and surplus	B	297,005,470		202,529,358
			347,005,470	252,529,358
Loan funds				
Secured loans	C		10,004,012	5,368,936
Deferred tax liabilities(net)			1,939,007	4,091,570
TOTAL FUNDS EMPLOYED			358,948,489	261,989,864
APPLICATION OF FUNDS				
Fixed assets	D			
Gross block		63,601,051		31,820,635
Less : Depreciation		12,263,076		7,891,731
Net block			51,337,975	23,928,904
Investments	E		75,535,689	127,225,158
Current assets, loans and advances				
Sundry debtors	F	94,346,514		20,329,989
Cash and bank balances	G	82,137,002		29,810,158
Loans and advances	H	161,697,529		96,920,046
			338,181,045	147,060,193
Less : Current liabilites and provisions	I			
Liabilities		6,628,693		8,390,841
Provisions		99,477,527		28,185,000
			106106220	36,575,841
Net Current Assets			232,074,825	110,484,352
Miscellaneous expenditure (To the extent not written off or adjusted)	J		-	351,450
TOTAL FUNDS UTILISED			358,948,489	261,989,864
Significant accounting policies and notes to accounts	N			

Schedules referred to above form an Integral part of the financial statements

As per our report of even date attached
For Suresh Surana & Associates
Chartered Accountants

Nirmal Jain
Partner Membership No.: 34709

Place : Mumbai
Date : 4 September 2007

For and on behalf of the Board of Directors

A. K. Mittal Managing Director
Anshu Director

Krupali Daru
Company Secretary

Place : Mumbai
Date : 4 September 2007

A. K. Capital Services Limited

Profit and Loss Account for the year ended 31 March 2007

	SCHEDULE	Rupees	Current Year Rupees	Previous Year Rupees
INCOME				
Merchant banking fees			359,325,645	197,993,382
Investment income	K		109,506,438	72,542,581
Other income			44,421	1,384,529
			468,876,504	271,920,492
EXPENDITURE				
Personnel cost	L		43,772,055	26,504,977
Administrative, selling and other expenses	M		237,509,451	111,671,799
Interest expenses			5,135,091	2,330,455
Depreciation			4,518,385	1,754,221
Miscellaneous expenditure written off			351,450	45,959
			291,286,432	142,307,411
Profit before tax			177,590,072	129,613,081
Less : Provision for taxation				
Income tax		40,900,000		26,500,000
Fringe benefit tax		2,107,000		1,685,000
Deferred tax		(2,152,563)		1,071,570
Wealth tax		88,274		-
			40,942,711	29,256,570
Profit after tax			136,647,361	100,356,511
Prior year expenses - Gratuity			2,072,517	-
Prior year tax adjustments			5,371,107	2,735,357
Profit after tax and prior period items			129,203,737	97,621,154
Add : Balance brought forward from last year			67,158,548	28,089,269
Profit available for appropriation			196,362,285	125,710,423
Appropriations				
Amount transferred to general reserve			15,000,000	50,000,000
Dividend paid				
2004 - 2005			-	7,500,000
2005 - 2006			12,500,000	-
Tax paid on dividend				
2004 - 2005			-	1,051,875
2005 - 2006			1,753,500	-
Proposed dividend (2006 - 2007)			17,500,000	-
Tax on proposed dividend			2,974,125	-
Surplus carried to balance sheet			146,634,660	67,158,548
Basic and diluted earnings per share (Face value Rs. 10 each)			27.33	20.07
Significant accounting policies and notes to accounts	N			

Schedules referred to above form an Integral part of the financial statements

As per our report of even date attached
For Suresh Surana & Associates
Chartered Accountants

Nirmal Jain
Partner Membership No.: 34709

Place : Mumbai
Date : 4 September 2007

For and on behalf of the Board of Directors

A. K. Mittal
Managing Director

Anshu
Director

Krupali Daru
Company Secretary

Place : Mumbai
Date : 4 September 2007

A. K. Capital Services Limited

Cash Flow Statement for the year ended 31 March 2007

		Current Year Rupees	Previous Year Rupees
A.	**CASH FLOW FROM OPERATING ACTIVITIES**		
	Net Profit before Tax and extra ordinary items	177,590,072	129,613,081
	Adjustments for		
	Depreciation	4,518,385	1,754,221
	Preliminary expenses written off	351,450	45,959
	Loss/(profit) on sale of fixed assets	(25,000)	368,465
	Interest received - Others	(5,105,767)	(3,658,916)
	Provision for diminution in value of current investments	271,890	-
	Interest paid	5,135,091	2,330,455
	Profit on sale of current investments (Net)	(39,519,496)	(30,373,077)
	Dividend income on short term investments	(60,262,823)	(34,890,885)
	Interest income on short term investments	(4,618,352)	(84,822)
	Profit on sale of long term investments	-	(3,534,881)
		78,335,450	61,569,600
	Operating Profit / (Loss) before working capital changes		
	Adjustments for		
	i) Trade and other receivables	(95,037,899)	(56,587,227)
	ii) Trade payable and other trade liabilities	1,232,392	(16,643,566)
	Cash generated from Operations	(15,470,057)	(11,661,193)
	Direct taxes paid	(43,743,628)	(30,611,803)
	Prior year expenses - Gratuity	(2,072,517)	-
	Net cash generated from Operations	(61,286,202)	(42,272,996)
B.	**CASH FLOW FROM INVESTING ACTIVITIES**		
	Acquisition of fixed assets	(31,927,456)	(9,285,004)
	Changes of investments (net)	51,417,579	3,596,281
	Sale of fixed assets	25,000	364,000
	Share appication money refunded	(655,000)	-
	Profit on sale of current investments (Net)	39,519,496	30,373,077
	Dividend income on short term investments	60,262,823	34,890,885
	Interest income on short term investments	4,618,352	84,822
	Profit on sale of long term investments	-	3,534,881
	Net cash generated from Investment activities	123,260,794	63,558,942
C.	**CASH FLOW FROM FINANCING ACTIVITIES**		
	Interest received	5,105,767	3,658,916
	Loans taken	4,635,076	3,676,485
	Preliminary expenses paid	-	(390,500)
	Dividends paid	(14,253,500)	(7,500,000)
	Interest paid	(5,135,091)	(2,330,455)
	Net cash used in financial activities	(9,647,748)	(2,885,554)
	Net Increase/decrease,in cash and cash equivalents (A+B+C)	52,326,844	18,400,392
	Cash and cash equivalents at the beginning of the year	29,810,158	11,409,766
	Cash and cash equivalents at the end of the year	82,137,002	29,810,158
	Significant accounting policies and notes to accounts are given in Schedule 'N'		

Schedules referred to above form an Integral part of the financial statements

As per our report of even date attached
For Suresh Surana & Associates
Chartered Accountants

Nirmal Jain
Partner Membership No.: 34709

Place : Mumbai
Date : 4 September 2007

For and on behalf of the Board of Directors

A. K. Mittal Managing Director
Anshu Director

Krupali Daru
Company Secretary

Place : Mumbai
Date : 4 September 2007

A. K. Capital Services Limited

Schedules forming part of Balance Sheet as at 31 March 2007

	Rupees	AS AT 31.03.2007 Rupees	AS AT 31.03.2006 Rupees
SCHEDULE - A			
SHARE CAPITAL			
Authorised			
12,000,000 Equity shares of Rs. 10 each		**120,000,000**	120,000,000
200,000 Redeemable cumulative preference shares of Rs. 100 each		**20,000,000**	20,000,000
		140,000,000	140,000,000
Issued, Subscribed and Paid Up			
5,000,000 Equity shares of Rs. 10 each fully paid up		**50,000,000**	50,000,000
		50,000,000	50,000,000
SCHEDULE - B			
RESERVES AND SURPLUS			
General Reserve			
As per last balance sheet	135,005,000		85,005,000
Transferred from reserve fund	365,810		-
Transferred from profit and loss account	15,000,000		50,000,000
		150,370,810	135,005,000
Reserve Fund			
As per last balance sheet	365,810		365,810
Transferred to general reserve	(365,810)	-	-
		-	365,810
Surplus as per Profit and Loss Account		**146,634,660**	67,158,548
		297,005,470	202,529,358
SCHEDULE - C			
SECURED LOANS			
Vehicle loans from Bank		**10,004,012**	5,368,936
		10,004,012	5,368,936

SCHEDULE - D
FIXED ASSETS

(Amount in Rupees)

