



**BOARD OF DIRECTORS**

Mr. Lalit Bhasin	Chairman
Mr. Anil Goyal	Managing Director
Dr. M.P. Jain	Director
Mr. L. N. Malik	Director
Mr. Arvind Kohli	Director

**COMPANY SECRETARY**

Mr. Vijay Breja

**CHIEF FINANCIAL OFFICER**

Mr. C. P. Singh

**AUDITORS**

**P. Bholusaria & Company,**  
Chartered Accountants,  
26/11, Shakti Nagar,  
Delhi - 110 007.

**REGISTERED OFFICE**

199, Sector - 7,  
Urban Estate,  
Gurgaon - 122 001,  
Haryana

**CORPORATE OFFICE**

10th Floor, DCM Building,  
16, Barakhamba Road,  
New Delhi - 110 001.

**WEBSITE**

[www.hbleasing.com](http://www.hbleasing.com)

**REGISTRAR & SHARE TRANSFER AGENT**

**RCMC Share Registry Pvt. Ltd.,**  
1515, 1st Floor,  
Bhisham Pitamah Marg,  
Kotla Mubarakpur,  
Near South Extension,  
New Delhi - 110 003.

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**NOTICE**

NOTICE is hereby given that the 23<sup>rd</sup> Annual General Meeting of the Company will be held as follows:

Day : Thursday  
 Date : 28<sup>th</sup> September 2006  
 Time : 10.00 A.M.  
 Place : GIA House, I.D.C., Mehrauli Road,  
 Opp. Sector 14, Gurgaon-122001, Haryana

to transact the following business:

**AS ORDINARY BUSINESS**

- To receive, consider and adopt the Audited Balance Sheet as at 31<sup>st</sup> March, 2006 and the Profit & Loss Account for the year ended on that date together with the Report of Directors and Auditors thereon.
- To appoint a Director in place of Mr. Lalit Bhasin who retires by rotation and being eligible, offers himself for re-appointment.
- To appoint Auditors and to fix their remuneration.

**BY ORDER OF THE BOARD  
 FOR HB LEASING & FINANCE CO. LTD.**

Place : New Delhi  
 Date : 27.07.2006

**VIJAY BREJA  
 COMPANY SECRETARY**

**NOTES**

- A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF AND THE PROXY NEED NOT BE A MEMBER. A PROXY IN ORDER TO BE EFFECTIVE MUST BE LODGED AT THE REGISTERED OFFICE OR CORPORATE OFFICE OF THE COMPANY ATLEAST 48 HOURS BEFORE THE TIME OF THE MEETING.**
- The Register of Members and Share Transfer Books of the Company shall remain closed from 26<sup>th</sup> September, 2006 to 28<sup>th</sup> September, 2006 (both days inclusive).
- Members/Proxies should bring Attendance Slips duly filled in for attending the Meeting.
- Shareholders seeking any information with regard to Accounts are requested to write to the Company at least 7 days before the date of the Meeting so as to enable the management to keep the information ready.
- Members are requested to:
  - Notify any change in their address to the Company including PINCODE to the Registrar and ShareTransfer Agent of the company namely, RCMC Share

Registry Pvt. Ltd., 1515, (1<sup>st</sup> Floor), Bhisham Pitamah Marg, Kotla Mubarakpur, Near South Extension, New Delhi - 110003. Phones: 24692346 & 24601017. Fax 24692345. E-mail: rcmc@dimensioni.net.

- Bring their copies of Annual Report with them to the Meeting, as the same will not be supplied again at the Meeting as a measure of economy.
- All the material documents referred to in the Notice including the Memorandum & Articles of Association of the Company are available for inspection by the members of the Company at its Corporate Office during the normal business hours on any working day.
  - Details of the Directors seeking re-appointment at the ensuing Annual General Meeting pursuant to Clause 49 of the Listing Agreement:

**DIRECTORS SEEKING APPOINTMENT/ REAPPOINTMENT**

Name of the Director	Mr. Lalit Bhasin
Date of Birth	14 <sup>th</sup> August 1968
Date of Appointment	29 <sup>th</sup> June 1990
Profile/ Expertise in Specific functional Areas	Stock Market and Investment.
Qualifications	B.Com
List of directorship in other Public Companies.(As on 31 <sup>st</sup> March 2006)	<ol style="list-style-type: none"> <li>HB Stockholdings Limited</li> <li>HB Estate Developers Limited</li> <li>HB Securities Limited</li> <li>HB Portfolio Ltd.</li> <li>HB Prima Capital Limited</li> <li>Har Sai Investments Limited</li> <li>Creditcapital Asset Management Co. Ltd.</li> <li>RRB Securities Limited</li> <li>RRB Master Securities Delhi Limited</li> <li>CHL (South) Hotels Ltd.</li> <li>Raja Ram Bhasin Share &amp; Stock Brokers Limited</li> <li>Bhasin Share &amp; Stock Brokers Limited</li> <li>AHL Hotels Ltd.</li> <li>Indo Continental Hotels &amp; Resorts Ltd.</li> </ol>

Membership of Committee of the Board in other Public Companies (As on 31 <sup>st</sup> March 2006)	Shareholders' / Investors Grievance Committee • RRB Securities Limited.
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**BY ORDER OF THE BOARD  
 FOR HB LEASING & FINANCE CO. LTD.**

Place : New Delhi  
 Date : 27.07.2006

**VIJAY BREJA  
 COMPANY SECRETARY**

**DIRECTORS' REPORT**

To the Members,

Your Directors present the 23<sup>rd</sup> Annual Report together with the Audited Statement of Accounts for the year ended 31<sup>st</sup> March, 2006.

**FINANCIAL RESULTS**

A summary of the Financial Results of the Company for the year ended 31<sup>st</sup> March, 2006 is produced hereunder for your consideration.

PARTICULARS	<i>(Rs. in Lakhs)</i>	
	Year Ended 31.03.2006	Year Ended 31.03.2005
<b>Profit/(Loss) before Depreciation &amp; Tax</b>	<b>52.03</b>	12.53
<b>Less:</b>		
(a) Depreciation	<b>2.59</b>	2.57
(b) Provision for Income Tax		
- Current	Nil	Nil
- Deferred Tax charge/(credit)	Nil	Nil
- Fringe Benefit Tax	<b>0.52</b>	Nil
<b>Net Profit/(Loss)</b>	<b>48.92</b>	9.96
ADD/(LESS)		
Profit/(Loss) brought forward	<b>(2082.68)</b>	(2092.64)
Transfer to Statutory Reserve Fund	<b>(9.78)</b>	Nil
<b>Profit/(Loss) carried forward</b>	<b>(2043.54)</b>	(2082.68)

**DIVIDEND**

In view of brought forward losses, your directors regret their inability to recommend dividend for the year under review.

**PERFORMANCE REVIEW & FUTURE OUTLOOK**

During the year under review, the Company under the backdrop of buoyant Stock Market sentiments has been able to post improved performance and the net profit after taxation which was Rs.9.96 Lacs last year has increased to Rs. 48.92 Lacs.

During the year under review the Indian Stock Market surged phenomenally as reflected by the substantial rise the stock indexes have recorded. Foreign Direct Investment (FDI) has increased by 40% during 2005-06 to \$7.5 Billion.

The Indian Economy is expected to maintain the current high growth rate in the medium to long term and with the Foreign Direct Investment expected to touch US \$10 billion in 2006-07 the Stock Market is expected to continue to maintain the current trend of buoyancy.

Under the aforesaid scenario, the company is optimistic of improving its financial performance in the years ahead.

**STATUTORY STATEMENTS**

During the year under review your Company has not accepted any deposits from the public.

The particulars under Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 on conservation of energy, technology absorption are not applicable to your Company. During the year under review, there were no earnings or outgo in foreign exchange.

The provisions of Sec 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended, are not applicable, as there is no

such employee who were drawing/ in receipt of remuneration of prescribed amount during the period under review.

Pursuant to the requirements of Section 217(2AA) of the Companies Act, 1956, with respect to the Directors' Responsibility Statement, it is hereby stated that in the preparation of the accounts for the financial period under review the applicable accounting standards have been followed along with proper explanation relating to material departures. The Directors have selected such accounting policies and applied them consistently and made judgements 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 period and of the profit/loss of the Company, for the period under review. The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities. Further the Directors have prepared the annual accounts (for the year under review) on a going concern basis.

**REPORT ON CORPORATE GOVERNANCE**

Pursuant to the provisions of Clause 49 of the Listing Agreement, a Report on Corporate Governance and Management Discussion and Analysis, together with a certificate from the Auditors conforming compliance with Clause 49 are annexed hereto and forms part of this Report.

**STATEMENT PURSUANT TO LISTING AGREEMENT(S)**

The Company's equity shares are listed at Bombay Stock Exchange Ltd, Mumbai. The Company shares were delisted from Delhi Stock Exchange w.e.f. 14th October 2005 pursuant to application for voluntary delisting of shares made in this behalf. The listing fees for the year under review has been paid to BSE.

