



Arman
Financial Services Limited

19th
Annual Report
2010 - 2011





Arman Financial Services Limited

NINETEENTH ANNUAL REPORT 2010-2011

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19TH ANNUAL GENERAL MEETING

Day : Monday
 Date : 26th September, 2011
 Time : 1.00 P.M.
 Venue : Ahmedabad Textile Mills' Association (ATMA) Hall
 Opp. City Gold Cinema
 Ashram Road
 Ahmedabad : 380 009

**BOARD OF DIRECTORS**

SHRI CHINUBHAI R SHAH	CHAIRMAN
SHRI JAYENDRA B. PATEL	VICE CHAIRMAN & MANAGING DIRECTOR
SHRI AALOK J. PATEL	EXECUTIVE DIRECTOR
SHRI AMIT R. MANAKIWALA	DIRECTOR
SHRI KAUSHIKBHAI D.SHAH	DIRECTOR
SMT. RITABEN J. PATEL	DIRECTOR
SHRI AAKASH J. PATEL	DIRECTOR
SHRI LOKESH KUMAR SINGH	DIRECTOR

AUDITORS	J. T. SHAH & COMPANY CHARTERED ACCOUNTANTS 201/202, LALITA COMPLEX 352/3, RASALA MARG NAVRANGPURA AHMEDABAD 380009.
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COMPANY SECRETARY IN WHOLE TIME EMPLOYMENT	SHASHIKANT N THAKKAR w.e.f. 09.02.2011
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COMPANY SECRETARY CONSULTING	BALAVANTSINH J VAGHELA COMPANY SECRETARY IN PRACTICE 208, SHREYAS COMPLEX NAVRANGPURA AHMEDABAD 380009.
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BANKERS	ICICI BANK LTD. HDFC BANK LTD AXIS BANK LTD. SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA SARVODAYA COMM. CO-OP. BANK LTD. THE AHMEDABAD DIST. CO-OP. BANK LTD. INDUSIND BANK LTD. IDBI BANK LTD. UNITED BANK OF INDIA STATE BANK OF PATIALA STATE BANK OF INDIA DEVELOPMENT CREDIT BANK NATIONAL BANK FOR AGRICULTURE AND RURAL DEVELOPMENT (NABARD)
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REGISTERED OFFICE	502-503 SAKAR III OPP OLD HIGH COURT OFF ASHRAM ROAD AHMEDABAD 380014.
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REGISTRARS & SHARE TRANSFER AGENTS	SHAREPRO SERVICES (INDIA) PVT LTD. 416-420, 4 TH FLOOR, DEVNANDAN MALL, OPP. SANYASH ASHRAM, ELLISBRIDGE, AHMEDABAD-380006 TEL NOS.: 079 26582381 TO 84 FAX NO. : +91-79-26582385 Email : sharepro@shareproservices.com
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NOTICE

Notice is hereby given that the Nineteenth Annual General Meeting of the Members of ARMAN FINANCIAL SERVICES LIMITED (Formerly known Arman Lease & Finance Limited) will be held at The Ahmedabad Textile Mills' Association (ATMA) Hall, Ashram Road, Ahmedabad 380009 on the Monday the 26th Day of September, 2011 at 1:00 p.m. to transact the following business.

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Accounts for the financial year ended 31st March, 2011 and the reports of the Board of Directors and Auditors thereon
2. To Declare and approve the Dividend
3. To appoint a Director in place of Shri C. R. Shah who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint a Director in place of Shri Amit Manakiwala who retires by rotation and being eligible, offers himself for reappointment.
5. To appoint a Director in place of Shri Aalok Patel who retires by rotation and being eligible, offers himself for reappointment.
6. To appoint Auditors to hold office from the conclusion of this Annual General Meeting of the Company until the conclusion of next Annual General Meeting and to fix their remuneration and in this regard to consider and, if thought fit, to pass, with or without modification, the following resolution as an ORDINARY RESOLUTION

RESOLVED THAT M/s. J. T. Shah & Co., Chartered Accountants be and are hereby appointed as Auditors of the Company from the conclusion of this Annual General Meeting of the Company until the conclusion of the next Annual General Meeting of the company on such remuneration as shall be fixed by the Board Of Directors, exclusive of travelling and other out of pocket expenses."

NOTES:

1. 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. PROXIES, IN ORDER TO BE EFFECTIVE, MUST BE RECEIVED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE MEETING.
2. The Share Transfer Books and Register of Members will remain closed from 21st September, 2011 to 26th September, 2011 (both days inclusive).
3. Members holding the shares in physical mode are requested to intimate immediately, change of address, if any, to the Company /Registrar quoting reference of their Registered Folio Number.
4. Members/Proxies are requested to produce the Attendance Slip at the entrance of the Meeting Hall.
5. Members/Proxies are requested to bring the copy of their Annual Report alongwith them.
6. Members desiring any information about Accounts at the meeting are requested to write to the Company at least 5 days prior to the Annual General Meeting.
7. The members who have not encashed the interim dividend warrants for the year 2004-05 and final Dividend for the Financial Year 2009-10 are requested to send back the original dividend warrants or send the indemnity for claiming the dividend for the said year.
8. Pursuant to the provisions of Section 205A(5) of the Companies Act, 1956, dividend for the financial year ended 31.03.2005 which remained unclaimed for a period of seven years will be transferred by the company to the Investors' Education and Protection Fund (IEPF) established by the Central Government pursuant to the provisions of Section 205-C of the Companies Act, 1956.

Information in respect of such unclaimed dividend when due for transfer to the said fund is given below.

Financial year ended	Date of declaration of dividend	Last Date for claiming unpaid Div	Due date for transfer to IEP Fund
2004-05	15.02.2005	14.02.2012	14.03.2012
2009-10	06.09.2010	05.09.2017	05.10.2017

Shareholders are requested to note that no claims shall lie against the company for the said fund in respect of any amount which were unclaimed and unpaid for a period of seven years from the dates that they first became due for payment and no payment shall be made in respect of any such claim.

9. The information or details pertaining to the directors retiring by rotation and being eligible for reappointment, to be provided in terms of clause 49 of the listing agreement are furnished in the Statement of Corporate Governance published elsewhere in this Report.

BY THE ORDER OF THE BOARD

JAYENDRA PATEL
Vice Chairman & Managing Director

Place : Ahmedabad
Date : 20th August, 2011

Registered Office :
502-503 SAKAR III
OPP. OLD HIGH COURT,
OFF ASHRAM ROAD
AHMEDABAD 380 014.



DIRECTORS' REPORT

TO THE MEMBERS,

The Directors have pleasure in presenting the Nineteenth Annual Report along with the audited accounts of the company for the year ended 31st March, 2011.

FINANCIAL RESULTS

PARTICULARS	Year ended		Year ended
	31st March 2011		31st March 2010
	(Rupees)		(Rupees)
Income from operations	11,42,13,741		5,60,78,652
Profit before Interest, & Depreciation	7,05,63,725		3,20,67,094
Less			
Interest	4,29,34,020		1,93,80,802
Depreciation	<u>9,10,477</u>	4,38,44,497	<u>7,23,938</u> 2,01,04,741
PROFIT BEFORE TAXATION		2,67,19,228	1,19,62,353
Provision for Taxation		(91,00,000)	(37,00,000)
Deferred Tax Assets		5,13,953	(3,81,205)
PROFITS AFTER TAXATION		1,81,33,181	78,81,148
Prior Period Items		NIL	NIL
Excess/(Short) provision for earlier year		NIL	NIL
Add: Balance Brought Forward from Previous year		2,81,02,031	2,47,82,534
PROFITS AVAILABLE FOR APPROPRIATIONS		4,62,35,212	3,26,63,682
APPROPRIATIONS			
Interim /Final Dividend	32,61,280		24,45,960
Tax on Dividend	<u>5,41,666</u>	38,02,946	<u>4,15,691</u> 28,61,651
Transfer to General Reserve		NIL	NIL
Transfer to Special Reserve		36,50,000	17,00,000
Profit & Loss A/c Surplus		3,87,82,266	2,81,02,031

DIVIDEND

Your Directors are pleased to announce the Final Dividend for the financial year 2010-11 at the Rate of 8% i.e. Rs. 0.80 per Share.

FINANCIAL PERFORMANCE

In the year under review, the board is pleased to announce record levels on income and profits, and an unprecedented growth rate.

- Gross income rose to Rs. 1142.14 lacs as compared to Rs. 560.79 lacs in the previous year showing the growth of 104%.
- The Profit Before Taxes for the year is Rs. 267.19 lacs as compared to Rs. 119.62 lacs in the previous year showing the growth of 123%.
- The net profit for the year is Rs. 181.33 lacs versus Rs. 78.81 lacs in the previous year showing the increase of 130%.

The board and management of Arman have always worked diligently towards creating long-term shareholder value and to use the principles of sound corporate governance to run the day-to-day affairs of the business. We would like to assure you that your Board will continue to uphold these traditions and strive to capitalise on right opportunities and manage the risk carefully.

DIRECTORS:

In accordance with Section 257 of the Companies Act, 1956 and Articles of Association of the Company, Shri C. R. Shah, Shri Amit Manakiwala and Shri Aalok Patel, the directors of the company retire by rotation & being eligible offer themselves for re-appointment. Your Directors recommend to reappoint them as Directors of the company.



Brief resume of the Directors' retiring by rotation at the ensuing Annual General Meeting, nature of their expertise in specific functional area and name of the companies in which they hold the directorship and the Membership/ Chairmanship of the Committees of the Board, as stipulated under the clause 49 of the Listing Agreement of the Stock Exchanges, are given in the section on Corporate Governance elsewhere in this Annual Report.

AUDITORS:

M/s J. T. Shah & Co., Chartered Accountants, Ahmedabad were appointed as Auditors of the Company in the Eighteenth Annual General Meeting to hold the office till the conclusion of the Nineteenth Annual General Meeting. The said Auditors retire at the conclusion of the ensuing Annual General meeting and being eligible offer themselves for re-appointment. The Auditors have furnished to Company, the requisite certificate under Section 224 (1) of the Companies Act, 1956. Your Directors recommend to reappoint them as Auditors of the company.

STATUTORY COMPLIANCES:

A. PARTICULARS OF EMPLOYEES:

The particulars of employees covered under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as Amended are given hereunder.

NAME	DESIGNATION	GROSS REMUNE- RATION	QUALI- FICA- TIONS	EXPERI- ENCE	DATE OF APPOINTMENT	AGE	LAST EMPLOY- MENT
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There is no employee drawing a salary of more than Rs. 60,00,000/- p. a. for the whole of the year or Rs. 5,00,000/- p.m. for the part of the year.

B. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO:

The Company has no activities relating to conservation of energy or technology absorption. The Company has no foreign exchange outgo. The Company has not earned any foreign exchange during the year.

C. DEPOSITS:

The Company does not hold any public deposits and has not accepted any public deposits from public during the year. The Company has made all compliances in terms of Non-Banking Financial Companies (Reserve Bank) Directions, 1998.

D. AUDITORS REPORT:

The notes on accounts referred to in the Auditors' Report are self-explanatory and therefore do not call for any further comments.

E. DEMATERIALISATION OF COMPANY'S EQUITY SHARES:

Pursuant to Securities & Exchange Board of India's (SEBI) circular No. SMDRP/POLICY/ CIR-23/2000 DTD. 29th May 2000, the company's shares are traded in the compulsory DEMAT mode with effect from December 26, 2000 by all investors. Accordingly the equity shares of the company can be held in electronic form with any depository participant ("DP") with whom the member/investors have their Depository account. The ISIN No allotted to the equity shares of the company is INE109C01017.

F. SHARE PHYSICAL AND ELECTRONIC TRANSFER AGENTS:

Your directors are pleased to inform you that pursuant to Securities & Exchange Board of India's (SEBI) circular No. D&CC/FITTC/CIR-15/2002 DTD. 27.12.2002, the company has appointed M/s Sharepro Services (India) Pvt. Ltd., Ahmedabad for physical and electronic transfer of shares of the company w.e.f. 30th of April 2010 and members are requested to send their transfer and demat/remat requests to them at the address below.

Sharepro Services (India) Pvt. Ltd.
416-420, 4th Floor, Devnandan Mall,
Opp. Sanyash Ashram, Ellisbridge,
Ahmedabad - 380006



G. 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:

- (i) That in the preparation of the accounts for the financial year ended 31st March 2011, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- (ii) That the Directors have selected such accounting policies and applied them consistently and made judgement 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;
- (iii) That 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 frauds and other irregularities;
- (iv) That the Directors have prepared the accounts for the financial year ended 31st March, 2011 on a 'Going Concern' basis.