ASSETS DESCRIPTION	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As at 01.04.2006	Additions during the year	Sales / Adjust-ment	As at 31.03.2007	As at 01.04.2006	For the year	Sales / adjustments	As at 31.03.2007	As at 31.03.2007	As at 31.03.2006
Leasehold improvements	-	7,366,906	-	**7,366,906**	-	1,288,695	-	**1,288,695**	**6,078,211**	-
Office building	11,016,284	-	-	**11,016,284**	1,541,018	179,566	-	**1,720,584**	**9,295,700**	9,475,266
Machinery	369,060	-	-	**369,060**	191,349	17,530	-	**208,879**	**160,181**	177,711
Computer	6,240,860	1,878,197	-	**8,119,057**	4,198,678	1,230,666	-	**5,429,344**	**2,689,713**	2,042,182
Office equipment	2,612,731	5,005,678	-	**7,618,409**	559,767	267,451	-	**827,218**	**6,791,191**	2,052,964
Furniture and fixtures	1,594,664	7,301,133	-	**8,895,797**	124,571	288,485	-	**413,056**	**8,482,741**	1,470,093
Vehicles (Refer note below)	9,987,036	10,375,542	147,040	**20,215,538**	1,276,348	1,245,992	147,040	**2,375,300**	**17,840,238**	8,710,688
Total	31,820,635	31,927,456	147,040	**63,601,051**	7,891,731	4,518,385	147,040	**12,263,076**	**51,337,975**	**23,928,904**
PREVIOUS YEAR	24,103,044	9,285,004	1,567,413	31,820,635	6,972,458	1,754,221	834,948	7,891,731	23,928,904	

Note:
Secured against hypothecation of vehicles (Gross block Rs. 17,020,530; Previous year Rs. 7,751,988)
(Accumulated Depreciation Rs. 1,576,588; Previous year Rs. 631,529)

Schedules forming part of Balance Sheet as at 31 March 2007

SCHEDULE - E
INVESTMENTS

(Other than trade)	Numbers	Face Value Rupees	As at 31.03.2007 Rupees	As at 31.03.2006 Rupees
Quoted (Fully paid up) - Short Term				
Equity shares of JSW Steels Limited	Nil (854)	10	-	341,659
Equity shares of Blue Bird (I) Limited	8,200 (Nil)	10	652,305	-
Equity shares of Jindal South West Holdings Limited	125 (125)	10	31,945	31,945
Equity shares of Flex Industries Limited	245 (245)	10	11,803	11,803
Equity shares of IEC Software Limited	1,356 (1,356)	10	71,868	71,868
Equity shares of Bell Ceramics Limited	3,000 (3,000)	10	45,000	45,000
Equity shares of Kajaria Ceramics Limited	440 (440)	2	37,400	37,400
Equity shares of Precision Electronics Limited	115 (46)	10	483	483
Equtiy shares of Shamken Spinners Limited	9,000 (9,000)	10	36,000	36,000
Bonds of 7.35% Karnataka State Finance Corporation	Nil (120)	1,000,000	- 886,804	114,552,000 115,128,158
Less: Provision for diminution in value of quoted investments			271,890	-
			614,914	115,128,158
Unquoted - Investments in Subsidiaries (Long Term)				
Equity shares of A. K. Stockmart Private Limited	5,000,000 (1,090,000)	10	50,000,000	10,900,000
Equity shares of A.K. Corparation Private Limited	2,100,000 (Nil)	10	21,000,000	-
			71,000,000	10,900,000
Unquoted - Others (Long Term)				
Equity shares of Intelligroup Advisors Private Limited	19,600 (19,600)	10	196,000	196,000
Equity shares of A. K. Capital Retail Private Limited	4,000 (Nil)	10	40,000	-
Equity shares of A. K. Commodities Private Limited	8,000 (Nil)	10	80,000	-
Equity shares of A. M. Care Limited	100 (100)	10	1,000	1,000
Equity shares of A. K. Wealth Management Private Limited	20,000 (Nil)	10	200,000	-
Equity shares of Sunrise Corporate Services Limited	100,000 (100,000)	10	1,000,000	1,000,000
			1,517,000	1,197,000
Others				
Gold coins and ornaments (Refer Note No. B-11 of Schedule - N)			2,403,775	-
TOTAL			75,535,689	127,225,158
Aggregate value of quoted investments			886,804	115,128,158
Aggregate value of unquoted investments			72,517,000	12,097,000
Market value of quoted investments			662,692	114,968,493

A. K. Capital Services Limited

Schedules forming part of Balance Sheet as at 31 March 2007

	As at 31.03.2007 Rupees	As at 31.03.2006 Rupees
SCHEDULE - F		
SUNDRY DEBTORS (Unsecured, Considered good)		
More than six months	4,572,993	-
Others	89,773,521	20,329,989
	94,346,514	20,329,989
SCHEDULE - G		
CASH AND BANK BALANCES		
Cash on hand	2,346,274	1,721,674
Balances with scheduled banks		
- In current accounts	79,119,668	28,088,484
- In unpaid dividend accounts	671,060	-
	82,137,002	29,810,158
SCHEDULE - H		
LOANS AND ADVANCES (Unsecured, considered good)		
Advances recoverable in cash or in kind for value to be received	1,688,227	1,148,979
Deposits	90,083,622	68,291,496
Advance towards share application money	-	655,000
Advance tax and tax deducted at source (including fringe benefit tax paid Rs. 3,653,389; previous year Rs.585,000)	69,925,680	26,824,571
	161,697,529	96,920,046
SCHEDULE - I		
CURRENT LIABILITIES AND PROVISIONS		
Current Liabilities		
Sundry creditors	4,482,195	6,791,259
Advance from customers	-	1,000,000
Other liabilities	1,475,438	599,582
Unpaid dividend*	671,060	-
	6,628,693	8,390,841
Provisions		
Provision for income tax	71,639,387	26,500,000
Provision for wealth tax	109,086	-
Provision for fringe benefit tax	4,260,389	1,685,000
Provision for retirement benefits	2,994,540	-
Provision for proposed dividend	17,500,000	-
Provision for tax on proposed dividend	2,974,125	-
	99,477,527	28,185,000
	106,106,220	36,575,841
SCHEDULE - J		
MISCELLANEOUS EXPENDITURE (to the extent not written off or adjusted)		
Preliminary expenses	351,450	397,409
Less : Written off during the year	351,450	45,959
	-	351,450

* There are no dues which need to be credited in to Investor Education and Protection Fund as of 31 March 2007.

Schedules forming part of Profit & Loss Account for the year ended 31 March 2007

	Current Year Rupees	Previous Year Rupees
SCHEDULE - K		
INVESTMENT INCOME		
Profit on sale of current investments (Net)	39,519,496	30,373,077
Interest income		
On short term investments	4,618,352	84,822
On others	5,105,767	3,658,916
Dividend income on short term investments	60,262,823	34,890,885
Profit on sale of long term investments	-	3,534,881
	109,506,438	72,542,581
SCHEDULE - L		
PERSONNEL COST		
Salaries, bonus and allowances	43,278,255	25,667,596
Contribution to provident and other funds	45,228	62,361
Staff welfare expenses	448,572	775,020
	43,772,055	26,504,977
SCHEDULE - M		
ADMINISTRATIVE AND OTHER EXPENSES		
Travelling and conveyance expenses	10,646,873	13,159,500
Rent, rates and taxes	42,757,201	9,109,962
Electricity expenses	2,443,391	1,159,784
Auditors' remuneration	163,880	18,000
Communication charges	3,384,318	3,788,654
Books and subscription expenses	854,801	932,886
Printing and stationary expenses	2,744,723	1,733,014
Conference and AGM expenses	71,232	2,052,942
Legal and professional expenses	16,815,771	665,686
Bank charges	320,468	59,102
Securities transaction tax	369,623	292,131
Repairs and maintenance - Building	353,917	194,821
- Others	3,383,719	1,897,310
Loss on sale of fixed assets	-	368,465
Provision for dimunition in value of current investments	271,890	-
Service tax	32,562,778	13,690,633
Directors sitting fees	155,000	35,000
Advances / debtors written off (Net)	3,042,841	-
Donation	50,000	-
Software expenses	143,313	-
Advertisement expenses	9,004,134	6,017,514
Business promotion expenses	14,582,789	7,514,966
Brokerage paid	14,948,777	1,591,839
Incentive expenses	5,689,336	7,252,026
Sub arranger fees	72,142,282	39,878,625
Miscellaneous expenses	606,894	258,939
	237,509,451	111,671,799

SCHEDULE - 'N'

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

A. Significant accounting policies:

1) **Basis of preparation of financial statements:**

The financial statements have been prepared under the historical cost convention, in accordance with the applicable accounting standards and on the basis of a going concern. The Company follow mercantile system of accounting and recognises income and expenditure on accrual basis except those with significant uncertainties.