**AUDITORS' REPORT**

Observations of the Auditors have been explained by appropriate Notes to Accounts. However, as regards the observation regarding the amount lying / pending transfer in the designated bank accounts representing unpaid / unclaimed dividend / debenture interest / redemption, the directors further to the explanation appended in the paragraph 5 of Notes to accounts would like to add that the Company has since resolved the matter with the bank and has deposited the entire amount to the credit of Investor Education & Protection Fund of the Central Government in accordance with the provisions of Section 205C of the Companies Act, 1956.

**AUDITORS**

The Auditors, M/s. P. Bholusaria & Co., Chartered Accountants, retire at the ensuing Annual General Meeting and are eligible for reappointment.

**DIRECTORATE**

In terms of provisions of Section 256 of the Companies Act, 1956 read with Article 99 of the Articles of Association of the Company, Mr. Lalit Bhasin retire by rotation at the ensuing Annual General Meeting and being eligible offer himself for re-appointment.

**ACKNOWLEDGMENTS**

Your Directors wish to thank and acknowledge the co-operation and support extended by the Company's Bankers, Shareholders and its employees.

**FOR AND ON BEHALF OF THE BOARD**

**Place : New Delhi  
Date : 27.07.2006**

**LALIT BHASIN  
CHAIRMAN**

**MANAGEMENT DISCUSSION AND ANALYSIS**

**1. Operating Results**

During the year under review the Company earned an income of Rs.93.91 lakhs as compared to the income of Rs.48.60 lakhs during the previous year. Gross and net profit earned by the Company during the current year was Rs.52.03 lakhs and Rs.48.92 lakhs respectively as compared to gross and net profit of Rs.12.53 lakhs and Rs.9.96 lakhs during the corresponding previous period.

The administrative expenses during the year under review were Rs.41.88 lakhs as compared to Rs.36.07 lakhs during the previous period registering a moderate increase which has been on the expected lines and is in proportion to the increase in the volume of operations.

**2. Industry Trends and Business Analysis**

During the year under review, Indian Capital Market continued its buoyancy and scaled new peaks. The Bombay Stock Exchange (BSE) Sensex registered a rise of 74% as it opened at 6492.82 in April 2005 and closed at 11279.96 in March 2006 recording its highest at 11356.95 in March 2006. Other broad-based indices also recorded a similar trend.

Seen under the aforesaid backdrop the company has been able to post an improved performance.

**3. Opportunity, Threats & Outlook**

The Indian Capital Market, during the period under review marched from strength to strength, buoyed by strong inflows from Foreign Institutional Investors (FIIs), good corporate results besides robust performance by the overall economy and the buoyant investment climate. The bullish trend in Capital Market has brought in greater opportunities and is likely to continue in the medium to long term and offers good future growth potential.

As per the estimates of statistical authority of Indian Government, the national economy is expected to continue and maintain the current high growth of 8% plus in the medium to long term which augurs well for the Indian Stock Market. The unprecedented and continued rise in International crude prices however, poses significant concern as it may fuel inflation and trigger a slow down in the world economic growth which may impact and affect the national Economy too. The rising stakes of FIIs in the Indian Capital Market and their dominance may also have a flip side as was experienced in last week of May'2006 and first week of June'2006 when the sudden selling pressure from them resulted in a steep loss in value. However the buying support by Indian Mutual Funds ensured that the selling pressure of FIIs did not result in a market collapse.

The Company's prime and main business being investment in securities it is exposed to the competitive threats from mutual and other funds. However, the Company hopes to improve its performance on the strength of its long experience in the investment operations and its strong emphasis on fundamentals of timing of picking and exiting strategies.

**4. Future Prospects and Outlook**

The company as a NBFC engaged predominantly in the business of investment in securities the future outlook/business prospects are closely linked with the buoyancy of the stock market which apart from political factors is a function of corporate performance and overall economic growth. The commitment of successive governments to carry forward the process of reformation of economy and the efforts to address infrastructural constraints and bottlenecks indicates a sustained high growth rate in the medium to long term.. Besides the continued confidence of international investors on the resilience of the Indian Economy as is reflected by the increasing FDI (which is likely to touch US\$10 billion in 2006-2007) and the upgrading of sovereign rating of India by the International rating

agencies also augurs well.

Keeping in view the stable economic condition and a comfortable foreign exchange reserves, moderate inflation, comfortable interest rate structure, healthy monetary policies and substantial investments having been made in infrastructure sector, the national economy is poised for quantum jump in growth which would have a positive impact on the Stock Market. Under these favourable economic indications, the Company looks forward to post better and improved results in the coming years.

**5. Risk and concerns**

Since the primary and main business of the company is dealing in securities, the risk factors and the concerns affecting the business of your company revolves mainly around the risks associated with the stock market including interest rate volatility, cyclic trends, market risk and credit risk. However, through careful and prudent investment decisions by the management, it is constantly endeavored to minimise these risks.

**6. Internal control system and their adequacy**

The Company has adequate internal control systems commensurate with the size of the business duly supplemented with an internal audit to ensure against any unauthorised use or disposition of assets.

The internal controls are periodically reviewed by the Audit Committee to ensure their adequacy and effectiveness.

**7. Financial performance**

a) **Share Capital:** The Company's issued and subscribed Share Capital consists of Equity Shares only. The paid-up capital of the Company as at 31<sup>st</sup> March 2006 stood at Rs. 1100.41 lakhs comprising of 1,10,62,731 Equity Shares of Rs. 10/- each (excluding allotment money receivable of Rs.5.86 lakhs). Though the Board of Directors has obtained the necessary approval from the shareholders under Section 81(1A) of the Companies Act, 1956, for issuing Redeemable Preference Shares, has still not proceeded with the issue of preference shares.

b) **Reserves & Surplus:** During the year under review, the Reserves & Surplus of the Company stood at Rs. 1836.96 lakhs as against Rs.1827.17 lakhs during the previous year.

c) **Current Assets & Current Liabilities:** The current assets, loan and advances and current liabilities & provisions for the year under review stood at Rs. 1417.19 lakhs and Rs. 536.85 lakhs respectively against Rs.1366.69 lakhs and Rs.537.71 lakhs for the previous year.

d) **Accumulated Losses:** The accumulated and carry forward losses stood at Rs. 2043.55 lakhs as compared to Rs. 2082.68 lakhs in the previous financial year.

**8. Human Resources**

Your Company has requisite manpower commensurate with the current volume of activities keeping in view its emphasis on minimizing costs. The Company recognises the importance of human resources in achieving success in its commercial pursuits and follows a good man management policy.

**9. Cautionary Statement**

Statements in this "Management's Discussion and Analysis" describing the Company's objectives, projections, estimates, expectations or predictions may be "forward looking statements" within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include interest rates and changes in the Government regulations, tax regimes, economic developments and other factors such as litigation etc.

**REPORT ON CORPORATE GOVERNANCE**
**COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE**

The Company's philosophy on Corporate Governance envisages pursuing high standards of accountability, transparency in its working and to strive to maximise the earnings for the shareholders. The Company is committed to establish and follow the highest standards of Corporate Governance in conformity with the stipulations of the Regulators.

**SIZE AND COMPOSITION OF THE BOARD OF DIRECTORS**

The Board of Directors of your Company comprise of 5 Directors at present out of which, 4 are Non-Executive Directors with 3 being Independent Directors. Mr. Lalit Bhasin is the Chairman and Non - Executive Director of the Company. Mr. Anil Goyal is the Managing Director of the Company. The composition of the Board is in conformity with the requirements under the Listing Agreement. The Directors of your Company have proficiency in their respective fields backed with requisite experience.

The particulars regarding composition of the Board of Directors, particulars of Director's other directorships and membership in committees of other public limited companies and their attendance in the Meetings held during the year under review are given hereunder:

During the financial year under review, 7 Meetings of the Board of Directors were held on 18<sup>th</sup> April, 2005; 7<sup>th</sup> May, 2005; 30<sup>th</sup> July 2005; 10<sup>th</sup> August, 2005; 28<sup>th</sup> October, 2005; 18<sup>th</sup> January, 2006 and 31<sup>st</sup> January, 2006.

Name of the Director	Category	Directorships in other public companies*		Committee Membership held in Other public companies		No. of Board Meetings during the year		Attended Last AGM	Shares held in the Company & % to the Subscribed capital
		Total	As Chairman	Total	As Chairman	Held	Attended		
Mr. Lalit Bhasin	Promoter & Non Executive	14	3	1	—	7	7	Yes	5,16,905 (4.67%)
Dr. M.P. Jain	Independent & Non Executive	2	—	—	—	7	—	No	Nil
Mr. Arvind Kohli	Independent & Non Executive	—	—	—	—	7	7	Yes	Nil
Mr. L.N. Malik	Independent & Non Executive	1	—	—	—	7	7	Yes	300 (Insignificant)
Mr. Anil Goyal	Independent & Executive	10	—	4	1	7	7	Yes	150 (Insignificant)

\*Public Limited companies as on 31-03-2006

In terms of the provisions of Articles of Association of the Company, Mr. Lalit Bhasin, retire at the forthcoming Annual General Meeting and being eligible, offer himself for re-appointment.