H. CORPORATE GOVERNANCE COMPLIANCE CERTIFICATE:

Report on Corporate Governance as stipulated under Clause 49 of the Listing Agreement with the Stock Exchange, Mumbai forms part of the Annual Report. The Certificate from the Auditors of the company confirming compliance of conditions of Corporate Governance as stipulated in clause 49 of the listing agreement is attached to this report.

I. COMPLIANCE CERTIFICATE:

Compliance Certificate as required u/s 383A of the Companies Act, 1956 from Balvantsinh J. Vaghela, the Company Secretary in Practice forms part of the Annual Report.

J. MANAGEMENT DISCUSSION AND ANALYSIS

The Management Discussion and Analysis as stipulated under Clause 49 of the Listing Agreement with the Stock Exchange, Mumbai forms part of the Annual Report. The same is attached to this report.

K. RIGHT ISSUE OF EQUITY SHARES

Your Directors are pleased to inform you that the Board of Directors intends to come out with the Right Issue of 48,91,920 equity shares each of Rs. 10/- each at the price of Rs. 15/- per share (Including the premium of Rs. 5/- each) in the ratio of 6 shares for each 5 shares held by the members of the company. The approval of the Right Issue has been recently received from the Securities and Exchange Board of India (SEBI), and has a validity of 12 months. Separate communication with regard to the issue will be sent to the members in due course of time.

ACKNOWLEDGMENTS:

The Company has received excellent co-operation from its bankers and financial institutions viz. The Sarvodaya Commercial Co-op Bank Ltd, HDFC Bank Ltd, The Ahmedabad District Co-op Bank Ltd, ICICI Bank Ltd, Small Industries Development Bank of India, AXIS Bank Ltd., IDBI Bank Ltd., United Bank of India, State Bank of India, State Bank of Patiala, Indusind Bank Ltd., National Bank for Agriculture and Rural Development (NABARD), Development Credit Bank Ltd., Ananya Finance for Inclusive Growth Private Limited and MAS Financial Service Ltd. The Company looks forward to the continued co-operation from its Bankers in future as well.

The Company puts on record its appreciation for the dedication of its staff members and the Co-operation of its valued customers and shareholders received during the period under review.

For and on behalf of the Board

Place: Ahmedabad.
Date : 11th May, 2011

**CHINUBHAI R. SHAH
CHAIRMAN**



CORPORATE GOVERNANCE

The Company pursuant to the clause 49 of the Listing Agreement with the Stock Exchanges furnishes its report on the code of Corporate Governance as under.

1. Company's philosophy on Corporate Governance

Arman Financial Services Limited, the company believes in conducting its affairs in a fair, transparent and professional manner and maintaining the good ethical standards in its dealing with all its constituents.

The Company is committed to follow good Corporate Governance practices and policies which include having professional Directors on the Board, adopting pragmatic policies and effective systems and procedures and subjecting business processes to audits and checks measuring upto required standards.

The driving force behind the Company's management is "Tomorrow's progress Today" and baked by a culture of "High-Tech and Quality". The company quality policy is "To satisfy customer needs and retain leadership by delivering quality services through Continuous improvement by motivated employees".

The philosophy on Corporate Governance is an important tool for shareholder protection and maximization of their long term values. The cardinal principles such as independence, accountability, responsibility, transparency, fair and timely disclosures, credibility etc serve as the means of implementing the philosophy of Corporate Governance in letter and spirit.

Your company confirms & exceeds wherever possible the prevalent mandatory guidelines on Corporate Governance.

2. Board of Directors

The Board of Directors consists of 8 (Eight) directors Comprising

- 1 Independent Chairman,
- 2 Independent non Executive Directors
- 2 Promoter Executive Directors
- 3 Non Executive directors.

Brief Resume of the Directors being reappointed at the ensuing Annual General Meeting, nature of their expertise in specific functional areas and names of companies in which they hold directorship and the membership of the committees of the Board are furnished hereunder:

- A. Shri C. R. Shah (74), is a qualified Company Secretary having more than 30 years of professional experience in the corporate field at various senior managerial level. He is on the Board of leading public limited companies like Adani Power Ltd., Apollo Hospital International Ltd., Cadila Pharmaceuticals Ltd., Nirma Ltd., Meghmani Organics Ltd etc. He has been elected as President of Institute of Companies Secretaries of India twice and central council member of the said Institute for number of years. He was also the member of the Direct Taxes Advisory Committee of the Government of India. He is associated with many organizations, charitable trust and institutions. He was the President of the Gujarat Chamber of Commerce.
- He is the member of the Audit Committee, and Chairman of Shareholders' Grievance Committee and Remuneration Committee of the Board of Directors. He is Chairman of the company since 1995.
- B. Shri Amit Manakiwala (56) is the Director of the Company. He is a Commerce Graduate with 25 years experience in Finance and accounts. Mr. Manakiwala has worked with Arman since inception and has been responsible for overseeing the operations of the company since the beginning of his long history with Arman, and has been instrumental to the growth of the Company.
- C. Shri Aalok Patel (27) is the Executive Director of the company and having M. S. degree in Accounting & Finance from Drake University, USA. He graduated with Honors in the top 5% trench of his class, He is a licensed Certified Public Accountant (CPA) in the US. Mr. Patel worked as an independent auditor for KPMG for 3 years, where his clients were included in the Fortune 100 list. He also brings experience from John Deere & Co. Furthermore, Mr. Patel excels to equity analysis and valuation as well; his research has been quoted in reputable business journals in the U.S.



3. Attendance of each Director at the Board Meetings, last Annual General Meeting and Number of other Directorship and Chairmanship/Membership of Committee of each Director in various companies:

Name of Director		Attendance Particulars		No. of Other Directorships & Committee Member/Chairmanship		
	Category	Board Meetings	Last AGM	Other Directorship	Committee Membership	Committee Chairmanship
C. R. Shah	C ID	5	No	14	5	3
J. B. Patel	VCMD	16	Yes	—	1	2
A. R. Manakiwala	NED	16	Yes	—	—	—
R. J. Patel	NED	11	Yes	1	2	—
K. D. Shah	ID	5	No	5	2	1
Aakash J. Patel	NED	—	No	—	—	—
Aalok J. Patel	ED	14	Yes	—	—	—
Lokesh Singh	ID	2	No	2	1	—

C - Chairman, VCMD - Vice Chairman & Managing Director, ED – Executive Director, NED - Non-Executive Director, ID - Independent Director

4. Number of Board Meetings held and the dates on which held

16 (Sixteen) Board Meetings were held during the year. The dates on which the meetings held were 01.04.2010, 28.04.2010, 17.06.2010, 26.06.2010, 12.07.2010, 20.08.2010, 05.09.2010, 06.09.2010, 18.09.2010, 24.09.2010, 27.09.2010, 30.09.2010, 26.10.2010, 22.12.2010, 02.02.2011 and 30.03.2011. The maximum time gap between two meetings was not more than three calendar months. None of the Directors of the Company was a member of more than ten Committee nor was the Chairman of more than five Committees across all Companies in which he was a Director.

5. Board Committees

A. Standing Committees

The Company has the following standing Committees of the Board.

(i) Audit Committee

The Board of Directors of the Company has constituted the Audit Committee, comprising of three independent, Non-Executive Directors viz. Shri K. D. Shah, Chairman, Shri C. R. Shah and Smt Rita Patel. The constitution of Audit Committee also meets with the requirements under Section 292A of the Companies Act, 1956 and para 9A of the Non-Banking Financial Companies Prudential Norms (Reserve Bank of India) Directions, 1998.

The terms of reference stipulated by the Board of Directors to the Audit Committee are, as contained in Clause 49 of the Listing Agreement and Section 292A of the Companies Act, 1956, as follows:

- a. To Monitor Company’s financial reporting process and the disclosure of its financial information.
- b. Recommending the appointment and removal of external auditors, audit fee and for payment for any other services.
- c. Reviewing with management the quarterly, half-yearly and annual financial statements before submission to the Board focusing primarily on (i) any changes in accounting policies and practices, (ii) major accounting entries based on exercise of judgement by management, (iii) qualifications in draft audit report, (iv) the going concern assumption, (v) compliance with accounting standards (vi) compliance with Stock Exchange and legal requirements concerning financial statements and (vii) any related party transactions i.e. transactions of the Company of material nature, with promoters or the management, their subsidiaries or relatives etc. that may have potential conflict with the interests of Company at large.
- d. Reviewing with the management, external and internal auditors, the adequacy and compliance of internal control systems.



- e. Reviewing the adequacy of internal audit functions.
- f. Discussions with internal auditors any significant findings and follow up there on.
- g. Reviewing the findings of any internal investigations 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.
- h. Discussions with external auditors before the audit commences, nature and scope of audit as well as post-audit discussions to ascertain any area of concern.
- i. Reviewing the Company's financial and risk management policies.
- j. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) any creditors.

During the year, the Committee met 4 times. The Statutory Auditors and the Internal Auditors of the Company were also invited to attend the Audit Committee meetings. All the Committee members were present at all the meetings.

(ii) Shareholders'/Investors' Grievance Committee

The Board of Directors of the Company has constituted a Shareholders'/ Investors' Grievance Committee, comprising of Shri C. R. Shah, Chairman, Shri K. D. Shah & Shri Jayendra Patel. The Committee, inter alia, approves issue of duplicate certificates & overseas & reviews all matters connected with the securities transfers. The Committee also looks into redressal of shareholder's complaints like transfer of shares, non-receipt of balance sheet, non-receipt of declared dividends, etc. The Committee oversees the performance of the Registrar and Transfer Agents, & recommends measures for overall improvement in the quality of investor services. The Board of Directors have delegated the power of approving transfer of securities to the Managing Director and the Whole Time Director.

In pursuance of the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992 (duly amended), the Board has approved the "Code of conduct for Prevention of Insider Trading" and authorised the Committee and monitor the various requirements as set out in the Code.

The Board has designated Shri Aalok Patel, the Director, as the Compliance Officer.

The total number of complaints received and replied to the satisfaction of shareholders during the year under review, was 01. Outstanding complaints as on 31st March, 2011 were Nil. No requests for dematerialization were pending for approval as on 31st March, 2011, which were approved and dealt with during April, 2011.

(iii) Project Advisory Committee

The Board of Directors of the Company has constituted a Project Advisory Committee, comprising of Shri Jayendra Patel, Shri Amit Manakiwala, Shri Sanjay Gupta, DGM, SIDBI and Shri Nrupesh Shah, CA. The Committee, inter alia, review the Project performance of SIDBI approved Micro Financing Project and recommends the approval and disbursement of SIDBI Term loans.

(iv) Share Allotment & Transfer Committee

The Board of Directors of the Company has constituted a Share Allotment & Transfer Committee, comprising of Shri Jayendra Patel, Chairman and Shri Amit Manakiwala, the member. The Committee, inter alia, review and approve the transfer/transmission/demat of equity shares of the company as submitted by Sharepro Services (India) Pvt. Ltd., the Registrar and Transfer Agent of the company.

(v) Remuneration Committee

The Board of Directors of the Company has constituted a Remuneration Committee, comprising of Shri C. R. Shah, Chairman, Shri K. D. Shah and Shri Lokesh Singh, the member. The Committee, inter alia, review and approve the remuneration payable to Executive Directors of the Committee. The Committee met once in a year and recommended the reappointment of Shri Jayendra Patel as Vice Chairman & Managing Director and Shri Aalok Patel as Executive Director for a period of five years.

6. Details of remuneration to Directors for the year

The aggregate value of salary and perquisites including commission payable for the year ended 31st March, 2011 to the Managing Director/Executive Directors is as follows:

Shri Jayendra Patel, Vice Chairman & Managing Director and Shri Aalok Patel, Executive Director, The aggregate value of salary and perquisites paid was Rs. 20,39,664/- during the year review.