2) **Fixed assets:**

Fixed Assets are stated at cost less accumulated depreciation. Cost includes original cost of acquisition, including incidental expenses related to such acquisition and installation.

3) **Depreciation:**

Depreciation on fixed assets has been provided on straight-line method on pro-rata basis in the manner and at the rates specified in Schedule XIV to the Companies Act, 1956.

Leasehold improvements has been amortised over the lease period.

4) **Investments:**

i) Long-term investments are valued at cost after deducting provision, if any, made for permanent diminution in the values. Premium paid/ discount received on purchase or acquisition of an investment, is adjusted in the year of sale / redemption of that investment.

ii) Current investments are valued at lower of cost or fair market value determined on an individual investment basis.

5) **Revenue recognition:**

Revenue from service charges, fees and commission is recognised when the contract has been completed.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

6) **Foreign currency transactions:**

The transactions in foreign currency are recorded in rupee by applying to the foreign currency amount, the exchange rate prevailing at the time of the transaction. Amount short or excess realized is debited or credited to exchange difference account, if any.

7) **Retirement benefits:**

Liability in respect of retirement benefits is provided and charged to profit and loss account as follows:

a) **Provident fund:** Liability towards contribution to Employee Provident Fund (EPF) is charged to profit and loss account of the year and are provided for in compliance with the requirement of respective statutes applicable.

b) **Leave encashment:** As determined on the basis of accumulated leave to the credit of the employees as at the year end as per the Company's rules.

c) **Gratuity:** Gratuity is provided at the year end as per the provisions of "The Payment of Gratuity Act, 1972".

8) **Accounting for taxes on income:**

i) Provision for income tax is made on the basis of the estimated taxable income for the accounting year in accordance with the Income-tax Act, 1961.

ii) The deferred tax for timing differences between the book profits and tax profits for the year is accounted for using the tax rates and laws that have been enacted or substantially enacted as of the balance sheet date. Deferred tax assets arising from timing differences are recognised to the extent there is a virtual certainty that these would be realised in future and are reviewed for the appropriateness of their respective carrying values at each balance sheet date.

iii) Fringe benefit tax is provided as per the provisions of Income Tax Act, 1961 on chargeable expenses incurred during the year.

9) **Lease:**

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased term, are classified as operating leases. Operating lease payments are recognised as an expense in the profit and loss account on straight-line basis over the lease term.

10) **Borrowing costs:**

Borrowing costs attributable to the acquisition and construction of qualifying assets upto the date of such acquisition or construction are capitalised as part of the cost of respective assets. Other borrowing costs are charged to revenue in the period in which they are incurred.

11) **Impairment of assets:**

The Company assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the management estimates the recoverable amount of the asset. If such recoverable amount of the asset is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognized in the profit and loss account. If at the balance sheet date there is an indication that if a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciated historical cost.

12) **Provisions and contingent liabilities:**

The Company creates a provision when there is a present obligation as result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, requires an outflow of resources. Where there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

B. Notes to accounts:

1) Secured loans from bank represents loan of Rs. 10,004,012 (previous year Rs. 5,368,936) secured against hypothecation of vehicles.

2) **Auditors' Remuneration:**

	2006 - 2007 Rs.	2005 - 2006 Rs.
Audit Fees	103,261	12,000
Tax Audit Fees	26,937	5,000
Certification Fees	33,682	1,000
	163,880	**18,000**

3)(a)The profit and loss account includes remuneration to Directors as follows:

	2006 - 2007 Rs.	2005 - 2006 Rs.
Salaries, Bonus and Allowances	6,814,880	5,459,470
Perquisites	1,200,000	600,000
	8,014,880	**6,059,470**

Note: The perquisites for which monetary value is not determinable are considered as per Income Tax Rules.

(b) No commission is payable to Directors / Managing Director and hence, computation of Net Profit in accordance with Section 198, 309 and 349 of the Companies Act, 1956 has not been given.

4) **Related party disclosure:**

i) **Related parties and their relationships:**

Wholly Owned Subsidiary	A. K. Stockmart Private Limited A. K. Capital Corporation Private Limited(w.e.f. 29.01.2007)
Associates	A.K. Wealth Management Private Limited (w.e.f. 29.12.2006) A.K. Capital Retail Private Limited (w.e.f. 07.02.2007) A. K. Commodities Private Limited (w.e.f. 07.02.2007) Intelligroup Advisors Private Limited

Enterprise controlled by or having significant influence of Key Management Personnel	A.K. Capital Markets Limited A.K. Services Private Limited Second Leasing Private Limited
Key Management Personnel	Mr. Atul Kumar Mittal Mr. Deepak Mittal
Relative of Key Management Personnel	Mrs. Anshu Mr. Abhinav Kumar Ms. Aditi Mittal

Notes:

a) The related party relationships have been determined on the basis of the requirements of the Accounting Standard (AS)-18 'Related Party Disclosures' issued by the Institute of Chartered Accountants of India and the same have been relied upon by the auditors.

b) The relationships as mentioned above pertain to those related parties with whom transactions have taken place during the year.

c) Previous year figures in para (ii) and (iii) below has been furnished based on the audited financial statements for the year ended 31 March 2006.

ii) **Transactions with related parties:**

(Amount in Rs.)

Particulars	Related parties					Total
	Subsidiaries	Key Management Personnel	Relatives of Key Management Personnel	Enterprise in which key management personnel have control / significant influence	Associates	
Investments in share capital	60,100,000	-	-	-	120,000	60,220,000
	(-)	(-)	(-)	(-)	(-)	(-)
Inter Corporate Deposits taken and repaid	60,700,000	-	-	7,555,000	450,000	68,705,000
	(-)	(-)	(-)	(-)	(-)	(-)
Inter Corporate Deposits given and received back	-	-	-	2,594,066,656	-	2,594,066,656
	(-)	(-)	(-)	(-)	(-)	(-)
Loans taken and repaid	-	1,700,000	3,800,000	-	-	5,500,000
	(-)	(-)	(-)	(-)	(-)	(-)
Interest paid	81,240	-	-	-	-	81,240
	(-)	(-)	(-)	(-)	(-)	(-)
Interest received	-	-	-	4,959,453	-	4,959,453
	(-)	(-)	(-)	(-)	(-)	(-)
Remuneration paid	-	6,814,880	-	-	-	6,814,880
	(-)	(6,059,470)	(-)	(-)	(-)	(6,059,470)
Deposits given	-	10,000,000	15,250,000	-	-	25,250,000
	(-)	(-)	(1,712,000)	(-)	(-)	(1,712,000)
Deposits repaid	-	-	975,000	-	-	975,000
	(-)	(-)	(-)	(-)	(-)	(-)
Brokerage received	-	-	-	22,500,000	-	22,500,000
	(-)	(-)	(-)	(-)	(-)	(-)

Particulars	Related parties					Total
	Subsidiaries	Key Management Personnel	Relatives of Key Management Personnel	Enterprise in which key management personnel have control / significant influence	Associates	
Purchase of securities	-	-	-	1,359,806,597	-	1,359,806,597
	(-)	(-)	(-)	(-)	(-)	(-)
Sale of securities	-	-	-	2,450,778,400	-	2,450,778,400
	(-)	(-)	(-)	(-)	(-)	(-)
Rent paid	-	1,550,000	4,028,200	-	-	5,578,200
	(-)	(300,000)	(636,600)	(-)	(-)	(936,600)
Balances receivable as at year end	-	11,450,000	17,437,000	7,500,000	-(-)	36,387,000
	(-)	(1,500,000)	(3,187,000)	(-)	(-)	(4,687,000)
Investment in share capital as at year end	71,000,000	-	-	-	516,000	71,516,000
	(-)	(-)	(-)	(-)	(-)	(-)

iii) **Disclosure in respect of transactions which are more than 10% of the total transactions of the same type with related parties during the year:**

Particulars	Current Year Rs.	Previous Year Rs.
Investments in share capital		
A. K. Stockmart Private Limited	39,100,000	-
A. K. Capital Corporation Private Limited	21,000,000	-
Inter Corporate Deposits taken and repaid		
A. K. Stockmart Private Limited	39,800,000	-
A. K. Capital Corporation Private Limited	20,900,000	-
Inter Corporate Deposits given and received back		
A. K. Services Private Limited	2,594,066,656	-
Loans taken and repaid		
A.K. Mittal	1,700,000	-
Anshu	2,000,000	-
Abhinav Kumar	1,300,000	-
Interest paid		
A. K. Stockmart Private Limited	81,240	-
Interest received		
A.K. Services Private Limited	4,959,453	-
Remuneration paid		
A. K. Mittal	6,000,000	5,225,000
Deepak Mittal	814,880	834,470
Deposits given		
A. K. Mittal	10,000,000	-
Anshu	5,000,000	-
Abhinav Kumar	10,250,000	1,712,000
Deposits repaid		
Abhinav Kumar	975,000	-