**AUDIT COMMITTEE**

The Audit Committee comprises of following three Directors, all being non-executive with two being independent Directors:

Mr. L. N. Malik Chairman  
Mr. Lalit Bhasin Member  
Mr. Arvind Kohli Member

The Company Secretary acts as Secretary to the Committee. The terms of reference of Audit Committee, inter-alia includes laying down, review and revise the accounting policies of the Company; review of financial operations and performance of the Company; review of quarterly / half yearly and annual financial accounts and other financial reports and statements, prior to placement thereof before the Board of Directors, consider and constitute sub-committees, wherever necessary for carrying out and / or monitoring the financial operations of the Company, appoint whenever deemed expedient, an independent internal auditor to carry out continuous audit of the accounts and systems of the Company, and also consider and / or review the appointment and removal of the auditors of the Company, consider and set up adequate internal control systems and review and monitor the same in consultation with the internal auditors and auditors of the Company and ensure compliance of the same, receive, discuss and consider the observations and reports of the internal auditors and auditors of the Company from time to time, review and investigate on matters of financial nature, as and when deemed necessary and expedient, give report and / or recommendations to the Board on the matters concerning financial operations of the Company, consider and act on any matters as / or included under Clause 49 of the Listing Agreement and / or as may be included from time to time.

During the previous year, 4 Meetings of Audit Committee were held on 7<sup>th</sup> May, 2005; 30<sup>th</sup> July, 2005; 28<sup>th</sup> October, 2005; and 31<sup>st</sup> January, 2006, which were attended to by all the Members.

**SHAREHOLDERS'/INVESTORS' GRIEVANCE COMMITTEE**

The Shareholders' / Investors' Grievance Committee of the Company at present consists of Mr. Lalit Bhasin, Mr. Anil Goyal and Mr Arvind Kohli as Members and Company Secretary, as Secretary to the Committee. The Shareholders'/Investors' Grievance Committee has been empowered to carry out, inter-alia, the following functions:

- to consider and approve the transfer, transmission and issue of fresh/duplicate share certificates;
- to review the status of dematerialisation of shares of the Company and the matters incidental thereto;
- to review and monitor the approval to the transfers/transmissions made by Mr. Anil Goyal under authority given to him;
- to monitor the matters of litigation relating to shareholders/shareholders' grievances and to take decisions in respect thereof;
- to deal with such other matters related / incidental to the shareholders.

During the year under review, 12 Meetings of the Committee were held for considering/ approving the requests received from the shareholders for issue of new shares on replacement / dematerialisation / duplicate issue etc. Mr. Anil Goyal, Managing Director, has however been authorised to approve transfer of shares of the Company upto 2,000 equity shares under one folio at a time. The meetings were attended to by all the committee members.

**DIRECTORS REMUNERATION**

No sitting fee is being drawn by the Directors for attending the meetings of Board of Directors and its Committees. Further, no remuneration has been drawn by Mr. Anil

Goyal, Managing Director as he has opted to draw his remuneration from HB Portfolio Limited of which he is the Managing Director.

**SHAREHOLDERS' INFORMATION**
**(A) Details of Annual General Meetings**
**(i) Location and time of last three AGMs**

Year	Type	Location	Date	Time
2004-05	AGM	GIA House, I. D. C., Mehrauli Road, Opp. Sec-14, Gurgaon – 122001	10.08.2005	10:00 A.M.
2003-04	AGM	GIA House, I. D. C., Mehrauli Road, Opp. Sec-14, Gurgaon – 122001	24.09.2004	10:00 A.M.
2002-03	AGM	GIA House, I. D. C., Mehrauli Road, Opp. Sec-14, Gurgaon – 122001	30.09.2003	10:00 A.M.

**(ii) List of Special Resolutions passed in the previous 3 AGMs**

S. No.	Subject Matter	AGM Reference and date of passing
1.	Approval for Delisting of Equity Shares from the Delhi Stock Exchange.	22 <sup>nd</sup> AGM 10 <sup>th</sup> August 2005
2.	Approval of enhancing the limit for acquisition of shares by NRIs under Portfolio Investment Scheme up to 24% of paid up share capital	21 <sup>st</sup> AGM 24 <sup>th</sup> September 2004

- (iii) Whether Special Resolutions were put through Postal Ballot No  
(iii) Are polls proposed to be conducted through Postal Ballot this year No

**DISCLOSURES**

- There have been no materially significant related party transactions, pecuniary transactions or relationships other than those disclosed in the financial statements for the year ended 31<sup>st</sup> March 2006 (Refer Note No 13 of Schedule I forming part of Balance Sheet and Profit & Loss Account). Accordingly, the same have not been reproduced here.
- No penalty has been imposed nor any strictures have been passed by the Stock Exchanges or SEBI or any other Statutory Authority on any matter related to Capital Markets during the last three years.
- The company has adopted a Code of Conduct applicable to all Directors and Senior Management personnel of the company and the same has been posted in the website of the company www.hbleasing.com. For the year under review, all directors and senior management personnel have confirmed their adherence to the provisions of said Code. A declaration to this effect from Managing Director of the Company is also given to this effect at the end of this report.
- Risk Assessment and Minimisation procedures are in existence and are reviewed periodically.
- The Managing Director (CEO) and the Chief Financial Officer (CFO), have as required under clause 49 of the Listing Agreement, given their certification on the review of financial statements, including cash flow, for the year ended 31.03.2006 to the Board of Directors.
- Remuneration Committee has not been constituted and Whistle Blower policy has not been adopted by the Company being Non- Mandatory requirements.
- All the mandatory requirements under Clause 49 (relating to Corporate Governance norms) of the Listing Agreement are being adhered to / complied with.



**MEANS OF COMMUNICATION**

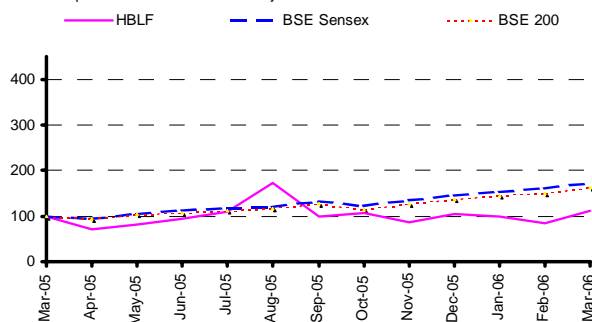
- I. Quarterly Results: Dissemination through stock Exchange, company's website and through publication in newspaper as required under Listing Agreement.
- II. Newspaper wherein results normally published: Financial Express and Jansatta.
- III. Website where displayed: [www.hbleasing.com](http://www.hbleasing.com)
- IV. The website also displays official news releases and important communications made to Stock Exchanges. As and when any presentation are made to institutional investors the same would be simultaneously uploaded in the Company's website.

**GENERAL SHAREHOLDER INFORMATION**

- I. Ensuing Annual General Meeting Date, time and venue:  
Date : 28th September, 2006  
Time : 10.00 A.M.  
Venue : GIA House, I.D.C., Mehrauli Road, Opp. Sector 14, Gurgaon (Haryana) - 122 001
- II. Financial Year : 31<sup>st</sup> March 2006
- III. Date of Book Closure : 26.09.2006 to 28.09.2006 (both days inclusive)
- IV. Dividend Payment Date : No dividend is being declared for the year under review.
- V. Listing on Stock Exchanges : The Company's equity shares are listed at Bombay Stock Exchange Limited, Mumbai
- VI. Stock Code: The Company's scrip code at BSE is 508956
- VII. Dematerialisation of Share and Liquidity  
The trading in the Equity Shares of the Company has come under compulsory dematerialization w.e.f. 29<sup>th</sup> January 2001 in terms of the SEBI-Notification No. SMDRP/ POLICY/CIR - 23 / 2000 dated 29<sup>th</sup> May 2000.  
The company has joined the National Securities Depository Ltd. (NSDL) and Central Depository Services (India) Ltd. (CDSL). The ISIN No. allotted to the Company is INE549B01016.  
As at 31<sup>st</sup> March 2006, 64,26,313 Equity Shares of the Company are held in dematerialised form constituting 58.09 % of the Company's subscribed share capital.
- VIII Market Price Data: The monthly High, Low during each month in the last financial year at BSE is as under:

Date	High	Low	Close	Volume
Apr 05	5.91	3.41	3.50	267
May-05	4.76	3.02	4.06	370
Jun-05	6.90	3.51	4.58	931
Jul-05	6.25	4.00	5.40	630
Aug-05	10.45	4.66	8.52	1418
Sep-05	9.90	4.70	4.91	1855
Oct-05	5.70	3.31	5.21	429
Nov-05	6.24	4.10	4.30	375
Dec-05	6.00	3.91	5.09	717
Jan-06	6.97	4.50	4.86	769
Feb-06	5.52	3.45	4.08	494
Mar-06	5.53	3.21	5.53	520