The Company pays sitting fees to all the Non-Executive Directors at the rate of Rs. 5000/- for attending each meeting of the Board and Committee thereof respectively. The sitting fees paid for the year ended 31st March, 2011 to the Directors are as follows:-



Shri C. R. Shah.	Rs. 57,000/-
Shri K. D. Shah.	Rs. 60,000/-
Smt Rita Patel.	Rs. 30,000/-
Shri Amit Manakiwala	Rs. 20,000/-
Shri Lokesh Singh	Rs. 13,000/-

7. Annual General Meetings

Location and time for last 3 Annual General Meetings were as follows:

Year	Location	Date	Time
2007-2008	ATMA HALL Ahmedabad	25.09.2008	12.00 p.m.
2008-2009	ATMA HALL Ahmedabad	25.09.2009	01.30 p.m.
2009-2010	ATMA HALL Ahmedabad	06.09.2010	12.30 p.m.

During the year ended 31st March, 2011, there were NO resolutions passed through postal ballot.

At present, no special resolution is proposed to be passed through postal ballot.

8. a. Disclosures on materially significant related party transactions i.e. transactions of the Company of material nature, with its promoters, the directors or the management, their subsidiaries or relatives, etc. that may have potential conflict with the interests of the Company at large.

None of the transactions with any of the related parties were in conflict with the interest of the Company.

b. Details of non-compliance by the Company, penalties, strictures imposed on the Company by Stock Exchanges or SEBI, or any statutory authority, on any matter related to capital markets, during the last three years.

There are no penalties, strictures imposed on the company in any relation during last three years.

9. Means of communication

a. Quarterly un-audited financial results for the quarter ended 30.06.2010, 30.09.2010, and 31.12.2010 were advertised in Economic Times, a leading English and Gujarati news papers at Ahmedabad and for the quarter ended 31.03.2011 will be advertised in The Economic Times, Ahmedabad – English & Gujarati Daily and also posted on our website regularly.

b. AFSL has its website at www.armanindia.com

c. The company has an email and it is finance@armanindia.com

d. Investor’s Helpline:

As Mandated by SEBI, the Company has designated a separate email ID secretarial@armanindia.com for registering any grievances. An investor can directly approach the company for his complain / grievance at Registered Office of the company or through email.

SEBI has launched a website ‘<http://investor.sebi.gov.in/>’, exclusively for Investor Assistance, Awareness and Education.

For any assistance or grievance investors can also contact at Office of Investor Assistance & Education, Exchange Plaza, Wing II, 4th Floor, Bandra Kurla Complex, Bandra (E), Mumbai–400051 (Tel: 022 26598509; Fax: 022 26598514/18 email: iggc@sebi.gov.in)

e. The Management Discussion and Analysis (MD&A) forms part of the Directors’ report, which is annexed herewith separately.

10.0 General Shareholder Information

10.1 Annual General Meeting

Date and Time : 26th September, 2011 - 1:00 P.M.

Venue : Ahmedabad Textile Mills’ Association (ATMA) Hall,
Opp. City Gold Cinema, Ashram Road, Ahmedabad-380009

10.2 Financial Calendar 2010-11 (tentative)

Results for the quarter ending 30.06.2011	: Last Week July 2011
Results for the quarter ending 30.09.2011	: Last Week Oct. 2011
Results for the quarter ending 31.12.2011	: Last Week Jan. 2012
Results for the quarter ending 31.03.2012	: Last Week April 2012
Annual General Meeting	: Last Week Sept. 2012



10.3 **Book closure date** : 21st September, 2011 to 26th September, 2011

10.4 **Dividend payment date** : 30th Sept., 2011

10.5 (a) **Listing of Equity Shares on Stock Exchanges at:** 1. The Stock Exchange, Mumbai
2. The Stock Exchange, Jaipur

Note: (i) Annual listing fees for the year 2011-12, as applicable, paid/ will be paid to the concerned Stock Exchanges.

(ii) Pursuant to the shareholders' resolution passed the 12th Annual General Meeting held on 27.09.2004, the equity shares of the company have been delisted from the Stock Exchange, Ahmedabad w.e.f. 31.03.2005. Application for Delisting to Stock Exchange, Jaipur is pending for their approval.

10.6 (a) **Stock Code:** 1. The Stock Exchange, Mumbai - 531179 ARMANFIN
2. The Stock Exchange, Jaipur - 00670 ARMAN

(b) **Demat ISIN Number in NSDL & CDSL for Equity Shares:** ISIN No. INE 109C01017

10.7 **Stock Market Data (In Rs./per share)**

	Bombay Stock Exchanges (BSE) (In Rs. Per share)	
	Month's High Price	Month's Low Price
April, 2010	21.25	14.75
May, 2010	21.45	13.75
June, 2010	34.70	21.00
July, 2010	32.30	25.00
August, 2010	33.00	23.10
September, 2010	32.50	23.20
October, 2010	34.00	25.40
November, 2010	30.95	20.00
December, 2010	25.00	16.05
January, 2011	24.00	16.10
February, 2011	20.80	13.50
March, 2011	17.90	13.10

10.8 **Registrars and Transfer Agents:**
(Share transfers and communications regarding share certificates, dividends and change of Address)

PINNACLE SHARE REGISTRY PVT. LTD.
NEAR ASHOKA MILLS
NARODA ROAD, AHMEDABAD 380025
email: investor.service@psrpl.com

Till 30.04.2010

SHAREPRO SERVICES (INDIA) PVT. LTD.
416-420, 4TH FLOOR, DEVNANDAN MALL,
OPP. SANYASH ASHRAM, ELLISBRIDGE,
AHMEDABAD – 380006
email: sharepro@sharesproservices.com

w.e.f. 30.04.2010

10.9 **Share Transfer System**

The company's shares which are in compulsory dematerialised (demat) list are transferable through the depository System. Shares in physical form are processed by the Registrars and Share Transfer Agents, M/s Sharepro Services (India) Pvt. Ltd., Ahmedabad and approved by the Transfer and Allotment Committee of the company. The share transfers are processed within a period of 10 to 15 days from the date of receipt, and returned to the respective shareholders, subject to the document being valid and complete in all respects.

10.10 **Distribution of Shareholding as on 31st March, 2011**

CATEGORY	%
Promoters - Indian	35.62
Banks	0.00
Bodies Corporate	5.76
Indian Public	56.89
NRIs/OCBs	1.73
Total	100.00

**10.11 Dematerialization of Shares**

Over 80 % of the Company's paid-up equity share capital has been dematerialized as per notification issued by the Securities and Exchange Board of India (SEBI). The shareholders holding equity shares in physical form are requested to send the demat request form (DRF) alongwith the share certificate through their Depository Participant (DP) to share holders to demat their shares.

Liquidity: AFSL Shares are liquid on Indian Stock Exchanges.

10.12 Address for Correspondence

(i) **Investor Correspondence** - For transfer/dematerialization of shares, payment of dividend on shares, and any other query relating to the shares of the Company.

* For Shares held in
Physical form

* For Shares held in
Demat Form

Sharepro Services (India) Pvt. Ltd.
416-420, 4th Floor
Devnandan Mall,
Opp. Sanyash Ashram,
Ellisbridge, Ahmedabad-380006
e-mail: sharepro@shareproservices.com

to the concerned
Depository Participant (DP)

(ii) **Any query on Annual Report**

ARMAN FINANCIAL SERVICES LIMITED
502-503, SAKAR III
OPP OLD HIGH COURT
OFF ASHRAM ROAD
AHMEDABAD 380014.
e-mail: finance@armanindia.com

10.13 Transfer of unclaimed amounts to Investor Education and Protection Fund

The investors are advised to claim the un-encashed dividends lying in the unpaid dividend accounts of the Company before the due date (as indicated in notes to the Notice) before the entire amount of unclaimed dividend amount is transferred to Central Government's Investor Education and Protection Fund.

10.14 **Right Issue** : The company has submitted requisite documents for approval of Right Issue to SEBI and awaits its approval.

AUDITOR'S CERTIFICATE ON CORPORATE GOVERNANCE

To,
The Members of Arman Financial Services Limited
502-503, Sakar-III
Opp. Old High Court
Off. Ashram Road
Ahmedabad - 380014

We have examined the compliance of conditions of Corporate Governance by Arman Financial Services Limited, for the year ended on March 31, 2011 as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures & implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statement of the Company. In our opinion and to the best of our information & according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement.

We state that no investor grievance is pending for a period exceeding one month against the Company as per the records maintained by the Shareholder's Grievances Committee.

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

**For J. T. SHAH & COMPANY
CHARTERED ACCOUNTANTS
(FIRM REG. NO. 109616W)**

Place : AHMEDABAD
Date : May 11, 2011

**(J. J. SHAH)
PARTNER
[M. No. 45669]**



C.E.O. Certification

I hereby certify to the Board of Directors of Aman Financial Services Limited that:

- a I have reviewed financial statements and the cash flow statement for the year ended on 31/03/2011 and that to the best of my 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 my knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the company's code of conduct.
- c I accept responsibility for establishing & maintaining internal controls for financial reporting & that I have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting & I have disclosed to the auditors, deficiencies in the design or operation of such internal controls, if any, of which I am aware and the steps I have taken or propose to take to rectify these deficiencies.
- d I have indicated to the auditors.
 - i significant changes in internal control over financial reporting during the year;
 - ii significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
 - iii instances of significant fraud of which I have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control system over financial reporting.

Place: AHMEDABAD.

Date : 11/05/2011

FOR ARMAN FINANCIAL SERVICES LIMITED

**JAYENDRA PATEL
VICE CHAIRMAN & MANAGING DIRECTOR**

ANNEXURE TO DIRECTORS' REPORT

MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)

Your Directors are pleased to present the Management Discussion and Analysis Report for the year ended on 31st March, 2011.

The management feels that it will be prudent to draw the attention of the reader that any business projections or forward-looking statements are based on our current expectations and assumptions regarding our business, the economy, and other future conditions. Because forward-looking statements relate to the future, they are subject to inherent uncertainties, risks, and changes in circumstances that are difficult to predict. Our actual results may differ materially from those contemplated by the forward-looking statements. We caution you, therefore, against relying on any of these forward-looking statements. They are neither statements of historical fact nor guarantees or assurances of future performance. While there is no assurance that any list of risks and uncertainties or risk factors is complete, there are no limitations to the factors that could cause actual results to differ materially from those in any of the projections or forward-looking statements.

BUSINESS ENVIRONMENT

ECONOMIC SCENARIO

The global economy during the 2011 continued with the momentum of late 2010. The global manufacturing purchasing managers' index (PMI) for February 2011 was close to a record high, while the global services PMI recorded its fastest pace of expansion in almost five years. Although these indices slipped somewhat in March 2011, they signalled continuing expansion. However, consumer confidence in major countries, which improved during January-February 2011, moderated in March 2011 on the back of higher oil prices. GDP growth in the US, which was strong at 3.1 per cent (q-o-q seasonally adjusted annualised rate) in Q4 of 2010, slipped to 1.8 per cent reflecting a decline in government spending, deceleration in private consumption and increase in imports. Concerns about sovereign debt in the euro area have now been reinforced by developments in the US. Finally, and most importantly, commodity price increases have accelerated, engendering global inflationary fears and posing downside risks to growth. Commodity prices are now exerting a direct impact on inflation in advanced economies, despite



substantial negative output gaps. They have also accentuated inflationary pressures in EMEs (Emerging Market Economies), which were already experiencing strong revival in demand. While major EMEs have been tightening monetary policies for more than a year now, the European Central Bank has recently raised its policy rate - the first central bank to do so among the major advanced economies - after maintaining them at historically low levels for almost two years. Central banks in other advanced economies are also under pressure to withdraw monetary accommodation. The above trend poses appreciable downside risks to global economic activity

The Indian economy is estimated to have grown by 8.6 per cent during 2010-11. Agricultural growth was above trend, following a good monsoon. The index of industrial production (IIP), which grew by 10.4 per cent during the first half of 2010-11, moderated subsequently, bringing down the overall growth for April-February 2010-11 to 7.8 per cent. The main contributor to this decline was a deceleration in the capital goods sector. However, other indicators, such as the manufacturing PMI, tax collections, corporate sales and earnings growth, credit off-take by industry (other than infrastructure) and export performance, suggested that economic activity was strong. Leading indicators of services sector suggest continuing growth momentum. Credit to the services sector grew by 24 per cent in 2010-11 as compared with 12.5 per cent in the previous year. Other indicators such as commercial vehicles production and foreign tourist arrivals also showed an acceleration. However, the services PMI for March 2011 showed some moderation as compared with the previous month. Inflation was the primary macroeconomic concern throughout 2010-11. It was driven by a combination of factors, both structural and transitory. Non-food credit growth, which had been trending upwards from the beginning of the year, reached an intra-year high of 24.2 per cent (year-on-year) in December 2010. It slowed down subsequently to 21.2 per cent by March 2011, which was marginally higher than the Reserve Bank's indicative projection of 20 per cent. Data on sectoral deployment of bank credit show significant increases in credit flow to industry and services. Within industry, credit growth to infrastructure was robust. Credit flows improved in respect of metals, textiles, engineering, food processing, and gems and jewellery, among others. Within services, credit growth accelerated to commercial real estate and non-banking financial companies. Housing and vehicle loans recovered in 2010-11. The Union Budget for 2011-12 has emphasised the Government's commitment to carry on the process of fiscal consolidation by budgeting a lower fiscal deficit (4.6 per cent of GDP in 2011-12 as compared with 5.1 per cent in 2010-11). The revenue deficit to GDP ratio is estimated to remain unchanged at 3.4 per cent in 2011-12.