Brokerage received		
A. K. Capital Markets Limited	22,500,000	–
Purchase o securities		
A.K. Services Private Limited	1,357,832,550	–
Sales of securities		
A.K. Services Private Limited	2,450,778,400	–
Rent paid		
A.K. Mittal	1,550,000	300,000
Anshu	1,050,000	300,000
Abhinav Kumar	2,978,200	336,600
Balances receivable as at year end		
A.K. Mittal	11,450,000	1,500,000
Anshu	6,450,000	1,475,000
Abhinav Kumar	10,987,000	1,712,000
A. K. Capital Markets Limited	7,500,000	–
Investment in share capital as at year end		
A. K. Stockmart Private Limited	50,000,000	–
A. K. Capital Corporation Private Limited	21,000,000	–

5) In the opinion of the management, current assets, loans, advances and deposits are approximately of the value stated, if realised in the ordinary course of business. The provision of all known liabilities is adequate and not in excess of the amount reasonably necessary.

6) Balances of certain sundry debtors, sundry creditors, loans and advances are subject to confirmations / reconciliation and consequential adjustments, if any. The management does not expect any material difference affecting the current year's financial statements on such reconciliation / adjustments.

7) (i) The Company does not posses information as to which of its supplier are Small Scale Industrial (SSI) undertakings, holding permanent registration certificate. However, management perceives that there are no delayed payments (the Company has not received any claim in respect of interest) and there are no dues to SSI Undertakings as on 31 March 2007.

(ii) The Company has not received any information from its suppliers regarding registration under 'The Micro, Small and Medium Enterprises Development Act, 2006.' Hence, the information required to be given in accordance with Section 22 of the said Act, is not ascertained and not disclosed.

8) As per Accounting Standard (AS)-22 "Accounting for taxes on Income" issued by the Institute of Chartered Accountants of India, deferred tax liability (net) pertaining to timing difference arising for the period upto 31 March 2007 of Rs. 1,939,007(upto 31 March 2006 Rs. 4,091,570) have been determined.

Major components of deferred tax assets and liabilities as at year-end are as under:

Particulars	As at 31.03.2007 Rs.	As at 31.03.2006 Rs.
Deferred tax Liability on account of:		
Depreciation	2,998,711	4,091,570
Total (A)	2,998,711	4,091,570
Deferred tax Assets:		
Gratuity	956,356	–
Disallowance u/s 40 a (ia)	103,348	–
Total (B)	**1,059,704**	-
Deferred tax Liability (Net) (A-B)	**1,939,007**	**4,091,570**

9) **Segment information:**

The Company has single reporting segment i.e. "Providing Merchant Banking Services" for the purpose of Accounting Standard (AS) - 17 'Segment Reporting'. The Company does not have any reportable geographical segment.

10) Expenditure in foreign currency (on actual payment basis):

Particulars	2006-2007 (Rs.)	2005-2006 (Rs.)
Travelling Expenses	153,673	-

11) The Company has purchased gold coins and ornaments during the year. In view of numerous numbers of gold coins having different weight and values, the quantitative information has not been furnished.

12) **Earnings per share (EPS):**

	Current Year	Previous Year
(i) Net profit after tax available for equity share holder (Rs.)	136,647,361	100,356,511
(ii) Weighted average number of equity shares outstanding at the year end (No.)	5,000,000	5,000,000
(iii) Basic and diluted earnings per share (Rs.)	27.33	20.07
(iv) Nominal value of share (Rs.)	10	10

13) There was no impairment loss on the fixed assets on the basis of review carried out by the management in accordance with Accounting Standard (AS) - 28 'Impairment of Assets' issued by the Institute of Chartered Accountants of India.

14) Deposits include amount aggregating to Rs. 17,900,000 (previous year Rs. 2,900,000) given to directors of the Company as security deposit towards premises taken on rent. Maximum balance outstanding during the year Rs. 17,900,000; previous year Rs. 2,900,000.

15) Previous year figures have been regrouped or rearranged, wherever considered necessary.

Signatures to schedules 'A' to 'N'

As per our report of even date attached
For Suresh Surana & Associates
Chartered Accountants

Nirmal Jain Membership No.: 34709
Partner

Place : Mumbai
Date : 4 September 2007

For and on behalf of the Board of Directors

A. K. Mittal
Managing Director

Anshu
Director

Krupali Daru
Company Secretary

Place : Mumbai
Date : 4 September 2007

A. K. Capital Services Limited

Information pursuant to the provision of part IV of Schedule VI to Companies Act, 1956

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. Registration Details			
Registration No.	:	55524	State Code : 55
Balance Sheet Date	:	31 March 2007	
II. Capital raised during the year	:	**(Amount in Rupees)**	
Public Issue (Net of allotment money in arrears)	:	Nil	
Rights Issue	:	Nil	
Bonus Issue	:	Nil	
Private Placement	:	Nil	
III. Position of Mobilisation and Deployment of Funds	:	**(Amount in Rupees)**	
Total Liabilities		465,054,709	
Total Assets		465,054,709	
Sources of Funds			
Paid-up Capital	:	50,000,000	
Reserves & Surplus	:	297,005,470	
Secured Loans	:	10,004,012	
Unsecured Loans	:	Nil	
Deferred tax liability(net)	:	1,939,007	
Application of Funds			
Net Fixed Assets (including capital work-in-progress / capital advances)	:	51,337,975	
Investments	:	75,535,689	
Net Current Assets	:	232,074,825	
Miscellaneous Expenditure	:	Nil	
Accumulated Losses	:	Nil	
IV. Performance of Company	:	**(Amount in Rupees)**	
Turnover/Income	:	468,876,504	
Total Expenditure	:	291,286,432	
Surplus /(Deficit) before tax	:	177,590,072	
Surplus /(Deficit) after tax		136,647,361	
Earning / (loss) per share in Rs.	:	27.33	
V. Generic Names of Three Principal Products / Services of the Company	:	**(As per monetary terms)**	
Item Code No.(ITC Code)	:	Not Applicable	
Product Description	:	Not Applicable	
Item Code No.(ITC Code)	:	Not Applicable	
Service Description		:Providing Merchant Banking Services.	

A. K. Stockmart Private Limited

DIRECTORS' REPORT

To
The Members
A. K. Stockmart Private Limited

Your directors have pleasure in presenting the Second Annual Report with the Audited Financials of the Company for the year ended 31 March 2007

FINANCIAL HIGHLIGHTS

(Amount in Rupees)

Particulars	For the year ended 31 March 2007
Income	200,624
Profit before depreciation and interest	198,624
Profit before tax	198,624
Provision for tax	66,860
Provision for FBT	25,000
Profit after tax	106,764
Balance brought forward from last year	(1,000)
Surplus carried to balance sheet	105,764

OPERATIONS

The Company has received SEBI Registration for NSE - Cash Market Segment on 14 June 2006 and NSE - Futures & Options Segment on 14 March 2007 and BSE - Cash Market Segment on 14 March 2007 so the company could not commence it business operations in the year under review.

FUTURE BUSINESS PLAN

The Company has robust plans for acquiring diverse and wider clientele base viz. Retail, HNI, Institutional etc. through implementation of its marketing strategies. The Company also plans to expand its operations geographically by opening branches and/or registration of sub-brokers across the country.

DIVIDEND

The Directors did not recommend any dividend for the financial year 2006-2007.

DIRECTORS

In accordance with the provisions of The Companies Act, 1956 and Articles of Association of the Company, none of the Directors of the Company are liable to retire by rotation.

Mr. A. K. Mittal was appointed as the Managing Director of the Company for a period of five years from 18 December 2006.

SHARE CAPITAL

During the financial year 2007-2008, the Authorised Share Capital of the Company was increased from Rs. 50,000,000/- (Rupees Five Crores) to Rs.100,000,000/- (Rupees Ten Crores).

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement under Section 217 (2AA) of The Companies Act, 1956 with respect to Directors' Responsibility Statement, it is hereby confirmed:

1. That in the preparation of the annual accounts, the applicable Accounting Standards had been followed along with proper explanation relating to material departures.
2. That the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that were 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 the year under review.
3. That the 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.
4. That the directors had prepared the annual accounts on a going concern basis.