IX Relative performance vis-à-vis major indices:



X Stock Performance - absolute returns

	1 Year
HB Leasing	12%
BSE Sensex	16%
BSE 200	18%

XI The distribution of shareholding of the Company as on 31<sup>st</sup> March, 2006 is as under:

No. of Shares	Shareholders		Shareholding	
	Numbers	% to total	Numbers	% to total
1 – 500	40671	97.74	5199077	47.00
501 – 1000	573	1.38	433900	3.92
1001 – 2000	198	0.48	297606	2.69
2001 – 3000	57	0.14	145955	1.32
3001 – 4000	25	0.06	89768	0.81
4001 – 5000	19	0.05	88953	0.80
5001 – 10000	34	0.08	231149	2.09
10001 and above	35	0.08	4576333	41.37
<b>TOTAL</b>	<b>41612</b>	<b>100.00</b>	<b>11062741</b>	<b>100.00</b>

The category-wise distribution of Shareholders as on 31<sup>st</sup> March, 2006 is as follows:

Category	No. of Shares held	% of shareholding
<b>A. Promoters Holding</b>		
– Promoters	3444891	31.14
– Persons acting in concert	78635	0.71
<b>B. Others</b>		
– Mutual Funds & UTI	1170	0.01
– Banks / FIs	510	0.00
– FIs	0	0.00
– Private Corporate Bodies	762873	6.90
– Indian Public	6563640	59.33
– NRIs / OCBs	189862	1.72
– Any Other	21160	0.19
– Clearing Member/Intermediary		
<b>TOTAL</b>	<b>11062741</b>	<b>100.00</b>

- XII The Company has no outstanding GDRs/ ADRs/ Warrants or any other instruments convertible into equity
- XIII Share Transfer System  
Share Transfers are registered and returned within a period of 30 days from the date of receipt if the documents are clear in all respects. The authority for transfer of shares has been delegated to a Director for transfer of shares up to a fixed number beyond which the matters are placed before the Shareholders'/Investors' Grievance Committee, which meets as and when, required. As reported by Company's RTA all valid requests for transfers during the year under review were transferred within the stipulated time limit.
- XIV The status of Investor's Grievance Redressal 1.04.2005 to 31.03.2006 is as under:

Nature of Grievance	Received	Cleared
Non Receipt of Dividend	2	2
Non Receipt of shares after transfer	3	3
Non Receipt of Balance Sheet	6	6
DEMAT related & Others	4	4
<b>TOTAL</b>	<b>15</b>	<b>15</b>

- XV Mr. Vijay Breja, Company Secretary is the Compliance Officer of the Company.
- XVI Registrar & Share Transfer Agents of the Company: RCMC Share Registry Pvt. Ltd., 1515, 1<sup>st</sup> Floor, Bhisham Pitamah Marg, Kotla Mubarakpur, Near South Extension, New Delhi – 110003. Phones: 24692346, 24601017. Fax: 24692345. E-mail: [rcmc@dimensioni.net](mailto:rcmc@dimensioni.net)
- XVII Address for correspondence:  
HB Leasing & Finance Company Limited  
10E, DCM Building,  
16, Barakhamba Road, New Delhi - 110001

**MANAGING DIRECTOR'S DECLARATION ON CODE OF CONDUCT**

To  
The Members of  
**HB Leasing & Finance Company Limited**  
I, Anil Goyal, Managing Director of the Company declare that all the members of the Board of Directors and Senior Management of the Company have affirmed compliance with the Code of Conduct.

**For HB Leasing & Finance Company Limited**  
**Anil Goyal**  
Managing Director

Place : New Delhi  
Date : July 27, 2006

**AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE**

The company has obtained a Certificate from the Auditors of the Company regarding compliance of Corporate Governance as stipulated in the Listing Agreement with the Stock Exchanges.

**CERTIFICATE**

To the Members of  
**HB Leasing & Finance Co. Ltd.**  
We have examined the compliance of conditions of Corporate Governance by HB Leasing & Finance Co. Ltd. for the year ended on 31<sup>st</sup> March 2006, as stipulated in clause 49 of the Listing Agreement of the Company with the Stock Exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination has been limited to a review of the procedures and implementations thereof adopted by the Company for ensuring the compliance with the conditions of Corporate Governance as stipulated in the said clause. 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 based on 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 above mentioned 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 affairs of the Company.

**FOR P. BHOLUSARIA & CO.**  
**CHARTERED ACCOUNTANTS**

Place : New Delhi  
Date : 27.07.2006

**AMIT GOEL**  
PARTNER  
(Membership No. 92648)

**AUDITOR'S REPORT**

THE MEMBERS OF  
**HB LEASING & FINANCE CO. LIMITED**

We have audited the attached Balance Sheet of M/s. HB LEASING & FINANCE CO. LIMITED as at 31st March, 2006 and also the Profit and Loss Account and 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.

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 from material misstatements. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement presentation. 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.

1. As required by Companies (Auditor's Report) Order, 2003 (as amended) issued by the Central Government of India in terms of section 227 (4A) of the Companies Act, 1956, we annex hereto a statement on the matters specified in paragraphs 4 and 5 of the said order to the extent applicable.
2. Further to our comments in the Annexure referred to in paragraph 1 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 purpose of our audit.
  - b) In our opinion proper books of account as required by law have been kept by the company so far, as appears from our examination of the said 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 & Loss Account and Cash Flow Statement comply with the accounting Standards referred to in Sub Section (3C) of section 211 of the Companies Act, 1956.
  - e) As informed and explained to us, none of the directors of the company is disqualified as on 31st March, 2006 from being appointed as director 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 *subject to note no. 5 of Schedule 'I' regarding pending transfer/deposit of unclaimed dividend/debenture redemption amount etc. to Investor Education and Protection Fund under section 205 C of Companies Act, 1956* and read together with significant accounting policies and other 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 the Balance Sheet of the State of Affairs of the Company as at 31st March, 2006 and
    - ii) In the case of the Profit & Loss account of the Profit for the year ended on that date and
    - iii) In the case of Cash Flow Statement, of the Cash Flow for the year ended on that date.

**FOR P. BHOLUSARIA & CO.,  
CHARTERED ACCOUNTANTS**  
**AMIT GOEL  
PARTNER  
(Membership No. 92648)**

Place : New Delhi  
Date : 2nd June, 2006

**Annexure to Auditors' Report**

Referred to in Paragraph 1 of our report of even date

1. a. The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- b. As explained to us, the fixed assets have been physically verified by the management during the year in a phased periodical manner, which in our opinion is reasonable, having regard to the size of the company and nature of its assets. No material discrepancies were noticed on such physical verification
- c. In our opinion, the Company has not disposed of substantial part of fixed assets during the year that would affect going concern status of the Company.
2. a. As explained to us, inventories have been physically verified by the management at reasonable intervals during the year.
- b. In our opinion and according to the information and explanations given to us, the procedure of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- c. The Company has maintained proper records of inventories. As explained to us, no material discrepancies have been noticed on physical verification of inventory as compared to the book records.
3. The Company has neither granted nor taken any loans, secured or unsecured to/from Companies, firms or other parties listed in the Register maintained under section 301 of the Companies Act, 1956.

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 goods. During the year there was no sale of services. During the course of our audit, we have neither come across nor we have been informed of any instance of major weakness in the aforesaid internal control system.
5. a. In our opinion and according to the information and explanations given to us, the particulars of contracts for arrangements referred to in Section 301 of the Companies Act, 1956 have been entered into in the register required to be maintained under that Section.
- b. In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements have been made at a price which are reasonable having regard to the market price prevailing at the relevant time.
6. The Company has not accepted any deposits from the public during the year.
7. In our opinion, the internal audit system of the Company is commensurate with its size and nature of its business.
8. The nature of the company's business/activities is such that Clause 4(viii) of the Companies(Auditor's Report) Order 2003 regarding maintenance of Cost Records is not applicable to the company.
9. a. According to the records of the Company, undisputed statutory dues including Provident Fund, Employees' State Insurance, Income Tax, Sales-Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Cess and other statutory dues as applicable have been generally regularly deposited by the company during the year with the appropriate authorities *except for pendency in deposit of amount to Investor Education & Protection Fund. As on 31.03.06 an amount of Rs. 19,45,983/- was lying for more than 6 months in designated dividend/debenture redemption accounts with banks and not transferred to Investor Education & Protection Fund (Refer Note no. 5 of Schedule I).*
- b. The disputed statutory dues aggregating to Rs.92,13,422/- that have not been deposited on account of matters pending before appropriate authorities are as under :