FUTURE ECONOMIC OUTLOOK

The global recovery is expected to sustain in 2011, although growth will slow down marginally from its pace in 2010. According to the IMF WEO (April 2011), global growth is likely to moderate from 5.0 per cent in 2010 to 4.4 per cent in 2011. Growth is projected to decelerate in advanced economies due to waning of impact of fiscal stimulus, and high oil and other commodity prices. Growth in EMEs is also expected to decelerate on account of monetary tightening and rising commodity prices. Growth is expected to moderate in 2011-12 from its pace in 2010-11. First, notwithstanding the preliminary indication of a normal monsoon by the India Meteorological Department (IMD) during 2011, agriculture growth is likely to revert to its trend growth from the higher base of last year. Second, the pace of industrial activity has been slowing mainly due to the impact of past monetary policy actions and high input prices. External demand too may slow if global recovery slackens. Based on cross-country as well as domestic experience, the Reserve Bank is strongly of the view that controlling inflation is imperative to sustaining growth over the medium-term. This is a critical attribute of a favourable investment climate, on which growth sustainability depends. Fiscal consolidation will also contribute to improving the investment climate. Accordingly, the conduct of monetary policy will continue to condition and contain perceptions of inflation in the range of 4.0-4.5 per cent, with particular focus on the behaviour of the non-food manufacturing component. This will be in line with the medium-term objective of 3.0 per cent inflation consistent with India's broader integration into the global economy. The achievement of this objective will be helped by concerted policy actions and resource allocations to address domestic bottlenecks, particularly on the food and infrastructure fronts.

The Indian economy is likely to continue to outperform its global counterparts in the year ahead. As mentioned above, the GDP is expected to grow by around 8.6% against an average world growth of about 3.9%. Investment and capacity expansion will be a crucial link in driving the growth forward, while an optimistic domestic demand, coupled with strong RBI support, should help it absorb any issues caused due to rising interest rates and inflation.

RBI policies are geared to support the growth momentum by maintaining macro economic and financial stability and ensuring that there is smooth flow of credit to the productive sectors of the economy. Given the strong fundamentals of the Indian economy and the successful policies of RBI to curb inflation, there does not appear to be any major concern for the financial stability for financial services sectors besides high interest rates that may lead to liquidity issues in the future.



NON-BANKING FINANCIAL COMPANY (NBFC) OUTLOOK

Now, more so than ever, NBFCs have rapidly emerged as an important segment of the Indian Financial System. The sector has witnessed rapid growth in the last few years and is now being recognized as complementary to the banking sector due to the implementation of innovative marketing strategies, introduction of tailor made products, customer-oriented services, attractive rates of return on deposits and simplified procedures, etc.

NBFCs assume significance in the small business segment as they primarily cater to the credit requirements of the unorganized sector such as wholesale & retail traders, small-scale industries, and small borrowers at the local and regional level. More recently, several NBFCs have ventured into Microfinance activities to serve the 'unbanked' bottom of the pyramid clients.

Now, unlike in the past, NBFCs are very well regulated and supervised. Just like banks they are required to be registered with RBI, follow stringent prudential norms prescribed by RBI in the matters of capital adequacy, credit/investment norms, asset-liability management, income recognition, accounting standards, asset classification, provisioning for NPA and several disclosure requirements. Besides this, RBI also supervises the functioning of NBFCs by conducting annual on-site audits through its officials. Such a rigorous regulatory framework ensures that NBFCs function properly and follow all the guidelines of RBI. Thus in all respect the monitoring of NBFCs is similar to or in some case more stringent than banks.

According to KPMG survey The Indian Non Banking Finance Company (NBFC) sector has often been relegated to the shadows, in most discussions on the Indian Financial Services (FS) industry. Banks, insurance companies and capital market players take centre stage and invariably, NBFCs attract public attention only during times of crisis. Little attention has been paid to the silent but effective manner in which NBFCs have spread their operations across the country. NBFCs have provided financial solutions to sections of society who hitherto were at the mercy of unorganized players for credit and savings products, which were delivered on economically and socially usurious terms. Ironically, in recent times, NBFCs are once again in the spotlight for their perceived strengths and capabilities rather than their problems.

NBFCs, as an entity, play a very useful role in channelising funds towards acquisition of commercial vehicles and consequently, aid in the development of the road transport industry. Needless to mention, the road transport sector accounts for nearly 70% of goods movement and 80% of passenger movement across the length and breadth of the country and the role of NBFCs in the growth and development of this sector has been historically acknowledged by several committees set up by the Government and RBI, over the years. In fact, RBI's latest report titled "Report on trends on progress of banking in India" observes:

"Notwithstanding their diversity, NBFCs are characterised by their ability to provide niche financial services in the Indian economy. Because of their relative organisational flexibility leading to a better response mechanism, they are often able to provide tailor-made services relatively faster than banks and financial institutions. This enables them to build up a clientele that ranges from small borrowers to established corporates. While NBFCs have often been leaders in financial innovations, which are capable of enhancing the functional efficiency of the financial system, instances of unsustainability, often on account of high rates of interest on their deposits and periodic bankruptcies, underscore the need for reinforcing their financial viability."

The report further adds,

"The regulatory challenge is, thus, to design a supervisory framework that is able to ensure financial stability without dampening the very spirit of maneuverability and innovativeness that sustains the sector."

The support provided by the RBI highlighted the explicit acceptance of the systemic importance of the sector. Nearly 12 years after the last of the two banking licenses were issued by RBI to private sector entities, the government has again started thinking of allowing the better-managed non-banking finance companies (NBFCs) to graduate to full-fledged banks, as suggested in the previous budget by the Finance Minister Pranab Mukherji.

However, there are near-term macro-headwinds for NBFCs from higher interest rates, slowing credit demand and asset quality concerns, due to which valuations of listed NBFCs have corrected. In an effort to control inflation, RBI has raised the interest rates several times in the past year, which increases the cost of borrowing for NBFCs and their clients alike.

ARMAN'S BUSINESS OPERATIONS

Arman is a category 'A' Non Banking Finance Company (NBFC). A majority of NBFC's operate mostly in unorganized and underserved segment of the economy and mostly serve niche market for themselves. This is in contrast to the Banks, wherein NBFC's business model is characterized by very close customer interaction and relationship and a deep understanding of customer needs. If we at Arman were to pick one distinctive criterion that separates us from a Bank, is the last mile credit delivery system. We serve areas and clients where it is simply not possible for banks to provide financial services under the current market scenario. As mentioned above, NBFC's have



contributed significantly towards the steady increase in the credit penetration levels. There is certainly a long-term role for NBFCs whose contribution to the economy can in fact go-up, if they get greater parity in regulatory treatments. We at Arman have been able to bring in higher operating efficiencies within the system based on the understanding and strength of our superior knowledge of local markets, and our efficient, proactive, and conservative origination systems.

Arman operates in two major business segments, which will be discussed in detail below.

1. JLG Microfinance
2. Asset-backed Microfinance (Two-wheeler/three-wheeler financing)

GROUP BASED (JLG) MICRO FINANCE

Overall, credit penetration levels in India still remains low as compared to the developed countries despite the rapid credit growth in recent past. Thus financial intermediaries like NBFC's are presented with big opportunities to not only meet the rapidly growing credit needs of mainstream borrowers but also to address the huge untapped demand of borrowers dependent largely on informal channels. This is where our efforts in Microfinance activities play a meaningful long-term role.

Microfinance is the supply of small loans and other financial services to people with a low income that would otherwise have no access to credit from traditional banks and financial institutions. Microfinance is seen by many as a viable solution to reduce poverty and people reshaping their lives.

Why remain in Microfinance?

Big financiers lend to the most credit worthy corporations against collateral security and they habitually fail while we lend to poor women whom nobody in history considered credit worthy. However, these so-called "non-bankable" clients are paying their loans with the lowest default rate in the industry (minus the politically endorsed defaults in AP)

Why so? What lessons do the big financiers have to take from MFI's. Well the lesson here is that lending against collateral security can blind you, and the need for checking the capacity for repayments is sometimes overlooked. We access the cash flow of borrowers and leave cushion to ensure repayment. Our loans sizes are small that are well within the repayment capacity of the borrower. and they qualify for little higher loan if they repay the first loan. Secondly, we do not have brokers in Microfinance who can fiddle with documents and data for the loan sanction. What we have is fixed rate of interest rate and fixed higher ceiling. Our Field Officers are trained to ensure that loans do not exceed the client's repayment capacity.

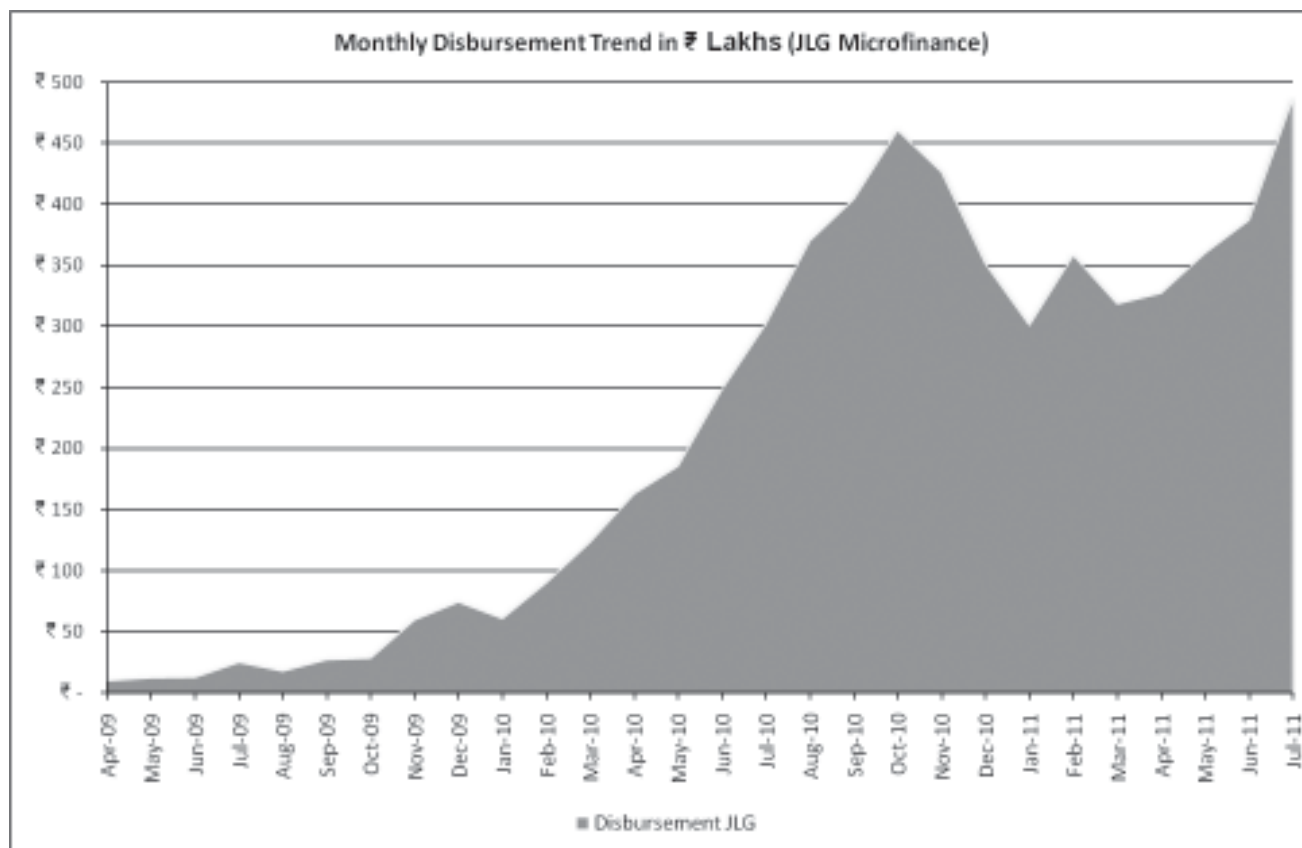
We only lend to group of ladies where in if one borrower defaults, the whole group is made responsible. Therefore, other members put social pressure on the defaulter to repay which is remarkably effective. This lending model, coined Joint-Liability Group (JLG) model, was established by Dr. Muhammad Yunus and the bank he founded, Grameen Bank, which created a new category of banking by granting millions of small loans to poor people with no collateral helping to establish the microcredit movement across the developing world. He won the Nobel Peace Prize for his work related to the Microfinancing. He once quoted the following; "Whatever the banks did, I did the opposite. If banks lent to the rich, I lent to the poor. If banks lent to men, I lent to women. If banks made large loans, I made small ones. Banks required collateral, and my loans were collateral-free. If banks required a lot of paperwork, my loans were illiterate-friendly. If you had to go to the bank to get a loan, I went to the village. That was my strategy." Arman operates under this very same principal.