AUDITORS

The statutory auditors of the company, M/s Kamal Kumar Jain & Co., chartered Accountants, retire at the ensuring general meeting of the company and being eligible, offer themselves for reappointment.

The observations made in the Auditors' report are self-explanatory and therefore do not call for any further comments.

CONSERVATION OF ENERGY, RESEARCH AND DEVELOPMENT, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

In view of the nature of activities which are being carried on by the Company, rules 2A and 2B of the Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988 concerning conservation of energy, research and development and technology absorption respectively are not applicable to the company.

There was no inflow or outflow foreign exchange during the year under review.

DEPOSITS

Your company has not accepted any deposits from the public for the year under review.

PERSONNEL

None of the employees of the Company are in receipt of remuneration of not less than Rs. 2,400,000 during the year ended 31 March 2007 or not less than Rs. 200,000 per month in excess of the limits prescribed under Section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975.

ACKNOWLEDGEMENT

The Directors would like to express their sincere thanks for the cooperation received from banks and government authorities. The Directors places on record its gratitude to the Company's valued shareholders for their continued support and confidence in the Company

By the order of the Board of Directors
For A. K. STOCKMART PRIVATE LIMITED

Place: Mumbai
Date: 20 July 2007

Anshu
Chairperson

A. K. Stockmart Private Limited

AUDITORS' REPORT

To
The Members,
A. K. Stockmart Private Limited

We have audited the attached Balance Sheet of the above company, as at 31 March 2007 and Profit and Loss Account and Cash Flow Statement of the Company for the year ended on that date annexed thereto. These financial statements are the responsibility of the Management of the Company. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted audit in accordance with the 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 also includes assessing the accounting principles used and significant estimates made by the management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis of our opinion.

As required by the Companies (Auditors Report) Order 2003 as amended by Companies (Auditors Report) (amendment) Order 2004 (together the Order) issued by the Central Government of India in terms of Section 227(4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in Para 4 and 5 of the said order.

Further to our comments in the Annexure, we report that:

1. We have obtained all the information and explanation, which to the best of our knowledge and belief were necessary for the purpose of 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 such books.
3. The Balance Sheet, Cash Flow Statement and Profit & Loss Account dealt with by this report are in agreement with the books of accounts.
4. In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in Section 211 (3C) of the Companies Act, 1956.
5. On the basis of written representation received from Directors of the Company as at 31 March 2007 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31 March 2007 from being appointed as Director of the Company under Section 274(1)(g) of The Companies Act, 1956.
6. In our opinion and to the best of our information and according to explanations given to us, the said account read with notes thereon give the information required by The Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
   i. In the case of Balance Sheet, of the state of affairs of the Company as at 31 March 2007.
   ii. In case of Profit & Loss Account, of profit of the Company for the year ended on that date.
   iii. In the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

For KAMAL KUMAR JAIN & CO.
Chartered Accountants

K. K. Jain
(Proprietor)
Membership No. 87379

Place: New Delhi
Date: 20 July 2007

ANNEXURE TO THE AUDITORS' REPORT

As mentioned in paragraph 3 of our audit report, we report that

i) In respect of its fixed assets:

a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

b) Fixed assets were physically verified during the year by the Management in accordance with a program of verification, which in our opinion provides for physical verification of all the fixed assets at reasonable intervals. According to the information and explanations given to us, no material discrepancies were noticed on such verification.

c) No fixed assets have been disposed off during the year.

ii) a) Not applicable as the company has no stock in trade.

b) Not applicable as the company has no stock in trade.

c) Not applicable as the company has no stock in trade.

iii) In our opinion and according to the information and explanations given to us, the Company has not received/ granted any loan secured or unsecured to/from Companies. Firms or other parties covered in the register maintained under section 301 of The Companies Act, 1956.

iv) In our opinion and according to the information and explanations given to us, there are adequate internal control system commensurate with the size of the Company and the nature of its business with regard to the purchase of fixed assets and sale of services. We have not observed any failure to correct major weaknesses in such internal controls.

v) In our opinion and according to the information and explanation given to us, the Company has not entered contracts or arrangements that need to be entered into register in pursuance of Section 301 of The Companies Act, 1956.

vi) The Companies has not accepted any deposit from public and consequently the provision of Section 58A & 58AA or any other relevant provisions of The Companies Act, 1956 and rules framed there under are not applicable.

vii) In our opinion and according to the information and explanations given to us, the companies present internal audit system is adequate so as to commensurate with its nature and size.

viii) In our opinion and according to the information and explanations given to us, maintenance of cost records in terms of Section 209(1)(d) of The Companies Act, 1956, has not been prescribed by the Central Government, in respect of the transactions of the Company.

ix) (a) In our opinion and according to the information and explanation given to us, the Company is regular in depositing undisputed statutory dues including Income Tax with the appropriate authorities. Employees State Insurance Act and Employees Provident Fund Act are not applicable to the Company. No undisputed amount in respect of above statutory dues remained outstanding for six month or more at the end of the year.

(b) In our opinion and according to the information and explanation given to us, no disputed amounts were pending with the Company at the end of the year in respect of statutory dues.

x) In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to bank during the year under review.

xi) Not applicable, as the Company does not have any outstanding loan/debentures.

xii) In our opinion and according to the information and explanations given to us, the Company has not granted any loan on the basis of any security.

xiii) Not applicable, as the Company is not a Nidhi/Mutual Benefit Fund/Society.

xiv) Not applicable, as the Company has no transaction relating to trading and dealing in shares.

xv) In our opinion and according to the information and explanations given to us, the Company has not given any guarantee for loan taken by other from banks or financial institutions.

xvi) In our opinion and according to the information and explanations given to us, the Company has not taken term loan from any banks or financial institutions during the year review.

xvii) In our opinion and according to the information and explanations given to us, the Company has not raised short-term funds and no funds raised on short-term basis have been used for long-term investment and vice versa.

xviii) Not applicable, as the company is a Private Limited Company.

xix) Not applicable, as no debentures have been issued by the Company.

xx) Not applicable, as no funds have been raised by the Company during the year under review from public issue.

xxi) According to information and explanations given to us, no fraud on or by the Company has been noticed or reported during the year under review.

For KAMAL KUMAR JAIN & CO.
Chartered Accountants

K. K. Jain
(Proprietor)
Membership No. 87379

Place: New Delhi
Date: 20 July 2007

A. K. Stockmart Private Limited

BALANCE SHEET AS ON 31ST MARCH 2007.

SOURCES OF FUNDS	SCHEDULE	Rupees	AS AT 31.03.2007 Rupees	AS AT 31.03.2006 Rupees
Shareholders' funds				
Share capital	A		**50,000,000**	10,900,000
Reserves and surplus	B		**105,764**	-
TOTAL FUNDS EMPLOYED			**50,105,764**	10,900,000
APPLICATION OF FUNDS				
Fixed assets	C			
Gross block		536,800		
Less : Depreciation		-		
Net block			**536.800**	-
Investments	D		**17,000,000**	-
Current assets, loans and advances				
Sundry debtors	E	27,146		-
Cash and bank balances	F	47,442		10,418,627
Loans and advances	G	28,936,762		-
			29,011,350	10,418,627
Less : Current liabilites and provisions				
Liabilities	H	180,127		1,000
Provisions		91,860		-
			271,987	1,000
Net Current Assets			**28,739,363**	10,417,627
Miscellaneous expenditure (To the extent not written off or adjusted)	I		**3,829,601**	481,373
Progit & Loss A/c (Debit Balance)			-	1,000
TOTAL FUNDS UTILISED			**50,105,764**	10,900,000
Significant accounting policies and notes to accounts	J			

Schedules referred to above form an Integral part of the financial statements

As per our report of even date attached
For Kamal Kumar Jain & Co.
Chartered Accountants

K. K. Jain
Proprietor
Membership No. 87379

Place : Mumbai
Date : 20 July 2007

For and on behalf of the Board of Directors

A. K. Mittal — Managing Director
Anshu — Director

Place : Mumbai
Date : 20 July 2007

A. K. Stockmart Private Limited

Profit and Loss Account for the year ended 31 March 2007

	SCHEDULE	Rupees	Current Year Rupees	Previous Year Rupees
INCOME				
Interest income			200,624	-
			200,624	-
EXPENDITURE				
Audit fees			2,000	1,000
			2,000	1,000
Profit / (Loss) before tax			198,624	(1,000)
Less : Provision for taxation				
Income tax		66,860		-
Fringe benefit tax		25,000		-
			91,860	-
Profit / (Loss) after tax			106,764	(1,000)
Add : Balance brought forward from last year			(1,000)	-
Surplus carried to balance sheet			105,764	(1,000)
Significant accounting policies and notes to accounts	J			