Sr. No	Name of the statute	Nature of the Dues	Forum where Dispute is pending	Amount (Rs.)
1.	Income Tax Act, 1961	Income Tax	Hon'ble Supreme Court of India	70,57,791/-
2.	Income Tax Act, 1961	Income Tax	Commissioner of Income Tax (Appeals)	14,70,051/-
3.	Sales Tax Act	Sales Tax	Hon'ble Allahabad High Court	6,85,580/-
	<b>TOTAL</b>			<b>92,13,422/-</b>

10. The accumulated losses of the company at the Financial year end are more than fifty percent of its net worth. The company has not incurred cash losses during the financial year covered by our audit or in the immediately preceding financial year.
11. Based on our audit procedures and according to the information and explanation given to us , we are of the opinion that the Company has not defaulted in repayment of dues to financial institutions, banks or debenture holders during the year.
12. In our opinion and according to the information and explanation given to us, no loans and advances have been granted by the Company on the basis of security by way of pledge of shares, debentures and other securities.
13. In our opinion, the Company is not a chit fund or a nidhi/mutual benefit fund/society. Therefore, clause 4(xiii) of the Companies (Auditor's Report) order 2003 is not applicable to the company.
14. In view of exemption granted by Section 49(4) of the Companies Act, 1956, Clause 4(xiv) of the Companies (Auditors' Report) order 2003 is not applicable to the company.
15. The Company has not given guarantees for loans taken by others from banks or financial institutions.
16. The Company has not raised any term loans during the year.
17. According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we report that the company has not raised any funds during the year either on long term or short term basis.
18. During the year, the Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under Section 301 of the Companies Act, 1956.
19. The Company has neither issued any debentures during the years nor there are any old debentures outstanding, and hence the question of Creating Securities in respect thereof does not arise.
20. The Company has not raised any money by way of public issue during the year.
21. In our opinion and according to the information and explanation given to us, no fraud on or by the Company has been noticed or reported during the year.

**FOR P. BHOLUSARIA & CO.,  
CHARTERED ACCOUNTANTS**

Place : New Delhi  
Date : 2nd June, 2006

**AMIT GOEL  
PARTNER  
(Membership No. 92648)**

**BALANCE SHEET AS AT 31ST MARCH, 2006**

	Schedules	As at 31st March, 2006 (In Rs.)	As at 31st March, 2005 (In Rs.)
<b>SOURCES OF FUNDS</b>			
<b>Shareholders Funds</b>			
a) Share Capital	A	110041095	110041095
b) Reserves & Surplus	B	183695838	182717438
<b>TOTAL</b>		<b>293736933</b>	<b>292758533</b>
<b>APPLICATION OF FUNDS</b>			
<b>Fixed Assets</b>			
Gross Block	C	5634786	5620086
Less : Depreciation		4286719	4027681
Net Block		1348067	1592405
<b>Current Assets, Loans &amp; Advances</b>			
a) Stock-in-Trade	E	47444018	36036178
b) Sundry Debtors		45464664	45526078
c) Cash & Bank Balances		2406363	2927432
d) Loans and Advances		46404217	52179038
		141719262	136668726
<b>Less : Current Liabilities &amp; Provisions</b>			
a) Liabilities	F	5521233	5753114
b) Provisions		48164062	48017982
		53685295	53771096
<b>Net Current Assets</b>		<b>88033967</b>	<b>82897630</b>
Profit & Loss Account (As Per Annexed Account)		204354899	208268498
<b>TOTAL</b>		<b>293736933</b>	<b>292758533</b>
<b>Notes on Accounts and Significant Accounting Policies</b>			

As per our Report attached of even date  
For P. Bholusaria & Co.  
Chartered Accountants

For and on behalf of the Board

Amit Goel Partner  
Vijay Breja Company Secretary  
Anil Goyal Managing Director  
Lalit Bhasin Chairman

Place : New Delhi  
Date : 2nd June, 2006  
C. P. Singh  
Chief Financial Officer

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2006**

	Schedules	Current Year (In Rs.)	Previous Year (In Rs.)
<b>INCOME</b>			
Income from Operation & Other Income	G	9390988	4859872
<b>TOTAL</b>		<b>9390988</b>	<b>4859872</b>
<b>EXPENDITURE</b>			
Administrative & Other Expenses	H	4187951	3606877
Depreciation		259038	256980
<b>TOTAL</b>		<b>4446989</b>	<b>3863857</b>
Profit for the year before Taxation		4943999	996015
<b>Provision For Taxation</b>			
— Current		—	—
— Deferred		—	—
Fringe Benefit Tax		52000	—
Profit after Taxation		4891999	996015
<b>Appropriations</b>			
Transferred to Statutory Reserve Fund		978400	—
Balance Brought Forward		-208268498	-209264513
<b>Balance Carried to Balance Sheet</b>		<b>-204354899</b>	<b>-208268498</b>
Basic & Diluted Earning Per Share in Rs.		0.44	0.09
<b>Notes on Accounts and Significant Accounting Policies</b>			

As per our Report attached of even date  
For P. Bholusaria & Co.  
Chartered Accountants

For and on behalf of the Board

Amit Goel Partner  
Vijay Breja Company Secretary  
Anil Goyal Managing Director  
Lalit Bhasin Chairman

Place : New Delhi  
Date : 2nd June, 2006  
C. P. Singh  
Chief Financial Officer

**SCHEDULE 'A' : SHARE CAPITAL**

	As at 31st March, 2006 (In Rs.)	As at 31st March, 2005 (In Rs.)
<b>AUTHORISED</b>		
2,00,00,000 Equity Shares of Rs.10/- each	200000000	200000000
50,00,000 Redeemable Preference Shares of Rs.10/- each	50000000	50000000
	250000000	250000000
<b>ISSUED</b>		
1,11,83,681 Equity Shares of Rs.10/- each	111836810	111836810
<b>SUBSCRIBED, CALLED-UP AND PAID-UP</b>		
1,10,62,731 Equity shares of Rs.10/- each	110627310	110627310
<b>LESS :</b>		
Allotment Money Receivable (Other than Directors)	586215	586215
	110041095	110041095

**SCHEDULE 'B' : RESERVES AND SURPLUS**

	As at 31st March, 2006 (In Rs.)	As at 31st March, 2005 (In Rs.)
<b>SHARE PREMIUM A/C</b>		
As Per Last Year	182029190	182029190
Less : Allotment Money Receivable (Other than Directors)	1432491	1432491
	180596699	180596699
<b>INVESTMENT ALLOWANCE (UTILISED) RESERVE A/C</b>		
As Per Last Year	2020864	2020864
<b>CAPITAL RESERVE</b>		
As Per Last Year	99875	99875
<b>STATUTORY RESERVE FUND*</b>		
Addition during the year	978400	—
<b>TOTAL</b>	<b>183695838</b>	<b>182717438</b>

\*Created pursuant to Reserve Bank of India Act, 1997

**SCHEDULE - 'C' : FIXED ASSETS AS ON 31.03.2006**

PARTICULARS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	Opening As at 1.04.2005	Additions during the year	Deletions during the year	As on 31.03.2006	As at 01.04.2005	For the year	Adjustments	As on 31.03.2006	As at 31.03.2006	As at 31.03.2005
	Rs. (1)	Rs. (2)	Rs. (3)	Rs. (4)	Rs. (5)	Rs. (6)	Rs. (7)	Rs. (8)	Rs. (9)	Rs. (10)
Office Equipments	592580	-	-	592580	320605	28148	-	348753	243827	271975
Vehicles	577950	-	-	577950	577950	-	-	577950	-	-
Furniture & Fixture	3244771	-	-	3244771	2177514	205394	-	2382908	861863	1067257
Data Processing Machinery	746785	14700	-	761485	734168	3741	-	737909	23576	12617
Air Conditioners	458000	-	-	458000	217444	21755	-	239199	218801	240556
<b>TOTAL</b>	<b>5620086</b>	<b>14700</b>	<b>0</b>	<b>5634786</b>	<b>4027681</b>	<b>259038</b>	<b>0</b>	<b>4286719</b>	<b>1348067</b>	<b>1592405</b>
PREVIOUS YEAR	5605786	14300	0	5620086	3770701	256980	0	4027681	1592405	1835085

**SCHEDULE 'D' : CURRENT ASSETS, LOANS AND ADVANCES**

	As at 31st March, 2006 (In Rs.)	As at 31st March, 2005 (In Rs.)
<b>A. CURRENT ASSETS</b>		
Closing Stock of Shares/Debentures (as per Schedule E) as taken, valued and certified by the Management)	47444018	36036178
	<u>47444018</u>	<u>36036178</u>
Sundry Debtors (Unsecured considered good unless otherwise stated)		
Outstanding Exceeding 6 Months		
Considered Good	-	-
Considered Doubtful	45464664	45463482
Others		
Considered Good	0	62596
	<u>45464664</u>	<u>45526078</u>
Cash in Hand (As certified by Management)	152945	132885
Bank balances with Scheduled Banks:		
In Current Accounts	266430	809805
In Debenture / Dividend A/c	1945983	1945983