We at Arman feel that our financial system has failed to reach hundreds of millions of people who are in dire need of credit delivery at their doorstep. Our challenge will be to move from micro loans to mini loans, which will transform poor borrowers from objects of pity to objects of envy. We want to act as an intermediary to help people enhance and improve their lives, so every person in India can pursue 'happiness'. Therefore, for several of the reasons mentioned above, the management and the board of directors wish to continue in the MFI sector. The future of business lies in serving the masses.

JLG MICROFINANCE OPERATIONS

Arman's Micro Finance operations are in full swing with 22 branches fully operational all over Gujarat in urban, semi-urban, and rural areas.

Arman's portfolio and disbursements in Microfinance has continued to grow. The chart below shows the monthly disbursement trend in JLG microfinance in the past 27 months (April-2009 thru July-2011). As visible on the chart, disbursements started to decline for a few months past October 2010 due to few liquidity issues in the market. However, they have started to increase in the past few months as stability returns to the industry. Arman expects the upward trend to continue going forward. Total disbursements for the 2010-11 fiscal year equaled Rs. 39 Crores, a 623% increase from the previous year.



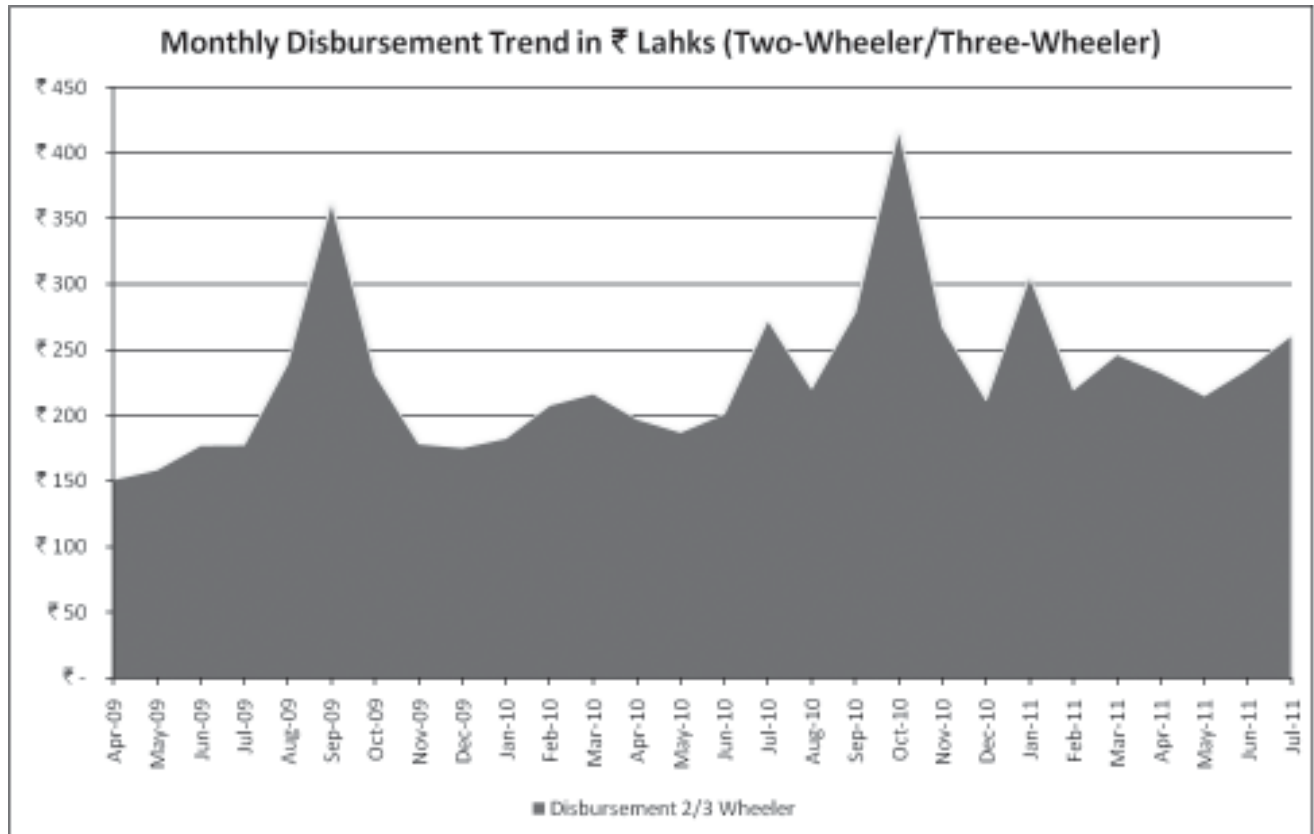
All the systems, including H.R., MIS, Accounts, Operations, and Internal Audit and Controls have been tediously developed and are fully operational.

TWO-WHEELER/THREE-WHEELER FINANCING

Arman remains committed to its two-wheeler and three-wheeler segment. Arman has been operating in this business segment for the past decade, and have developed a niche in this market. In the past year, Arman opened two new branches in Gujarat, which includes Mehsana and Baroda. Our strongest presence is in Ahmedabad, where the company ranks in the top-five in the hypothecation of two-wheeler and three-wheelers in terms of market share. Arman operates in almost all the major dealers in Ahmedabad, and the financing schemes offered by the company remain very attractive and popular by our customers. This is evident by the sheer volume of cases the company receives versus the competitors, the feedback we receive from the customers, and the amount of repeat customers we get on a yearly basis.

Even through the two-wheeler and three-wheeler business can be considered as a mature industry, Arman also showed significant growth in the segment, mostly driven by the repeat business we received due to our excellent customer service and the growth in the customer base in our areas of operation due to economic growth.

The chart below shows the monthly disbursement trend in the two-wheeler and three-wheeler segment in the past 27 months (April-2009 thru July-2011). The two “spikes” in the chart reflect our busy season that occur in the September-November timeframe around the festival of Diwali, where sales on vehicles sky rocket as it is considered an auspicious occasion to purchase a vehicle. Total disbursements in our two-wheeler and three-wheeler segment in the past fiscal year totaled Rs. 30 Crores, a very comfortable 23% increase from the previous year.