Schedules referred to above form an Integral part of the financial statements

As per our report of even date attached
For Kamal Kumar Jain & Co.
Chartered Accountants

K. K. Jain
Proprietor
Membership No. 87379

Place : Mumbai
Date : 20 July 2007

For and on behalf of the Board of Directors

A. K. Mittal — Managing Director
Anshu — Director

Place : Mumbai
Date : 20 July 2007

A. K. Stockmart Private Limited

Cash Flow Statement for the year ended 31 March 2007

		Current Year Rupees	Previous Year Rupees
A.	**CASH FLOW FROM OPERATING ACTIVITIES**		
	Net Profit before Tax and extra ordinary items	196,624	(1,000)
	Adjustment for Depreciation	-	-
	Public issue & Preliminary expenses	-	-
	Interest received	(200,624)	-
		(2,000)	(1,000)
	Operating Profit / (Loss) before working capital changes		
	Adjustments for Current Assets		
	i) Receivables	(27,146)	-
	ii) Current Liabilities	179,127	(1,000)
	Cash flow from Operating Activities	149,981	-
	Direct taxes paid	(45,020)	-
	Net cash from Operating Activities	104,961	-
B.	**CASH FLOW FROM INVESTING ACTIVITIES**		
	Acquisition of fixed assets	(536,800)	-
	Acquisition of investments	(17,000,000)	-
	Sale of fixed assets	-	-
	Loan & Advances given	(28,891,742)	-
	Net cash used in Investment activities	(46,428,542)	-
C.	**CASH FLOW FROM FINANCING ACTIVITIES**		
	Interest received	200,624	-
	Proceeds from issue to share capital	39,100,000	10,900,000
	Repayment of Loans	-	-
	Deferred expenditure	(3,348,228)	(481,373)
	Dividends on equity share capital	-	-
	Interest paid	-	-
	Net cash used in financial activities	35,952,396	10,418,627
	Net Increase/decrease,in cash and cash equivalents	(10,371,185)	10,418,627
	Cash and cash equivalents at the beginning of the year	10,418,627	-
	Cash and cash equivalents at the end of the year	47,442	10,418,627

Significant accounting policies and notes to accounts are given in Schedule 'J'

As per our report of even date attached
For Kamal Kumar Jain & Co.
Chartered Accountants

K. K. Jain
Proprietor
Membership No. 87379

Place : Mumbai
Date : 20 July 2007

For and on behalf of the Board of Directors

A. K. Mittal — Managing Director
Anshu — Director

Place : Mumbai
Date : 20 July 2007

A. K. Stockmart Private Limited

Schedules forming part of Balance Sheet as at 31 March 2007

	AS AT 31.03.2007 Rupees	AS AT 31.03.2006 Rupees
SCHEDULE - A		
SHARE CAPITAL		
Authorised		
Authorised		
5,000,000 Equity shares of Rs. 10 each	50,000,000	50,000,000
	50,000,000	50,000,000
Issued, Subscribed and Paid up		
5,000,000 (1,070,000) Equity shares of Rs. 10 each fully paid up	50,000,000	10,700,000
Share application money	-	200,000
	50,000,000	10,900,000
SCHEDULE - B		
RESERVES AND SURPLUS		
Surplus as per Profit and Loss Account	105,764	-
	105,764	-
SCHEDULE - C		

FIXED ASSETS

(Amount in Rupees)

ASSETS DESCRIPTION	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As at 01.04.2006	Additions during the year	Sales/ Adjustment	As at 31.03.2007	As at 01.04.2006	For the year	Sales/ adjustments	As at 31.03.2007	As at 31.03.2007	As at 31.03.2006
Computer	-	527,500	-	527,500	-	-	-	-	527,500	-
Printer	-	9,300	-	9,300	-	-	-	-	9,300	-
Total	-	536,800	-	536,800	-	-	-	-	536,800	-
PREVIOUS YEAR	-	-	-	-	-	-	-	-	-	-

	Numbers	Face Value Rupees	As at 31.03.2007 Rupees	As at 31.03.2006 Rupees
SCHEDULE - D				
INVESTMENTS				
Quoted				
10.10% UTI Bank Limited	17	1,000,000	17,000,000	-
			17,000,000	-

A. K. Stockmart Private Limited

Schedules forming part of Balance Sheet as at 31 March 2007

	AS AT 31.03.2007 Rupees	AS AT 31.03.2006 Rupees
SCHEDULE - E		
SUNDRY DEBTORS (Unsecured, considered good)		
More than six months	-	-
Others	27,146	-
	27,146	-
SCHEDULE - F		
CASH AND BANK BALANCES		
Cash on hand	3,964	-
Balances with scheduled banks		
- In current accounts	43,478	10,418,627
	47,442	10,418,627
SCHEDULE - G		
LOANS AND ADVANCES (Unsecured, considered good)		
Prepaid expenses	191.742	-
Security deposits	28,700,000	-
Advance income tax & deducted at source	45,020	-
	28,936,762	-
SCHEDULE H		
CURRENT LIABILITIES & PROVISIONS		
Current Liabilities		
Tax deducted at source payable	91,499	-
Sundry creditors	88,628	1,000
	180,127	1,000
Provisions		
Provision for income tax	66,860	-
Provision for fringe benefit tax	25,000	-
	91,860	-
	271,987	1,000
SCHEDULE I		
MISCELLANEOUS EXPENDITURE		
(to the extent not written off or adjusted)		
Preliminary expenses	720,473	481,373
Preoperative expenses	3,109,128	-
	3,829,601	481,373

SCHEDULE - 'J'

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

A. Significant accounting policies:

1) **Basis of preparation of financial statements:**

The financial statements have been prepared on the basis of historical cost convention on an accrual basis, in accordance with the applicable accounting standards and on the basis of a going concern.

2) **Fixed assets:**

Fixed Assets are stated at cost. Cost comprises the purchase price and directly attributable, cost of bringing the assets to working condition for its intended use.

3) **Depreciation:**

Depreciation on fixed assets has not been provided as the same have not been put to use for business purpose during the year ended 31st March, 2007.

4) **Investments:**

Investments are stated at cost.

5) **Tax**

The income tax & fringe benefit tax has been calculated and accounted for in accordance with the provisions of the Income Tax Act, 1961 and the guidance note on accounting for fringe benefit tax issued by the Institute of Chartered Accountants of India.

6) **Miscellaneous Expenditure :**

Expenses included under the head miscellaneous Expenditure and pre operative expenses have not been amortized during the year ended 31st March, 2007.

Signatures to schedules 'A' to 'J'

As per our report of even date attached
For Kamal Kumar Jain & Co.
Chartered Accountants

K. K. Jain
Proprietor
Membership No. 87379

Place : Mumbai
Date : 20 July 2007

For and on behalf of the Board of Directors

A. K. Mittal — Managing Director
Anshu — Director

Place : Mumbai
Date : 20 July 2007

B. Notes to accounts

1. **Auditors Remuneration:** Audit fees for the year ended 31 March 2007 is Rs. 2000/-.
2. Expenditure in foreign currency for the year ended 31 March 2007 is nil.
3. Earnings in foreign currency for the year ended 31 March 2007 is nil.
4. **Contingent Liability:** The Company has no contingent liabilities.
5. Figures have been rounded off to the nearest rupee.