**SCHEDULE 'D' : CURRENT ASSETS, LOANS AND ADVANCES (CONTD..)**

	As at 31st March, 2006 (In Rs.)	As at 31st March, 2005 (In Rs.)
In Fixed Deposits (Including Intt. Accrued But not due)	41005	38759
	<u>2406363</u>	<u>2927432</u>
<b>TOTAL 'A'</b>	<b>95315045</b>	<b>84489688</b>
<b>B. LOANS AND ADVANCES</b>		
(Unsecured considered good, unless otherwise stated)		
Loans (including interest receivable Rs.4,70,466/- (Previous year Rs.4,70,466/-))		
Considered Good	0	0
Considered Doubtful	578405	578405
Dividend Receivable	37500	116900
Advance recoverable in Cash or in Kind or for value to be received		
Considered Good	34003799	41999220
Considered Doubtful	1715079	1715079
Advance Tax & Tax Deducted at Source (Net)	5067474	5067474
Margin Money/Deposits	4800000	2500000
Security Deposits (with others)	201960	201960
	<u>46404217</u>	<u>52179038</u>
<b>TOTAL 'B'</b>	<b>46404217</b>	<b>52179038</b>
<b>TOTAL 'A' + 'B'</b>	<b>141719262</b>	<b>136668726</b>

**SCHEDULE 'E' : STOCK - IN - TRADE**

S. No.	Name of the Company	Face Value (Rs.)	Closing Balance as on 31st March, 2006		Closing Balance as on 31st March, 2005	
			Qty.(Nos.)	Amount(Rs.)	Qty.(Nos.)	Amount(Rs.)
<b>QUOTED FULLY PAID UP EQUITY SHARES</b>						
1	Aftek Infosys Ltd.	2	17500	1362375	0	0
2	Agrotech India Ltd.	10	40400	0	40400	0
3	Amar Remedies Ltd.	10	20000	1795769	0	0
4	Andhra Cement Co.Ltd.	10	550	5500	550	5500
5	Ansal Buildwell Ltd.	10	0	0	4750	47500
6	Ballarpur Industries Ltd.	10	2342	323196	2342	223895
7	Baroda Rayon Corp. Ltd.	10	68800	0	68800	0
8	Bata India Ltd.	10	33	1081	33	1081
9	Berger Paints Ltd.	2	0	0	25000	1045000
10	Ceat Ltd.	10	18	900	50	1175
11	Cera Sanitary Ware Ltd.	5	0	0	41652	367371
12	Crompton Greaves Ltd.	10	15000	2750700	15000	2750700
13	Dalmia Cement (Bharat)	10	554	146367	554	201656
14	Dcm Ltd.	10	11713	203829	99000	1722600
15	Dcm Sriram Consolidated Ltd.	2	7630	141670	3555	660092
16	Digital World India Ltd	10	127900	0	127900	0
17	East India Hotels Ltd.	10	306	8544	306	8544
18	Eicher Ltd.	10	340	23518	340	23518
19	Essar Steel Ltd.	10	7000	314650	7000	385000
20	GNFC LTD.	10	700	28194	750	30210
21	Grasim Industries Ltd.	10	200	24854	200	24854
22	Haryana Leather Ltd.	10	94500	600488	119000	725900
23	Hindustan Motors Ltd.	10	8229	179732	8229	124258
24	Hotline Glass Ltd.	10	1600	11334	1600	11334
25	Hotline Teletubes & Comp. Ltd	10	110907	1703532	180021	2610305
26	IOC Ltd.	10	0	0	4450	713780

**SCHEDULE 'E' : STOCK - IN - TRADE (CONTD...)**

S. No.	Name of the Company	Face Value (Rs.)	Closing Balance as on 31st March, 2006		Closing Balance as on 31st March, 2005	
			Qty.(Nos.)	Amount(Rs.)	Qty.(Nos.)	Amount(Rs.)
27	ION Exchange Ltd.	10	2000	201692	2000	115500
28	ITC Ltd.	10	200	38990	200	51062
29	JCT Ltd.	2.5	150460	2002623	227300	2932170
30	Jindal Vijay Nagar Steel Ltd.	10	4	765	8	2000
31	Kalyan Sundram Cement Ltd.	10	8970	0	8970	0
32	Madhusudan Industries Ltd.	5	0	0	88510	691263
33	Madras Cements Ltd.	10	10	21662	10	9833
34	Malanpur Steel Ltd.	10	1968	0	1968	6396
35	Manali Petrochemicals Ltd.	10	200	2110	200	2110
36	Mansinghka Oil Products Ltd.	10	300100	0	300100	0
37	Mawana Sugar Ltd.	10	98500	4820590	75000	202500
38	Megasoft Ltd.	10	10000	1481232	0	0
39	Midday Multimedia Ltd.	10	0	0	10000	689500
40	Modi Rubber Ltd.	10	5906	0	5906	107194
41	Mohan Meakin Ltd.	5	800	32352	800	32352
42	Moschip Semicon Ltd.	10	0	0	5000	205250
43	Mysore Cement Ltd.	10	8000	384400	8000	188000
44	Nahar Ind Ent Ltd.	10	90169	12299052	10	609
45	Neuland Labs Ltd.	10	0	0	5000	700500
46	NOCIL Ltd.	10	23911	583428	0	0
47	Omni Ax Ltd.	10	0	0	20000	73800
48	Oswal Agro Mills Ltd.	10	192800	0	192800	0
49	Penacea Bio Ltd.	1	0	0	5500	657800
50	Piramyd Retail Ltd.	10	9000	1918350	0	0
51	Premier Vinyl Ltd.	10	3000	0	3000	0
52	Punjab Tractors Ltd.	10	600	28548	600	28548
53	Reliance Industries Ltd.	10	14	1985	3230	464506
54	Reliance Capital Ventures Ltd.	10	14	26	0	0
55	Reliance Comm. Venture Ltd.	5	14	678	0	0
56	Reliance Energy Ventures Ltd.	10	14	147	0	0
57	Reliance Natural Resources Ltd.	10	30014	973343	0	0
58	Royal Orchid Hotels Ltd.	10	496	81840	0	0
59	RRB Securities Ltd.	10	100000	2861000	100000	2861000
60	S.R.F. Ltd.	10	1782	128886	1782	126664
61	Shreyans Industries Ltd.	10	700	19040	700	10430
62	Shriram Inds. Ent. Ltd. (Siel)	10	30000	1597155	30000	834000
63	STI Granite Ltd.	10	60000	0	60000	0
64	Tata Teleservices (Mah.) Ltd.	10	0	0	20000	509000
65	The Tata Iron & Steel Co.Ltd.	10	100	19209	100	19209
66	Titan Industries Ltd.	10	500	50365	500	50365
67	Tulip IT Services Ltd.	10	5600	1733480	0	0
68	UTI Mastergain - 1992	10	26100	226040	26100	226026
69	UTI Mastershare - 1986	10	0	0	12666	247873
70	VSNL Ltd.	10	0	0	4500	842175
<b>QUOTED PARTLY PAID UP EQUITY SHARES</b>						
1	Baroda Rayon Corp Ltd.	10	35275	0	35275	0
2	Ceat Ltd.	10	650	0	650	0
3	Indogulf Industries Ltd.	10	0	0	218838	0
4	Kalyan Sundram Cement Ltd.	10	182060	0	182060	0
5	Mawana Sugar Ltd.	10	0	0	23500	152750
6	Nahar International Ltd.	10	41300	0	41300	0
7	Prakash Industries Ltd.	10	50	0	50	0
<b>SUB TOTAL (A)</b>			<b>1957503</b>	<b>41135218</b>	<b>2473615</b>	<b>24724658</b>
<b>UNQUOTED FULLY PAID UP EQUITY SHARES</b>						
1	Credit Capital Inv. Co. Ltd.	10	14380	149800	14380	149800
2	Harsai Investments Co. Ltd.	10	200000	2000000	200000	2000000
3	QR Properties Pvt. Ltd.	10	5900	59000	0	0
<b>UNQUOTED FULLY PAID-UP PREF.SHARES</b>						
1	HB Tele Communications Ltd.	10	10000	100000	10000	100000
<b>UNQUOTED SHARE APPLICATION</b>						
1	Core Telecom Pvt. Ltd.	10	250000	0	250000	2500000
2	Solid Portfolio Pvt. Ltd.	10	250000	0	250000	2500000
<b>WITH MUTUAL FUND</b>						
1	Taurus Mutul Fund-Libra Tax Shield-96	10	400000	4000000	400000	4000000
<b>QUOTED FULLY PAID UP DEBENTURES</b>						
1	12.5% Sec. Hin. Dev. Corpn. Ltd. NCD VIII Series	80	434	0	434	17360
2	12.5% Sec. Hin. Dev. Corpn.Ltd. NCD VII Series	40	300	0	300	6000
3	14% Hindustan Dev. Corpn. Ltd.NCD IX Series	40	959	0	959	38360
<b>SUB TOTAL (B)</b>			<b>1131973</b>	<b>6308800</b>	<b>1126073</b>	<b>11311520</b>
<b>GRAND TOTAL (A + B)</b>			<b>3089476</b>	<b>47444018</b>	<b>3599688</b>	<b>36036178</b>