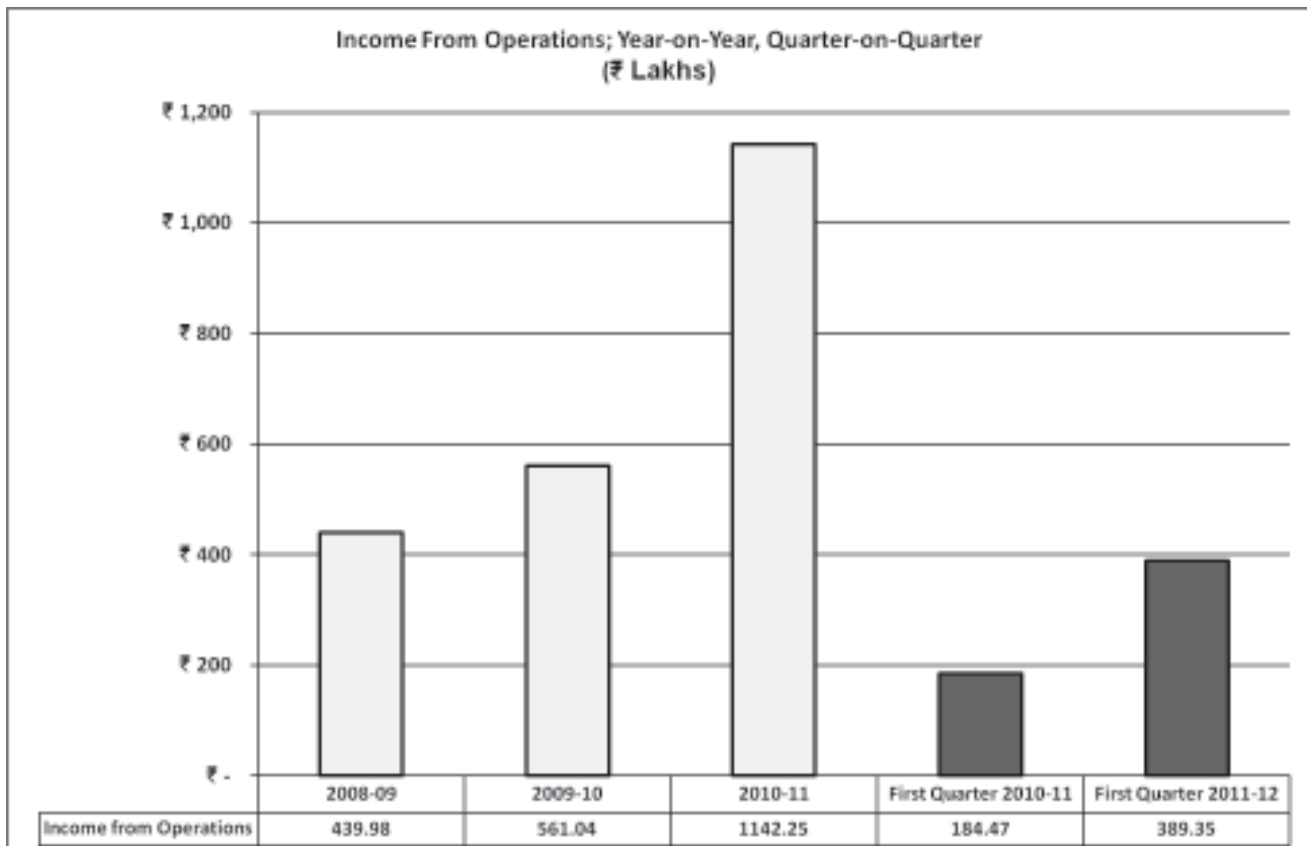
PROFITABILITY

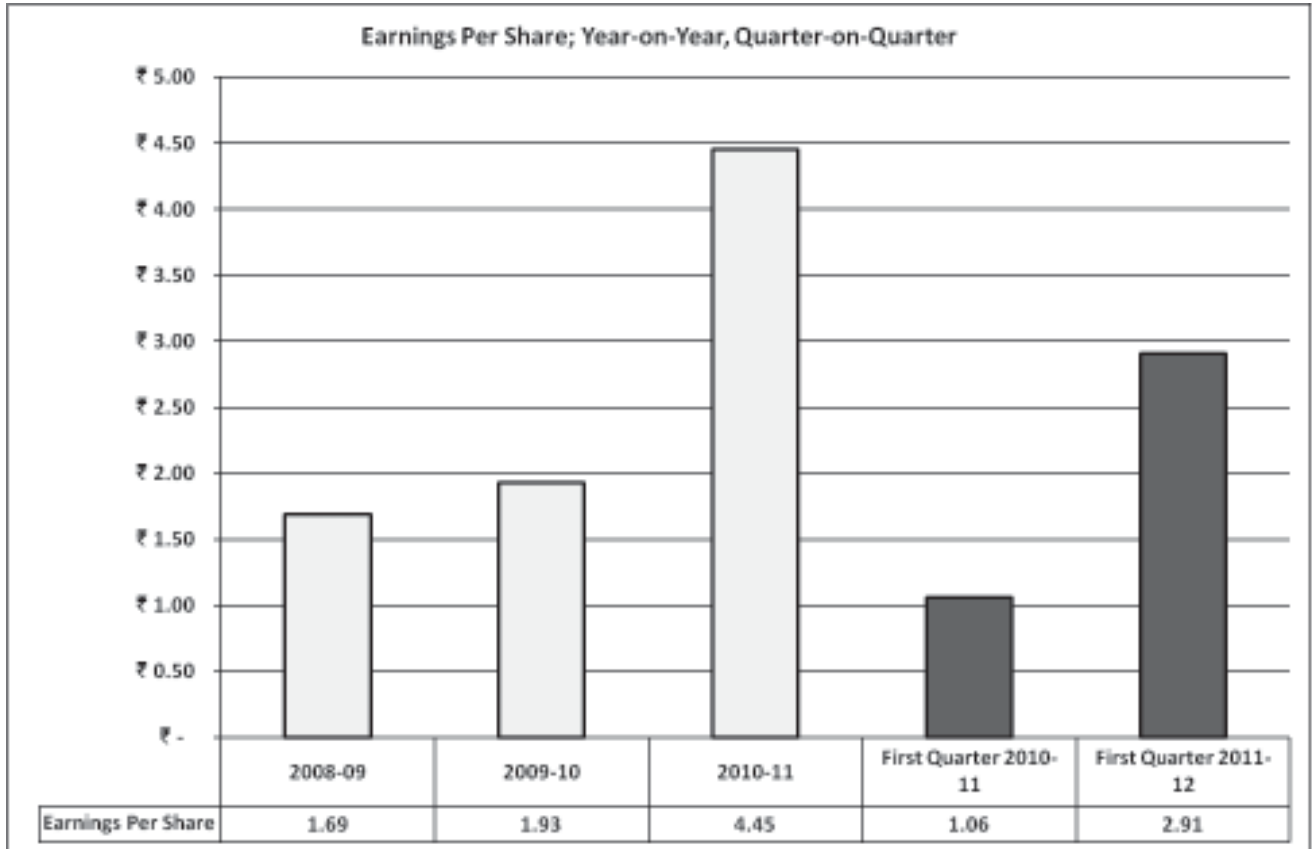
It is a privilege to inform your that the company has broken and smashed all the records from previous years in terms of profitability.

As clearly shown on the charts below, and reflected in the P&L statement, profit before taxes equaled Rs. 267 Lakhs for the year ended March 31, 2011 versus Rs. 119 Lakhs for the year ended March 31, 2010. This represents an unprecedented 123% increase from the previous year. The results for the latest quarter ended June 30, 2011 (unaudited) also stood at Rs. 175 Lakhs, a 168% growth from the same quarter in the previous year.

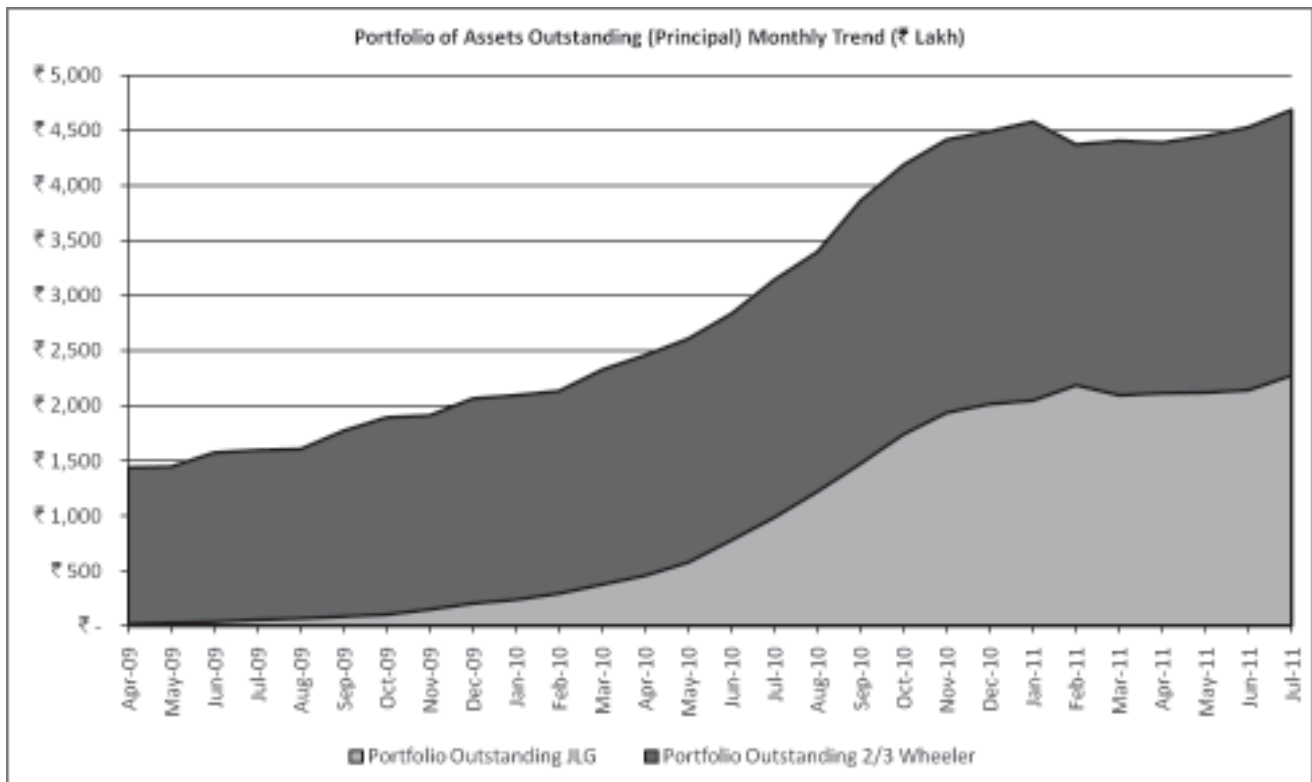
Similarly, income from operations equaled Rs. 1,142 Lakhs for the year ended March 31, 2011 versus Rs. 516 Lakhs for the year ended March 31, 2010. This represents an 121% increase from the previous year. The results for the latest quarter ended June 30, 2011 (unaudited) also stood at Rs. 389 Lakhs, a 111% growth from the same quarter in the previous year.

Earnings per share (par value Rs. 10) was Rs. 4.45/share, a 131% increase from the previous year. Based on the results, the Board of Directors and Management recommended a dividend of 8%, an increase from 6% in the previous year.





Arman Portfolio of Assets continues to grow at a comfortable pace. The chart below reflects the trend in Principal Outstanding for Arman's portfolio of Earning Assets.





CREDIT RATING

Arman has been rated four times in last four years by very reputed rating agencies of India. In the last 4 fiscal years, the rating was provided by an agency by the name of M-Cril from Gurgaon who specializes in rating Microfinance Institutions. Arman has received excellent rating of *Alpha Minus* all the four times except the last two times when it's financial performance was given *Alpha* evidencing even a better performance and the rating outlook provided was '*positive*'. In fiscal 2011, a rating was also provided by CRISIL, a Standard & Poor's company and India's leading Ratings and Research firm. CRISIL provided Arman a '*BB/Stable*' rating. This was recently renewed in the current fiscal year and reaffirmed as '*BB/Stable*'.

RESOURCES AND LIQUIDITY

Being a category 'A' NBFC registered with R.B.I., Arman is eligible to accept the public deposits, but the company did not accept any deposits from public and does not intend to accept public deposits in the near future. The company continues to enjoy a high reputation with institutional fund providers and rating agencies. Arman enjoys various credit facilities, including cash credit and term loans, from various banks like State Bank of India, HDFC Bank Ltd, SIDBI, Axis Bank, ICICI Bank Ltd., IDBI Bank, State Bank of Patiala, United Bank of India, NABARD, Development Credit Bank, Ananya Finance, MAS Finance, etc.

Arman also plans to come out with a Right Issue of 48,91,920 equity shares each of Rs. 10/- each at the price of Rs. 15/- per share (Including the premium of Rs. 5/- each) in the ratio of 6 shares for each 5 shares held by the members of the company. The approval of the Right Issue has been recently received from the Securities and Exchange Board of India (SEBI), and has a validity of 12 months. The issue date is forthcoming and separate communications with regard to the Right Issue will be sent to the shareholders in due course of time.

RISK AND CONCERNS

The Company's risk philosophy involves the developing and maintaining a healthy portfolio within its risk appetite and the regulatory framework. While the company is exposed to various types of risk, the most important among them are credit risk, market risk (which includes liquidity risk and price risk) and operational risk. The measurement, monitoring and management of risk remains key focus areas for the company. For credit risk, distinct underwriting policies and processes are in place, separately for retail credit and micro financing exposures. Business and revenue growth have therefore to be weighed in the context of the risks implicit in the finance company's business strategy.

In retail loan businesses, the credit cycle is managed through appropriate front-end credit, operational and collection processes. For credit exposures, management of credit risk is done through target market definition, appropriate credit approval processes, on going post-disbursement monitoring and remedial management procedures. Overall portfolio diversification and reviews also facilitate mitigation and management.

The company manages the credit risk through prudent selection of clients, delegation of appropriate lending powers and by stipulating various prudential limits. Arman maintains a conservative approach and the process undergoes thorough scrutiny by higher-level management executives. Given the granularity of individual exposures, retail credit risk is managed largely on a portfolio basis, cross various products and customer segments.

**SECRETARIAL COMPLIANCE CERTIFICATE**

To

The Members of

ARMAN FINANCIAL SERVICES LTD

We have examined the registers, records, books and papers of **M/S ARMAN FINANCIAL SERVICES LIMITED** (the Company), having the Registration No. 04-18623, as required to be maintained under the Companies, Act, 1956 (the Act) and the rules made thereunder and also the provisions contained in the Memorandum and Articles of Association of the Company for the financial year ended on 31st March 2011. In our opinion and to the best of our information and according to the examinations carried out by us and explanations furnished to us by the company, its officers and agents, we certify that in respect of the aforesaid financial year :

1. The Company has kept and maintained all registers as stated in Annexure 'A' to this certificate, as per the provisions and the rules made thereunder and all entries therein have been duly recorded ;
2. the company has duly filed the forms and returns as stated in Annexure 'B' to this certificate, with the Registrar of Companies under the Act and the rules made thereunder. No other forms / documents are required to be filed with Regional Director, Central Government, Company Law Board or other authorities.
3. The company, being public limited company, the comments are not required.
4. the Board of Directors duly met (SIXTEEN) times on 01.04.2010, 28.04.2010, 17.06.2010, 26.06.2010, 12.07.2010, 20.08.2010, 05.09.2010, 06.09.2010, 18.09.2010, 24.09.2010, 27.09.2010, 30.09.2010, 26.10.2010, 22.12.2010, 02.02.2011 and 30.03.2011 in respect of which meetings' proceedings were properly recorded and signed including the circular resolutions passed in the Minutes book maintained for the purpose ;
5. the company has closed its Register of Members from 01.09.2010 to 06.09.2010 during the year under scrutiny and necessary compliance under Section 154 of the Act has been made.
6. the annual general meeting for the financial year ended on 31.03.2010 was held on 06.09.2010 after giving due notice to the members of the company and the resolutions passed thereat were duly recorded in Minutes Book maintained for the purpose;
7. No Extra ordinary general meeting was held during the financial year.
8. the company has not advanced any loan to its directors and/or persons of firms or companies referred in Section 295 of the Act.
9. the company has not entered into any contracts falling within the provisions of Section 297 of the Act.
10. the company has made necessary entries in the Register maintained under Section 301 of the Act;
11. No person is holding place of profit in the company as employee pursuant to the provisions of Section 314 of the Act.;
12. the company has not issued any duplicate share certificate during the financial year under review.
13. the company has ;
 - (i) not made any allotment of shares and delivered all the Certificates on lodgment thereof for transfer / transmission or any other purpose in accordance with the provisions of the Act.
 - (ii) Deposited the amount of dividend declared in a separate bank account on 08.09.2010 which is within five days from the date of declaration of such dividend during the year under review.
 - (iii) Paid / posted warrants for the dividend to all the members within a period of 07 (seven) days from the date of declaration.
 - (iv) Transfer of unpaid dividend, pending application money for allotment, unpaid / matured unclaimed deposits etc is not applicable as there is no such amount pending with the company for the year under review.
 - (v) duly complied with the requirements of Section 217 of the Act;
14. the Board of Directors of the company is duly constituted and the appointment of directors, additional directors, alternate directors and directors to fill casual vacancies have been duly made ;
15. the Company has made appointment of Shri Jayendra Patel as Vice Chairman & Managing director and Shri Aalok Patel as Executive director during the financial year under review in compliance with the provisions of Section 269 read with Schedule XIII to the Act.
16. there is no appointment of sole selling agents in the company and therefore not applicable.
17. the company was not required to obtain any approval of the Central Government, Company Law Board, Regional Director, Registrar or such other authorities as may be prescribed under the various provisions of the Act during the financial year under review.
18. the directors have disclosed their interest in other firms/companies to the Board of Directors pursuant to the provisions of the Act and the rules made thereunder;
19. the company has not issued any shares/debentures/other securities during the financial year.
20. the company has not bought back any shares during the financial year ending 31.03.2011.
21. the company has not issued any preference shares/debentures till date.
22. There were no transaction necessitating the company to in abeyance the rights to dividend, rights shares and bonus shares pending registration of transfer of shares.
23. the company has not accepted any public deposits during the year and there are no public deposits outstanding as on 31.03.2011 and therefore compliance of Section 58A/58AA is not applicable.
24. The amount borrowed by the Company from Directors, banks, financial institutions during the financial year ended 31.03.2011 are within the borrowing limits of the company and that the necessary resolutions as per Section 293(1) (d) of the Act, have been passed in the duly convened annual / Extra ordinary general meeting of the company.
25. the company has not made any loans or given guarantees or provided securities to other bodies corporate and consequently no entries have been made in the register kept for the purpose, necessary Register of Investment is maintained for the Investment made by the company in compliance with the provisions of the Act;
26. the company has not altered the provisions of the Memorandum with respect to situation of the company's registered office from one state to another during the year under scrutiny.
27. the company has not altered the provisions of the Memorandum with respect to the objects of the company during the year under scrutiny.
28. the company has not altered the provisions of the Memorandum with respect to the name of the company during the year under scrutiny.
29. the company has altered the provisions of the Memorandum with respect to the share capital of the company (Authorised Capital is increased from Rs. 5.00 crores to Rs. 15.00 crores) during the year under scrutiny and complied with the provisions of the Act.
30. the company has not altered the provisions of the Articles of Association of the company during the year under scrutiny.
31. no prosecution initiated against or show cause notices received by the company for alleged offences under the Act and also the fines and penalties or any other punishment imposed on the company in any of the cases.