A. K. Stockmart Private Limited

Information pursuant to the provision of part IV of Schedule VI to Companies Act, 1956

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. Registration Details			
Registration No.	:	158932	State Code : 55
Balance Sheet Date	:	31 March 2007	
II. Capital raised during the year	:	**(Amount in Rupees)**	
Public Issue (Net of allotment money in arrears)	:	Nil	
Rights Issue	:	Nil	
Bonus Issue	:	Nil	
Private Placement	:	Nil	
III. Position of Mobilisation and Deployment of Funds	:	**(Amount in Rupees)**	
Total Liabilities		50,377,751	
Total Assets		50,377,751	
Sources of Funds			
Paid-up Capital	:	50,000,000	
Reserves & Surplus	:	105,764	
Secured Loans	:	Nil	
Unsecured Loans	:	Nil	
Deferred tax liability(net)	:	Nil	
Application of Funds			
Net Fixed Assets	:	536,800	
Investments	:	17,000,000	
Net Current Assets	:	28,739,363	
Miscellaneous Expenditure	:	3,829,601	
Accumulated Losses	:	Nil	
IV. Performance of Company	:	**(Amount in Rupees)**	
Turnover/Income	:	200,624	
Total Expenditure	:	2,000	
Surplus /(Deficit) before tax	:	198,624	
Surplus /(Deficit) after tax		106,764	
Earning / (loss) per share in Rs.	:	0.21	
V. Generic Names of Three Principal Products / Services of the Company	:	**(As per monetary terms)**	
Item Code No.(ITC Code)	:	Not Applicable	
Product Description	:	Not Applicable	
Item Code No.(ITC Code)	:	Not Applicable	
Service Description	:	Stock Boking Services	

A. K. Stockmart Private Limited

Statement Pursuant to Section 212 of the Companies Act, 1956, relating to Company's Interest in Subsidiary Companies for the financial year 2006-07

Sr. No.	Name of Subsidiary Company	A. K. Stockmart Private Limited
1	Financial year ending of the Subsidiary	31 March 2007
2	Date from which it became the subsidiary company	20 February 2006
3	No. of shares held by A. K. Capital Services Limited along with its nominees at the end of the financial year of the Subsidiary Company	5,000,000 equity shares
	Extent of holding	100%
4	The net aggregate amount of profits/(losses) so far as it concerns the members of the Holding Company	
	a. Not dealt with in the Holding Company Accounts i) for the financial year ended 31st March 2007	Rs. 25,524.00
	b. Dealt with in the Holding Company Accounts i) for the financial year ended 31st March 2007	Rs. 81,240.00

DETAILS OF SUBSIDIARY COMPANY

Particulars	A. K. Stockmart Private Limited
Share Capital	Rs. 50,000,000.00
Reserves and Surplus	Rs. 105,764.00
Total Assets	Rs. 50,377,751.00
Total Liabilities	Rs. 50,377,751.00
Investments	Rs. 17,000,000.00
Revenue	Rs. 200,624.00
Profit Before Taxation	Rs. 198,624.00
Provision for Taxation	Rs. 91,860.00
Profit After Tax	Rs. 106,764.00
Proposed Dividend	Nil

A. K. Capital Corporation Private Limited

DIRECTORS' REPORT

To
The Members
A. K. Capital Corporation Private Limited

Your directors have pleasure in presenting the First Annual Report with the Audited Financials of the Company for the period ended 31 March 2007

FINANCIAL HIGHLIGHTS

(Amount in Rupees)

Particulars	For the period ended 31 March 2007
Income	152,471
Profit before depreciation and interest	35,855
Profit before tax	35,855
Provision for tax	12,100
Profit after tax	23,755
Surplus carried to balance sheet	23,755

OPERATIONS

The Company was incorporated on 23 November 2006 under the Companies Act, 1956.

FUTURE BUSINESS PLAN

The Company is formed to carry on the business of Non-Banking Finance Company (NBFC) as permitted under the RBI Act. With the growing Indian Economy and capital market, the Directors foresee the robust growth of the Company business.

DIVIDEND

The Directors did not recommend any dividend for the financial year 2006-2007.

DIRECTORS

In accordance with the provisions of The Companies Act, 1956 and Articles of Association of the Company, Mr. A. K. Mittal and Mrs. Anshu, the first Directors of the Company retire at the First Annual General Meeting of the Company and being eligible offer themselves for reappointment.

SHARE CAPITAL

During the period under review, A. K. Capital Services Limited along with its nominee shareholders acquired the entire paid-up equity share capital of the Company. The Company has therefore become a wholly owned subsidiary of A. K. Capital Services Limited.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement under Section 217 (2AA) of the Companies Act, 1956 with respect to Directors' Responsibility Statement, it is hereby confirmed:

1. That in the preparation of the annual accounts, the applicable Accounting Standards had been followed along with proper explanation relating to material departures.

2. That the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that were 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 the period under review.
3. That the 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.
4. That the directors had prepared the annual accounts on a going concern basis.

AUDITORS

The Statutory Auditors of the Company, M/s Jangid & Associates, Chartered Accountants, retire at the ensuing Annual General Meeting of the Company and being eligible, offer themselves for reappointment.

The observations made in the Auditors' report are self-explanatory and therefore do not call for any further comments.

CONSERVATION OF ENERGY, RESEARCH AND DEVELOPMENT, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

In view of the nature of activities which are being carried on by the Company, rules 2A and 2B of the Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988 concerning conservation of energy, research and development and technology absorption respectively are not applicable to the Company.

There was no inflow or outflow foreign exchange during the year under review.

DEPOSITS

Your company has not accepted any deposits from the public for the period under review.

PERSONNEL

There are no employees in the Company and therefore the provisions of Section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 are not applicable.

ACKNOWLEDGEMENT

The Directors would like to express their sincere thanks for the cooperation received from banks and government authorities. The Directors places on record its gratitude to the Company's valued shareholders for their continued support and confidence in the Company.

By the order of the Board of Directors
For A. K. CAPITAL CORPORATION PRIVATE LIMITED

Place: Mumbai
Date: 11 August 2007

Anshu
Chairperson

A. K. Capital Corporation Private Limited

AUDITORS' REPORT

To
The Members
A. K. Capital Corporation Private Limited

1. We have audited the attached Balance Sheet of A. K. Capital Corporation Private Limited as at 31 March 2007 and also the annexed Profit & Loss Account and the Cash Flow Statement for the period from 23 November 2006 to 31 March 2007 annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatements. 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 statements. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003, issued by The Central Government of India in terms of sub-section (4A) of Section 227 of The Companies Act, 1956. We enclosed in the Annexure a statement on the matters specified in paragraphs 4 of the said order.
4. Further we report that:
   a. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our Audit;
   b. In our opinion, proper books of account as required by The Companies Act, 1956 have been kept by the Company so far as it appears from our examination of the books;
   c. The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
   d. In our opinion, the Balance Sheet and Profit and Loss Account dealt with by this report comply with accounting standards referred to in sub-section 3(c) of Section 211 of The Companies Act, 1956;
   e. On the basis of written confirmations received from the Directors and taken on record by the Board of Directors and according to the information and explanations given to us, none of the Directors of the Company are prima facie disqualified as at 31 March 2007 from being appointed as Directors of the Company in terms of clause (g) of Sub-section (1) of section 274 of the Act;
   f. In our opinion and to the best of our information and according to the explanations given to us, the accounts give the information required by The Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;
      i. in the case of the Balance Sheet, of the state of affairs of the Company for the period from 23 November 2006 to 31 March 2007;
      ii. in the case of the Profit & Loss Account, of the profit of the Company for the period ended on that date; and
      iii. in the case of the Cash Flow Statement, of the Cash Flows of the Company for the period ended on that date.

For JANGID & ASSOCIATES
Chartered Accountants

Sajjan Agrawal
(Partner)
Membership No. 102586

Place: Mumbai
Date: 11 August 2007

A. K. Capital Corporation Private Limited

BALANCE SHEET AS ON 31ST MARCH 2007.

	SCHEDULE	Rupees	AS AT 31.03.2007 Rupees
SOURCES OF FUNDS			
Shareholders' funds			
Share capital	A	21,000,000	
Reserves and surplus	B	23,755	**21,023,755**
TOTAL FUNDS EMPLOYED			**21,023,755**
APPLICATION OF FUNDS			
Current assets, loans and advances			
Cash and bank balances	C	20,626,407	
Loans and advances	D	11,620	**20,638,027**
Less : Current liabilites and provisions			
Liabilities	E	17,712	**17,712**
Net Current Assets			**20,620,315**
Miscellaneous expenditure (To the extent not written off or adjusted)	F		**403,440**
TOTAL FUNDS UTILISED			**21,023,755**
Significant accounting policies and notes to accounts	H		

Schedules referred to above form an Integral part of the financial statements

As per our report of even date attached
For **Jangid & Associates**
Chartered Accountants

Sajjan Agarwal
Partner
Membership No. 102586

Place : Mumbai
Date : 11 August 2007

For and on behalf of the Board of Directors

A. K. Mittal Director

Anshu Director

Place : Mumbai
Date : 11 August 2007

A. K. Capital Corporation Private Limited

Profit and Loss Account for the year ended 31 March 2007

	SCHEDULE	Current Year Rupees
INCOME		
Interest received		51,781
Investment income		100,690
		152,471
EXPENDITURE		
Selling, Administrative and other expenses	G	15,756
Preliminary expenditure written off		100,860
		116,616
Profit before tax		35,855
Less : Provision for taxation		
Income tax		12,100
Profit after tax		23,755
Surplus carried to balance sheet		23,755
Significant accounting policies and notes to accounts	H	