**SCHEDULE 'F': CURRENT LIABILITIES AND PROVISIONS**

	As at 31st March, 2006 (In Rs.)	As at 31st March, 2005 (In Rs.)
<b>A. CURRENT LIABILITIES</b>		
i) Sundry Creditors (including due to SSI units- Nil (Previous year Nil))	1086168	1337923
ii) Lease/Hire Purchase Security Deposits (Interest Free)	2460349	2460349
iii) Investor Education and Protection fund shall be credited by the following amount namely-		
a) Unpaid Dividend	174248	174248
b) Unpaid Matured Debentures	1771735	1771735
iv) Other Liabilities	12876	8859
v) Cheques over issued on Current Accounts	15857	0
<b>TOTAL (A)</b>	<b>5521233</b>	<b>5753114</b>
<b>B. PROVISIONS</b>		
i) For Sub Standard/ Doubtful Assets	47758148	47756966
ii) For Gratuity	216010	20277
iii) For Leave Encashment	155312	166364
iv) For Loss on Equity Derivative Instruments	22592	74375
v) For Fringe Benefit Tax (Net)	12000	0
<b>TOTAL (B)</b>	<b>48164062</b>	<b>48017982</b>
<b>TOTAL (A + B)</b>	<b>53685295</b>	<b>53771096</b>

	Current Year (In Rs.)	Previous Year (In Rs.)
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**SCHEDULE 'G' - INCOME FROM OPERATIONS & OTHER INCOME**

Profit on Sale/Purchase of Shares and Valuation Profit/Loss(Net)	6665007	4039741
Profit in Securities/Equity		
Derivative Dealings (Net)	885208	-203500
Interest Income on Fixed Deposits	2246	2246
Dividend Income	1838527	637827
Provisions No Longer Required Written Back	0	383558
<b>TOTAL</b>	<b>9390988</b>	<b>4859872</b>

**SCHEDULE 'H' : ADMINISTRATIVE AND OTHER EXPENSES**

Advertisement	29208	23222
Contribution to Provident Fund and E.S.I.	108969	121492
Legal & Professional	561957	402894
Miscellaneous	158616	114436
Communication	566810	483761
Printing & Stationery	100280	93099
Rent	445450	530100
Salaries & benefits	1191238	1092943
Electricity	40068	33636
Book & Periodicals	57242	80385
Listing Fees	110000	70000
Insurance	3830	3401
Travelling & Conveyance	388491	379878
Bank charges	2811	3996
Securities Transaction Tax	264698	0
Provision for doubtful receivable	1182	0
Other Repair and Maintenance	78803	82370
Staff Welfare	8903	25783
Auditor's Remuneration		
Audit Fees	42090	41325
Tax Audit Fees	17397	16530
Others	9908	7626
<b>TOTAL</b>	<b>4187951</b>	<b>3606877</b>

**SCHEDULE 'I' : NOTES ON ACCOUNTS AND SIGNIFICANT ACCOUNTING POLICIES ANNEXED TO AND FORMING PART OF THE STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2006**

**1. SIGNIFICANT ACCOUNTING POLICIES**

- (a) i) The Financial Statements have been prepared under the Historical Cost Convention method in accordance with the generally accepted Accounting Principles and the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956.
- ii) Use of Estimates:- The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) requires Management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosures of contingent liabilities on the date of financial statements and reported amounts of revenue and expenses for that year. Actual results could

differ from these estimates. Any revision to accounting estimates is recognized prospectively in current and future periods.

- (b) Income and expenditure are accounted for on accrual basis.
- (c) Depreciation has been charged on all assets at the rates and in the manner specified in Schedule-XIV to the Companies Act, 1956 on straight line method.
- (d) Stock-in-trade is valued scrip-wise at cost or fair market value/realizable value whichever is lower.
- (e) Provision for loss in respect of open equity derivative instruments as at the Balance Sheet date is made indexwise/scripwise. As a matter of prudence, any anticipated profit is ignored.
- (f) Provident Fund, Leave encashment and Gratuity are accounted for on accrual basis. In respect of Gratuity the Company has taken an Employees Group Gratuity Scheme with LIC of India and deposits annual premium.
- (g) Tax expenses for the period comprises of current tax and deferred tax charge or credit. The deferred tax asset and deferred tax liability is calculated by applying tax rates and tax laws that have been enacted or substantially enacted by the Balance Sheet date. Deferred tax assets arising mainly on account of brought forward losses and unabsorbed depreciation under tax laws are recognised, only if there is a virtual certainty of its realisation. Other deferred tax assets are recognised only to the extent there is a reasonable certainty of realisation in future. Deferred tax assets/liabilities are reviewed at each balance sheet date based on developments during the period, further future expectations and available case laws to reassess realisation/liabilities.
- (h) Impairment of Fixed Assets: Consideration is given at each balance sheet date to determine whether there is any indication of impairment of the carrying amount of the Company's Fixed Assets. If any indication exists, an asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value based on an appropriate discount factor. Reversal of impairment losses recognised in prior years is recorded when there is an indication that the impairment losses recognised for the asset no longer exist or have decreased. However, the increase in carrying amount of an asset due to reversal of an impairment loss is recognised to the extent it does not exceed the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised for the asset in prior years.
- (i) Contingencies:- The company creates a provision when there is present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. When 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.

**2. Contingent Liabilities not provided for**

	Current Year	Previous Year
(a) Contingent liability on partly paid up shares/debentures	—	82,250/-
(b) Income tax demands disputed including interest etc. against which appeals are pending with appropriate authorities	1,36,79,205/-	1,36,79,205/-
(c) Claims against the Company not acknowledged as debts	1,58,02,781/-	1,58,02,781/-
(d) Sales Tax Demand	—	66,000/-

3. Advance tax and TDS includes sum of Rs.43,52,854/- (Previous year Rs.43,52,854/- paid to Income Tax Authorities against various demands which are disputed and hence have not been adjusted.
4. In the opinion of the management, current assets, loans and advances are approximately of the value stated if realised in the ordinary course of business.
5. Due to pending reconciliation, claims and counter claims against the bank and for want of complete information, unclaimed dividend/debenture interest/redemption amount and such other balance have been taken on the basis of Certificate from the banks. In respect of amounts of Rs.19,45,983/- which is still lying in the designated accounts with Banks, the company is following up the matter and a final view on the above would be taken after reconciliation/resolving the claims/counter claims.
6. Listing fee expenses include Rs.40,000/- for the prior period.
7. a) Sundry Debtors include an amount of Rs.25.90 lacs (Previous year 25.90 lacs) from a party against whom an award has been passed by the Ld.Arbitrator. However the said award has been challenged by the party in the Hon'ble High Court and the matter is pending adjudication.
- b) Sundry Debtors include an amount of Rs.44.36 lacs (Previous year 44.36 lacs) recoverable against lease/over due lease rentals from a party which is under the purview of BIFR. The Company is initiating legal proceedings for recovery of the amount and the equipment leased.
- c) Sundry debtors include an amount aggregating to Rs.27,12,066/- (Previous year Rs.27,12,066/-) due from certain parties against subjudged matters.
8. a) Sundry Debtors includes an amount of Rs. 6.34 lacs (Previous year 6.34 lacs) for recovery of which and the equipments given on hire, legal proceedings have been initiated by the Company.
- b) Sundry Debtors also includes amounts recoverable from certain parties against equipment given on hire purchase basis. As per information available with the management, in a number of cases, the equipments under hire purchase have either been misappropriated or not delivered by the manufacturers concerned. The management is of the opinion that a fraud has been committed against the Company with connivance of the manufacturers of the equipments, their dealers and/or their employees. While legal remedies have already been initiated in Courts for Company's claims



- amounting to Rs.470 lacs, the management is also making investigations in other cases the amount of which is unascertained at present.
- Sales Tax Authorities have raised demands aggregating Rs.6,85,580/- sales Tax on lease rentals on equipments leased by the Company in previous years. The Hon'ble High Court has stayed the demands of the Sales Tax Authorities. However, in respect of a demand for Rs.18,170/-, the company had furnished a Bank Guarantee for Rs.18,170/- to the Sales Tax Authorities which has since expired. The Company has been advised that the aforesaid demands of Sales Tax Authorities are not legally sustainable.
  - Allotment Money /Call Money receivable Account is unreconciled and the same has been taken as per Books.
  - There are no employees who are in receipt of remuneration aggregating to Rs.24,00,000/- (previous year 24,00,000/- ) or more p.a or Rs.2,00,000/- (previous year 2,00,000/- or more per month where employed for a part of the year NIL (Previous year NIL):-
  - In the opinion of management, the company is mainly engaged in the business of Investments and finance and all other activities of the company revolve around the main business and therefore there are no separate reportable segments as per accounting standard – segment reporting (AS-17) issued by the Institute of Chartered Accountants of India.
  - Disclosure of related party transaction in accordance with Accounting Standard (AS-18) 'Related Party Disclosures' issued by The Institute of Chartered Accountants of India is as under :-  
**Related Party Disclosure (As identified by management and relied upon by Auditors)**
    - Key managerial personnel Sh.Anil Goyal – Managing Director  
Transaction during the period Nil
    - Other related parties with whom transactions have taken place and relationship Nil
  - The company is having brought forward losses under the Income Tax Act. In the absence of virtual as well as reasonable certainty of the realisation, credit for deferred tax assets has not been recognised to comply with Accounting Standard AS-22 issued by the Institute of Chartered Accountants of India.
  - Earning Per Share :- (Amount in Rs.)