32. the company has not received any money as security from its employees during the year under certification.
33. the company has deposited both employees' and employer's contribution to Provident Fund with the prescribed authorities pursuant to the provisions of Section 418 of the Act..

FOR BALVANTSINH J VAGHELA
COMPANY SECRETARY

PLACE : AHMEDABAD
DATE : 12.05.2011

B. J. VAGHELA
CP 2186

ANNEXURE – A

Registers as maintained by the company

1. Register of Investment u/s 49
2. Register of Charges u/s 143
3. Register of Members u/s 150
4. Minute Book Containing Minutes of u/s 193
 - Board Meeting
 - General Meeting
 - Committee Meetings
5. Register of Particular of Contracts u/s 301
6. Register of Directors u/s 303
7. Register of Directors' shareholding u/s 307
8. Register of Transfer
9. Register of Directors' attendance for Board Meeting
10. Register of Directors' attendance for Committee Meetings
11. Register of Directors' interest

ANNEXURE – B

Forms and Returns as filed by the Company with Registrar of Companies, Regional director, Central Government or other authorities during the financial year ending on 31st March 2011.

Sr. No	Particulars of Form	Form No	Under Section	Date of Filing	Receipt / Challan No
1	Creation of Hypo charge in favour of HDFC Bank Ltd for Rs. 150.00 lacs	8	125	14.04.2010	A82855016
2	Creation of Hypo charge in favour of SIDBI Ltd for Rs. 200.00 lacs	8	125	21.04.2010	A83327411
3	Creation of Hypo charge in favour of SBI For Rs. 500.00 lacs	8	125	22.04.2010	A83491217
4	Modification for creation of Mort charge in favour of SBP For Rs. 500.00 lacs	8	135	11.05.2010	A84807718
5	Satisfaction of Charge of AXIS Bank for Rs. 200.00 lacs	17	138	04.08.2010	A90614330
6	Modification of Hypo charge in favour of IDBI Bank For Rs. 800.00 lacs	8	135	04.08.2010	A90614660
7	Filing of Board Resolution for appointment of MD / ED	23	192	10.08.2010	A91096818
8	Change in the Designation of Shri Aalok Patel as Executive Director	32	303(2)	10.08.2010	A91101105
9	Satisfaction of Charge of ICICI Bank for Rs. 500.00 lacs	17	138	13.08.2010	A91378125
10	Creation of Hypo charge in favour of Ananya Finance For Rs. 100.00 lacs	8	125	21.08.2010	A91971606
11	Filing of General Meeting Resolution for appointment of MD / ED and right issue	23	192	10.09.2010	A93788164
12	Return of appointment of MD	25C	269(2)	10.09.2010	A93787919
13	Return of appointment of ED	25C	269(2)	10.09.2010	A93787687
14	Notice of Increase in Authorized Capital from Rs. 5.00 cr to Rs. 15.00 cr	5	97	10.09.2010	A93788354 A93788818 D01093301
15	Compliance Certificate for FY 2009-10	66	383	12.09.2010	P52141172
16	Modification for Extension of Hypo / Mort charge in favour of SBP For Rs. 800.00 lacs	8	135	18.09.2010	A94314259
17	Annual Report – Balance Sheet FY 2008-09	23AC	220	01.10.2010	P53404208
18	Annual Report – Profit & Loss Account FY 2008-09	23ACA	220	01.10.2010	P53404208
19	Annual Return as at 06.09.2010	20B	159	01.10.2010	P53381679
20	Creation of Hypo charge in favour of MAS Finance For Rs. 500.00 lacs	8	125	07.10.2010	A95568754
21	Intimation of Auditors Appointment for FY 2009-10	23B	224(1A)	07.10.2010	S03336971
22	Creation of Hypo charge in favour of Development Credit Bank Ltd For Rs. 200.00 lacs	8	125	19.10.2010	A96334131
23	Creation of Hypo charge in favour of Ananya Finance For Rs. 200.00 lacs	8	125	26.10.2010	A96784756
24	Creation of Hypo charge in favour of MAS Finance For Rs. 200.00 lacs	8	125	29.10.2010	A97048391
25	Creation of Hypo charge in favour of IDBI Bank For Rs. 2350.00 lacs	8	125	30.11.2010	A99437972
26	Satisfaction of Charge of SBP For Rs. 800.00 lacs	17	138	24.01.2011	B03711512
27	Satisfaction of Charge of IDBI Bank for Rs. 200.00 lacs	17	138	24.01.2011	B03711215
28	Satisfaction of Charge of SBI for Rs. 500.00 lacs	17	138	25.01.2011	B03846862
29	Modification for creation of Mort charge in favour of IDBI Bank For Rs. 2350.00 lacs	8	135	24.01.2011	B03710787
30	Appointment of Shri Shashikant N. Thakkar as Company Secretary	32	303(2)	10.02.2011	B05277710
31	Creation of Hypo charge in favour of Ananya Finance For Rs. 200.00 lacs	8	125	01.03.2011	B06786834
32	Satisfaction of Charge of HDFC Bank for Rs. 250.00 lacs	17	138	15.03.2011	B07816051
33	Satisfaction of Charge of HDFC Bank for Rs. 50.00 lacs	17	138	15.03.2011	B07816341

**AUDITORS' REPORT**

To,
The Members of
ARMAN FINANCIAL SERVICES LIMITED
Ahmedabad.

We have audited the attached Balance Sheet of **Arman Financial Services Ltd.** as at 31st March, 2011, the Profit & Loss Account and also Cash Flow Statement for the year ended on that date annexed thereto (herein after referred to as financial statements). 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.

1. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
2. As required by the Companies (Auditors' Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 & 5 of the said Order.
3. Further to our comments in the Annexure referred in para 3 above, we report that:
 - (i) 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;
 - (ii) 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;
 - (iii) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - (iv) 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;
 - (v) On the basis of written representations received from the directors and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2011 from being appointed as directors in terms of clause (g) of sub-section (1) of section 274 of the Companies Act 1956;
 - (vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts, read together with the 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:
 - (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2011;
 - (b) in the case of the Profit and Loss Account, of the **Profit** of the Company for the year ended on that date; and
 - (c) in the case of the Cash flow Statement, of the **Cash Flow** for the year ended on that date.

FOR, J T SHAH & COMPANY
CHARTERED ACCOUNTANTS
(FIRM REG. NO. 109616W)

PLACE : AHMEDABAD
DATE : 11/05/2011

(J. J. Shah)
PARTNER
[M. No. 45669]

ANNEXURE

Referred to in paragraph 3 of our report of even date for the year ended 31st March 2011.

- 1) In respect of Fixed Assets:
 - a. The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
 - b. As per the information and explanations given to us, all the fixed assets have been physically verified by the management during the year. We are informed that no material discrepancies were noticed on such verification.
 - c. During the year, the Company has not disposed off any major/substantial part of the fixed assets.
- 2) In respect of its Inventories:
 - a. The inventory has been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.
 - b. The procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
 - c. On the basis of our examination of the records of inventory, we are of opinion that the Company is maintaining proper records of inventory. No discrepancies were noticed on verification between the physical stocks and books records.
- 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. During the year under audit, there are ten parties covered in the register maintained under section 301 of the Companies Act, 1956 from whom the company has taken loans. The year end balance is amounting to Rs. 1.81 Lacs and the maximum amount involved during the year was Rs. 179.88 Lacs.
 - b. In our opinion and according to the information and explanations given to us, in case of loans taken during the period, the rates of interest, wherever applicable and other terms and conditions are not prima facie prejudicial to the interest of the company.
 - c. There are no stipulated terms for repayment of loans taken by the company from the companies/ firms / parties listed in the register maintained under section 301 of the Companies Act, 1956. Hence we are not able to give comment on para (iii) (c) & (d) of the Companies (Auditor's Report) Order, 2003.
 - d. As per the information and explanation given to us, the Company has not granted any loan to any of the companies, firms and other parties covered under section 301 of the Companies Act, 1956 hence clause no (iii)(e) to (iii)(g) of para 4 are not applicable.
- 4) In our opinion and according to the information and explanations given to us, the internal control system for purchase of fixed assets and for sanction, disbursements and recovery of loans given by the Company are adequate and commensurate with the size of the Company and present nature of its business. During the course of audit we have not observed any continuing failure to correct major weakness in internal controls.
- 5) In respect of contract or arrangements covered under Section 301 of the Companies Act, 1956:
 - a. Based on the audit procedures applied by us and according to the information and explanations provided by management, we are of the opinion that the contract or arrangements that need to be entered into the register maintained under section 301 have been so entered.



- b. In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the registers maintained under section 301 of the Act, in respect of any party during the year have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.
- 6) During the year, the Company has not accepted any deposits from the public within the meaning of provisions of Sections 58A and 58AA and relevant other provisions of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975.
- 7) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- 8) As informed to us, the maintenance of cost records have not been prescribed by the Central Government under section 209(1) (d) of the Companies Act, 1956, for the year under review.
- 9) In respect of Statutory Dues:
- According to the records of the Company, the Company is by and large regular in depositing with appropriate authorities undisputed statutory dues including provident fund, employee's state insurance, income-tax, sales-tax, wealth-tax, Service Tax, Custom Duty, Excise Duty, Cess and other statutory dues applicable to it except short fall in payment of Advance Tax of Rs. 38.80 lacs.
 - According to the information and explanations given to us, no undisputed amounts payable in respect of Income Tax, Wealth Tax, Sales Tax, Service Tax, Customs Duty and Excise Duty were outstanding, as at 31st March, 2011 for a period of more than six months from the date they became payable.
 - According to the records of the Company, the dues of sales tax, income tax, customs, wealth-tax, excise duty, cess which have not been deposited on account of disputes and the forum where the dispute is pending are as under:

Name of the Statute	Nature of the Dues	Period to which the amount relates(A.Y.)	Amount (Rs. In Lacs)	Forum where dispute is pending
Income Tax Act, 1961	Income Tax	2001-2002	2.66	Commissioner of Income Tax (Appeal)
Income Tax Act, 1961	Income Tax	2002-2003	5.52	Commissioner of Income Tax (Appeal)
Income Tax Act, 1961	Income Tax	2008-2009	0.79	Commissioner of Income Tax (Appeal)
Total . . .			8.97	

- 10) The company has no accumulated losses and has not incurred any cash losses during the financial period under review or in the immediately preceding financial year.
- 11) In our opinion and according to the information and explanations given to us, the company has not defaulted in repayment of dues to a financial institution, bank or debenture holders.
- 12) The Company has not granted any loans and advances by way of pledge of Shares, Debentures and other securities.
- 13) The provisions of any special statute applicable to Chit Fund, Nidhi or Mutual benefit Fund / Societies are not applicable to the Company.
- 14) In respects of shares, securities, debentures and other investments dealt or traded by the company, proper records are maintained in respect of transactions and contracts and timely entries have been made therein. All the investments are held by the Company in its own name.
- 15) As per the information provided to us, The Company has not given any guarantee for loans taken by others from bank or financial institutions.
- 16) In our opinion, and according to the information and explanations given to us, on overall basis, the term loans have been applied for the purpose for which they were obtained.
- 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 no funds raised on short-term basis have been prima-facie used for long-term investment.
- 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 not issued any Debentures and therefore the question of creating the securities in respect thereof does not arise.
- 20) During the year, the Company has not raised any money by way of Public issues.
- 21) Based upon the audit procedures performed and information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.