Schedules referred to above form an Integral part of the financial statements

As per our report of even date attached
For **Jangid & Associates**
Chartered Accountants

Sajjan Agarwal
Partner
Membership No. 102586

Place : Mumbai
Date : 11 August 2007

For and on behalf of the Board of Directors

A. K. Mittal Director

Anshu Director

Place : Mumbai
Date : 11 August 2007

A. K. Capital Corporation Private Limited

Cash Flow Statement for the year ended 31 March 2007

		Current Year Rupees
A.	**CASH FLOW FROM OPERATING ACTIVITIES**	
	Net Profit before Tax and extra ordinary items	35,855
	Adjustment for Depreciation	-
	Public issue & Preliminary expenses	10,086
	Interest received	(51,781)
		84,934
	Operating Profit / (Loss) before working capital changes	
	Adjustments for Current Assets	
	i) Receivables	-
	ii) Current Liabilities	5,612
	Cash flow from Operating activities	90,546
	Direct taxes paid	(11,620)
	Net cash from Operating activities	78,926
B.	**CASH FLOW FROM INVESTING ACTIVITIES**	
	Acquisition of fixed assets	-
	Acquisition of investments	-
	Sale of fixed assets	-
	Loan & Advances given	-
	Net cash generated from Investment activities	-
C.	**CASH FLOW FROM FINANCING ACTIVITIES**	
	Interest received	51,781
	Proceeds from issue to share capital	21,000,000
	Repayment of Loans	-
	Deferred expenditure	(504,300)
	Dividends on equity share capital	-
	Interest paid	-
	Net cash used in financial activities	20,547,481
	Net Increase/decrease,in cash and cash equivalents	20,626,407
	Cash and cash equivalents at the beginning of the year	-
	Cash and cash equivalents at the end of the year	20,626,407

Significant accounting policies and notes to accounts are given in Schedule 'H'

As per our report of even date attached
For **Jangid & Associates**
Chartered Accountants

Sajjan Agarwal
Partner
Membership No. 102586

Place : Mumbai
Date : 11 August 2007

For and on behalf of the Board of Directors

A. K. Mittal Director
Anshu Director

Place : Mumbai
Date : 11 August 2007

A. K. Capital Corporation Private Limited

Schedules forming part of Balance Sheet as at 31 March 2007

	AS AT 31.03.2007 Rupees
SCHEDULE - A	
SHARE CAPITAL	
Authorised	
5,000,000 Equity shares of Rs. 10 each	50,000,000
	50,000,000
Issued, Subscribed and Paid up	
2,100,000 Equity shares of Rs. 10 each fully paid up	21,000,000
	21,000,000
SCHEDULE - B	
RESERVES AND SURPLUS	
Surplus as per Profit and Loss Account	23,755
	23,755
SCHEDULE - C	
CASH AND BANK BALANCES	
Cash at Bank - In Current Account	586,246
Accrued interest on Fixed Deposit	40,161
Fixed Deposit with HDFC Bank	20,000,000
	20,626,407
SCHEDULE - D	
LOANS AND ADVANCES (Unsecured, considered good)	
Advance income tax & deducted at source	11,620
	11,620
SCHEDULE - E	
CURRENT LIABILITIES & PROVISIONS	
Current Liabilities	
Sundry creditors	5,612
	5,612
Provisions	
Provision for income tax	12,100
	12,100
	17,712
SCHEDULE - F	
MISCELLANEOUS EXPENDITURE	
(to the extent not written off or adjusted)	
Preliminary expenses	504,300
Less : Written off during the year	100,860
	403,440

A. K. Capital Corporation Private Limited

Schedules forming part of Profit & Loss Account for the period ended 31 March 2007

	Current Year Rupees
SCHEDULE G	
SELLING, ADMINISTRATIVE AND OTHER EXPENSES	
Audit fees	5,612
Miscellaneous expenses	4,023
Printing & stationery expenses	499
Professional fees	5,622
	15,756

SCHEDULE - 'H'

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

A. Significant accounting policies:

1) **Basis of preparation of financial statements:**
The financial statements have been prepared on the basis of historical cost convention on an accrual basis, in accordance with the applicable accounting standards and on the basis of a going concern.

2) **Fixed assets:**
The Company was incorporated on 23 November 2006 and has not acquired any fixed assets till 31 March 2007.

3) **Depreciation:**
The Company has no fixed assets hence no depreciation is provided during the current year.

4) **Investments:**
The investments are valued at cost or market value which ever is less.

5) **Miscellaneous Expenditure :**
Expenses included under the head miscellaneous expenditure will be amortised over the period of 5 years.

Signatures to schedules 'A' to 'H'

Schedules referred to above form an Integral part of the financial statements

As per our report of even date attached

For **Jangid & Associates**
Chartered Accountants

Sajjan Agarwal
Partner
Membership No. 102586

Place : Mumbai
Date : 11 August 2007

For and on behalf of the Board of Directors

A. K. Mittal
Director

Anshu
Director

Place : Mumbai
Date : 11 August 2007

B. Notes to accounts

1. Preliminary expenses have been amortised in accordance with section 35D of the Income Tax Act,1961.
2. **Auditors Remuneration:** Audit fees for the year ended 31 March 2007 is Rs. 2806/-.
3. Expenditure in foreign currency for the year ended 31 March 2007 is nil.
4. Earnings in foreign currency for the year ended 31 March 2007 is nil.
5. **Contingent Liability:** The Company has no contingent liabilities.
6. Figures have been rounded off to the nearest rupee.
7. FY 2006-07 is the first year of the Company hence last years figures are not given.

A. K. Capital Corporation Private Limited

Information pursuant to the provision of part IV of Schedule VI to Companies Act, 1956

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. Registration Details			
Registration No.	:	165749	State Code : 55
Balance Sheet Date	:	31 March 2007	
II. Capital raised during the year	:	**(Amount in Rupees)**	
Public Issue (Net of allotment money in arrears)	:	Nil	
Rights Issue	:	Nil	
Bonus Issue	:	Nil	
Private Placement	:	21,000,000	
III. Position of Mobilisation and Deployment of Funds	:	**(Amount in Rupees)**	
Total Liabilities		21,041,467	
Total Assets		21,041,467	
Sources of Funds			
Paid-up Capital	:	21,000,000	
Reserves & Surplus	:	23,755	
Secured Loans	:	Nil	
Unsecured Loans	:	Nil	
Deferred tax liability(net)	:	Nil	
Application of Funds			
Net Fixed Assets	:	Nil	
Investments	:	Nil	
Net Current Assets	:	20,620,315	
Miscellaneous Expenditure	:	Nil	
Accumulated Losses	:	Nil	
IV. Performance of Company	:	**(Amount in Rupees)**	
Turnover/Income	:	152,471	
Total Expenditure	:	116,616	
Surplus /(Deficit) before tax	:	35,855	
Surplus /(Deficit) after tax		23,755	
Earning / (loss) per share in Rs.	:	0.01	
V. Generic Names of Three Principal Products / Services of the Company	:	**(As per monetary terms)**	
Item Code No.(ITC Code)	:	Not Applicable	
Product Description	:	Not Applicable	
Item Code No.(ITC Code)	:	Not Applicable	
Service Description	:	NBFC Services	

A. K. Capital Corporation Private Limited

Statement Pursuant to Section 212 of the Companies Act, 1956, relating to Company's Interest in Subsidiary Companies for the financial year 2006-07

Sr. No.	Name of Subsidiary Company	A. K. Capital Corporation Private Limited
1	Financial year ending of the Subsidiary	31 March 2007
2	Date from which it became the subsidiary company	29 January 2007
3	No. of shares held by A. K. Capital Services Limited along with its nominees at the end of the financial year of the Subsidiary Company	2,100,000 equity shares
	Extent of holding	100%
4	The net aggregate amount of profits/(losses) so far as it concerns the members of the Holding Company	
	a. Not dealt with in the Holding Company Accounts i) for the financial year ended 31st March 2007	Rs. 23,755.00
	b. Dealt with in the Holding Company Accounts i) for the financial year ended 31st March 2007	Nil

DETAILS OF SUBSIDIARY COMPANY

Particulars	A. K. Capital Corporation Private Limited
Share Capital	Rs. 21,000,000.00
Reserves and Surplus	Rs. 23,755.00
Total Assets	Rs. 21,041,467.00
Total Liabilities	Rs. 21,041,467.00
Investments	Nil
Revenue	Rs. 152,471.00
Profit Before Taxation	Rs. 35,855.00
Provision for Taxation	Rs. 12,100.00
Profit After Tax	Rs. 23,755.00
Proposed Dividend	Nil