Particulars	Current Year	Previous Year
— Net Profit/(Loss) for the year as per Profit & Loss account	48,91,999	9,96,015
— Net Profit/(Loss) available for equity Shareholders	48,91,999	9,96,015
— Weighted average no. of equity Shares outstanding.	1,10,62,731	1,10,62,731
— Basic and Diluted Earning per share (Face value of Rs.10/- each)	0.44	0.09

- Operating Lease (Disclosure pursuant to Accounting Standard AS-19 for Leases)
  - Particulars of the minimum lease payments under Operating Lease :-
    - Not Later than One year Rs. 88,275/- (Previous year 1,10,000/-)
    - Later than one year, but not later than five years Rs.Nil (Previous year Nil)
    - Later than five years Rs. Nil (Previous year Nil)
  - Minimum lease payments recognised in the statement of profit & loss account during the period ended 31st March 2006 is Rs. 3,45,400/- (Previous year Rs. 3,30,000/- )
  - General description of the lease arrangement.
    - Renewal Option-At the end of the lease period Lessee has to vacate the premise.
    - Restrictions imposed by lease arrangement :-
      - The Lessee shall not sublet or otherwise part with possession of a part or whole of the premise without the previous consent in writing of the lessor.
      - The lessee shall use the premises for commercial purposes only.
      - The lease can be terminated by the lessee by serving three months notice to the lessor.
- During the year the Company has charged the Security Transaction Tax amounting to Rs.2,64,698/- to the Profit & Loss account as against the policy of including in the value of Purchase/Sales as followed in the previous year.
- Profit/Loss on Sale/Purchase and valuation Profit/Loss includes loss of Rs.50,00,000/- provided in respect of equity share application money paid in the earlier years and loss of Rs.17,41,330/- on account of bad delivery shares written off.
- Balances with Schedule Banks in Current Accounts includes balance with a bank amounting to Rs.4,456/- (Previous year Rs.4,456/-) which is subject to confirmation.
- Quantitative information in respect of shares/debentures traded-in

Opening Stock		Purchases / Addition	
Qty (Nos.)	Value (Rs.)	Qty (Nos.)	Value (Rs.)
3599688 (4219920)	36036178 (40873015)	1186440 (605624)	111762248 (29205697)
Sales/Deduction		Closing Stock	
Qty (Nos.)	Value (Rs.)	Qty (Nos.)	Value (Rs.)
1696652 (1225856)	107019415 (38082274)	3089476 (3599688)	47444018 (36036178)

Note: Figures in brackets pertain to previous year.

- Disclosure pursuant to Guidance Note issued by The Institute of Chartered Accountants of India on 'Accounting for Equity Index & Equity Stock Futures & Options':-
  - Margin on equity derivative instruments contracts has been paid in cash only and no Shares/Securities were given as margin as at the year end (Previous year – Nil)
  - Detail of open interest in Equity Stock Future Contracts as at the year end 31st march, 2006 (Previous year – ) :-

Name of Equity Stock Future	No. of Contracts	Units (In Nos.) (Long)	Units (In Nos.) (Short)
IPCL	(2)	(2200)	(-)
MTNL	(4)	(6400)	(-)
NTPC	(2)	(6500)	(-)
Polaris Software	(3)	(4200)	(-)
Satyam Computers	(16)	(9600)	(-)
ACC	4	3000	(-)
Escorts	4	9600	(-)
India Cement	9	26100	(-)
Reliance Capital	9	9900	(-)
Titan	3	2466	(-)
	(-)	(-)	(-)

Note: Figures in brackets pertain to previous year.

- The previous year figures have been regrouped/rearranged wherever considered necessary.
- Additional information pursuant to Non-Banking Financial Companies Prudential Norms (Reserve Bank Direction 1998) is annexed.
- Additional information pursuant to Part IV of Schedule VI to the Companies Act, 1956 is annexed.
- Schedule A to I form an integral part of our accounts.

**For and on behalf of the Board**  
**Vijay Breja** Anil Goyal Lalit Bhasin  
 Company Secretary Managing Director Chairman  
**C. P. Singh**  
 Chief Financial Officer

Place : New Delhi

Date : 2nd June, 2006

**BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE**

- Registration Details**

Registration No. 34071  
 State Code 05  
 Balance Sheet Date 31.03.2006
- Capital Raised during the year (Amount in Rs. thousand)**

Public Issue NIL  
 Right Issue NIL  
 Bonus Issue NIL  
 Private Placement NIL
- Position of Mobilisation and Deployment of Funds (Amount in Rs. thousand)**

Total Liabilities 293736 Total Assets 293736

**Sources of Funds**  
 Paid - up Capital 110041 Reserve & Surplus 183695  
 Secured Loans Nil Unsecured Loans Nil

**Application of Funds**  
 Net Fixed Assets 1348 Investments Nil  
 Net Current Assets 88034 Misc.Expenditure -  
 Accumulated Losses 204354
- Performance of Company(Amount in Rs.Thousands)**

Turnover 9391 Total Expenditure 4447  
 Profit/Loss Before Tax +/- 4944 Profit/Loss After Tax +/- 4892  
 Earning Per Share in Rs.(Annualised) 0.44 Dividend Rate % Nil
- Generic Names of Three Principal Products/Services of Company (as per Monetary terms)**

Item Code No. : N.A  
 Product Description : DEALING IN SALE/PURCHASE OF SHARES  
 Item Code No. : N.A

**For P. Bholusaria & Co.**  
 Chartered Accountants

**For and on behalf of the Board**

**Amit Goel** Vijay Breja Anil Goyal Lalit Bhasin  
 Partner Company Secretary Managing Director Chairman  
**C. P. Singh**  
 Chief Financial Officer

Place : New Delhi

Date : 2nd June, 2006



Folio No. ....

(To be filled in by the Shareholder)

No. of Shares .....



# HB LEASING AND FINANCE COMPANY LIMITED

## PROXY FORM

I/We .....

of .....

being a member(s) of **HB LEASING AND FINANCE COMPANY LIMITED**, hereby appoint.....

.....

of ..... or failing

him/her of .....

as my/our proxy to attend and vote for me/us on my/our behalf at the 23rd Annual General Meeting of the Company to be held on Thursday, 28th day of September, 2006 and at any adjournment thereof. As witness my hand/our hands this day ..... of 2006.

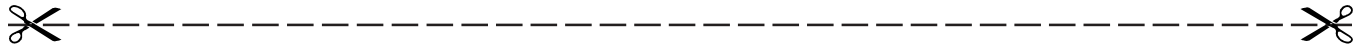
Client Id : .....

DP ID : .....

Signed by the Said : .....

15 Paise  
Revenue  
Stamp

**NOTE :** The proxy must be deposited at the Registered Office of the Company at 199, Sector - 7, Urban Estate, Gurgaon - 122 001, Haryana or at the Corporate Office at 10-E, DCM Building, 16, Barakhamba Road, New Delhi - 110 001 not less than 48 hours before the time of holding the Meeting.



# HB LEASING AND FINANCE COMPANY LIMITED

## ATTENDANCE SLIP

### 23rd ANNUAL GENERAL MEETING

Time : 10.00 A.M., Thursday, 28th day of September, 2006

Place : GIA House, I.D.C. Mehrauli Road, Opp. Sector - 14, Gurgaon - 122 001, Haryana

FULL NAME OF THE FIRST SHAREHOLDER.....

Joint Shareholders, if any.....

Father's/Husband's Name .....

Address in full.....

FULL NAME(S) OF THE PERSON ATTENDING THE MEETING AS A PROXY/SHAREHOLDER(S)

.....

I/We hereby record my presence at the 23rd Annual General Meeting held on 28th September, 2006 at 10.00 A.M. at GIA House, I.D.C. Mehrauli Road, Opp. Sector - 14, Gurgaon - 122 001, Haryana

Folio No. : ..... No. of Shares : .....

Client ID : .....

DP ID : .....

Signature.....

Members may please note that the Auditorium Authorities do not permit carrying of bags/articles/snack packets etc. inside the meeting hall. The Company will not make any arrangements for safe keeping of articles etc. outside the Hall. Members may make their own arrangements which shall be solely at their risk and cost and the Company will in no way be responsible for any loss/theft of articles etc.