**FOR, J. T. SHAH & COMPANY
CHARTERED ACCOUNTANTS
(REGISTRATION NO. 109616W)**

PLACE : AHMEDABAD
DATE : 11/05/2011

(J. J. Shah)
PARTNER
[M. No. 45669]

AUDITORS' REPORT

To,
The Board of Directors
Arman Financial Services Limited
Ahmedabad.

In terms of Reserve Bank of India, Department of Financial Companies Notifications No. DFC117/DG(SPT)-98 dated 31st January, 1998, we report that:

- The Company has received Registration Certificate, as provided in Section 451A of the Reserve Bank of India Act, 1934 (2 of 1934) from Reserve Bank of India on 06.11.1998
- The Company has not accepted any public deposits during the year ended on 31.03.2011.
- The Company complied with the prudential norms relating to income recognition, accounting standards, assets classification and provisioning for bad and doubtful debts and concentration of the Credit/investments as specified in the direction issued by the Reserve Bank.
- Capital Adequacy Ratio as disclosed in the return submitted to the Reserve Bank of India in terms of the Non-Banking Financial Companies Prudential Norms (Reserve Bank) Directions, 1998 has been correctly determined and such ratio is in compliance with the minimum Capital to Risk Assets Ratio prescribed by the Reserve Bank of India.
- The Company has furnished half yearly Return on Prudential Norms to Reserve Bank of India within time prescribed to the Non-Banking Financial Companies Prudential Norms (Reserve Bank) Directions, 1998.
- The Company has furnished return on Deposits NBS 3, Prudential Norms NBS2 and annual Return NBS 1 to Reserve Bank of India within time prescribed in the Non-Banking Financial Companies Prudential norms (Reserve Bank) Direction, 1998.
- The Company has not accepted any public deposits and hence sub clause no. (ii), (iii) (vi) and (ix) of Clause 3(B) of the said Notification are not applicable to the Company.

**FOR, J. T. SHAH & COMPANY
CHARTERED ACCOUNTANTS
(FIRM REG. NO. 109616W)**

PLACE : AHMEDABAD
DATE : 11/05/2011

(J. J. Shah)
PARTNER
[M. No. 45669]



**ARMAN FINANCIAL SERVICES LIMITED
BALANCE SHEET AS AT 31ST MARCH, 2011**

P A R T I C U L A R S	Schedule No.	31/03/2011 Rs.	31/03/2010 Rs.
SOURCES OF FUNDS			
1. Shareholders' Funds :			
(a) Share Capital	1	40,766,000	40,766,000
(b) Reserves and Surplus	2	<u>51,892,822</u>	<u>37,562,587</u>
		92,658,822	78,328,587
2. Loan Funds :			
(a) Secured Loans	3	385,907,008	183,581,457
(b) Unsecured Loans	4	<u>10,271,379</u>	<u>9,907,999</u>
		396,178,387	193,489,456
3. Deferred Tax Liability (Net)		804,329	1,318,282
Total...		<u>489,641,538</u>	<u>273,136,325</u>
APPLICATION OF FUNDS			
1. Fixed Assets			
Gross Block	5	15,441,429	13,578,115
Less : Depreciation		<u>4,475,875</u>	<u>3,565,398</u>
		10,965,554	10,012,717
2. Investments	6	Nil	200,000
3. Current Assets, Loans & Advances			
(a) Current Assets	7	44,811,493	43,531,118
(b) Loans & Advances	8	<u>445,389,428</u>	<u>226,549,163</u>
		<u>490,200,921</u>	<u>270,080,281</u>
4. Less : Current Liabilities & Provisions			
(a) Current Liabilities	9	4,298,427	3,935,457
(b) Provisions	10	<u>7,226,509</u>	<u>3,221,216</u>
		<u>11,524,936</u>	<u>7,156,673</u>
Net Current Assets		478,675,984	262,923,608
		<u>489,641,538</u>	<u>273,136,325</u>
Notes to Accounts	15		
As per our report of even date attached.			

For, J. T. SHAH & COMPANY
CHARTERED ACCOUNTANTS
(FIRM REG. NO. 109616W)

(J. J. SHAH)
PARTNER

Place : Ahmedabad
Date : 11/05/2011

For & On behalf of Board of Directors

Jayendra Patel
Vice Chairman &
Managing Director

Amit Manakiwala
Director



ARMAN FINANCIAL SERVICES LIMITED
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2011

PARTICULARS	Schedule No.	31/03/2011 Rs.	31/03/2010 Rs.
INCOME			
1. Income from Operations	11	114,213,741	56,078,652
2. Other Income	12	11,393	25,950
		114,225,134	56,104,602
EXPENDITURE			
1. Administrative & Other Expenses	13	43,661,409	24,037,508
2. Interest & Finance Charges	14	42,934,020	19,380,803
3. Depreciation	5	910,477	723,938
		87,505,905	44,142,249
PROFIT BEFORE TAXATION		26,719,228	11,962,353
Less : Provision for Taxation			
— Current Tax		(9,100,000)	(3,700,000)
— Deferred Tax Assets/ (Liability)		513,953	(381,206)
PROFIT AFTER TAXATION		18,133,181	7,881,148
Add : Balance B/F from last year		28,102,031	24,782,534
PROFIT AVAILABLE FOR APPROPRIATION		46,235,212	32,663,682
Proposed Dividend		3,261,280	2,445,960
Corporate Dividend Tax thereon		541,666	415,691
Transfer to Special Reserve as per Sec 45 (IC) of RBI Act		3,650,000	1,700,000
BALANCE CARRIED TO BALANCE SHEET		38,782,266	28,102,031
Basic and Diluted Earning per Shares		4.45	1.93
Notes to Accounts	15		
As per our report of even date attached.			

For, J. T. SHAH & COMPANY
 CHARTERED ACCOUNTANTS
 (FIRM REG. NO. 109616W)

(J. J. SHAH)
 PARTNER

Place : Ahmedabad
 Date : 11/05/2011

For & On behalf of Board of Directors

Jayendra Patel
 Vice Chairman &
 Managing Director

Amit Manakiwala
 Director



ARMAN FINANCIAL SERVICES LIMITED
CASH FLOW STATEMENT FOR THE YEAR ENDED 31st March, 2011

	YEAR ENDED 31/03/2011	YEAR ENDED 31/03/2010
A: Cash from Operating Activities :		
Net Profit before Taxation and	26,719,228	11,962,353
Adjustment For :		
Depreciation	910,477	723,938
NPA Provisions(Net)	(152,965)	3,013
Contingent Provision on Standard Assets	1,100,000	Nil
Loss/ (Profit) on Sale of Investments	-	Nil
Loss on Sale of Fixed Assets	Nil	177,398
Interest Paid	42,934,020	19,380,803
Dividend Income	(11,393)	(25,950)
	44,780,139	20,259,202
Operating Profit Before Working		
Capital changes :	71,499,367	32,221,555
Adjustment For :		
Inventory	301,223	(116,507)
Trade and Other Receivables	(216,279,535)	(86,039,364)
Trade Payables & Provisions	74,087	1,357,666
	(215,904,225)	(84,798,205)
Cash Generated From Operations	(144,404,858)	(52,576,650)
Income Tax Paid	(6,983,037)	(4,728,233)
Interest Paid	(42,934,020)	(19,380,803)
	(49,917,057)	(24,109,035)
	(194,321,914)	(76,685,685)
B: Cash Flow From Investment Activities :		
Purchase of Fixed Assets	(1,863,314)	(3,174,404)
Sale of Fixed Assets	-	407,000
Purchase of Investments	-	(200,000)
Sale of Investments	200,000	Nil
Dividend Received	11,393	25,950
Net Cash from Investment Activities	(1,651,921)	(2,941,454)
C: Cash Flow From Financing Activities :		
Proceeds From Long Term Borrowings	243,032,167	107,500,000
Repayment of Long Term Borrowings	(40,706,617)	(58,263,300)
Proceesd From Short Term Borrowings	22,482,889	50,452,578
Repayment of Short Term Borrowings	(22,005,544)	(4,016,495)
Dividend Paid	(2,686,733)	Nil
Net Cash from Financing Activities	200,116,162	95,672,783
Net Increase in Cash & Cash Equivalents	4,142,328	16,045,644
Cash & Cash Equivalents at the Beginning	35,447,534	19,401,890
Cash & Cash Equivalents at the End	39,589,862	35,447,534

As per our report of even date attached.

Notes :

- (1) The above Cash Flow Statement has been prepared under the "Indirect Method" set out in Accounting Standard - 3 issued by the Institute of Chartered Accountants of India.
- (2) Cash and cash equivalents at the end includes Rs. 2,49,508/- (Prev. Year Rs.74,590/-) in respect of unclaimed dividends which are not available for use by the Company.
- (3) Cash and cash equivalent at the end includes Rs. 3,44,45,974/- (Previous year Rs. 3,44,07,818/-) in respect of Fixed Deposits pledged with the banks which are not available for use by the company

For, J. T. SHAH & COMPANY
CHARTERED ACCOUNTANTS
(J. J. SHAH)
PARTNER
Place : Ahmedabad
Date : 11/05/2011

For & On behalf of Board of Directors

Jayendra Patel
Vice Chairman & Managing Director

Amit Manakiwala
Director



ARMAN FINANCIAL SERVICES LIMITED
SCHEDULES "1 TO 15" FORMING THE PART OF FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31/03/2011.

P A R T I C U L A R S	As at 31/03/2011 Rs.	As at 31/03/2010 Rs.
SCHEDULE - 1		
SHARE CAPITAL :		
Authorised Capital :		
15,000,000 (Prev. Year 5,000,000) Equity Shares of Rs. 10/- each	150,000,000	50,000,000
Issued, Subscribed & Paid up Capital :		
4,076,600 (Prev. Year 4,076,600) Equity Shares of Rs. 10/- each fully paid up	40,766,000	40,766,000
Total.....	40,766,000	40,766,000
SCHEDULE - 2		
RESERVES AND SURPLUS :		
a. General Reserve :		
Balance as per last Balance Sheet	625,556	625,556
b. Special Reserve		
Balance as per last Balance Sheet	8,835,000	7,135,000
Add: Transferred from Profit & Loss A/c.	3,650,000	1,700,000
	12,485,000	8,835,000
c. Profit and Loss Account		
	38,782,266	28,102,031
Total.....	51,892,822	37,562,587
SCHEDULE - 3		
SECURED LOANS :		
a. Term Loans from Banks (secured against book debts and personal guarantee of one of the Director)	60,002,577	100,448,826
b. Term Loans from Financial Institutions (Secured by Hypothecation of hypothecated assets and also by personal guarantee of some of the Directors)	122,153,566	21,085,142
c. Working Capital Loans form Banks (Secured by way of Mortgage of Office Premises, Specific Book debts and also by personal guarantee of some of the Directors)	202,643,934	60,680,191
d. Vehicle Loan from Banks (Secured by hypothecation of Vehicle)	1,106,931	1,367,299
Total.....	385,907,008	183,581,457
SCHEDULE - 4		
UNSECURED LOANS :		
a. From Directors & their Relatives	180,639	9,907,999
b. From Inter Corporate Deposit	10,090,740	Nil
Total.....	10,271,379	9,907,999



PARTICULARS	As at	As at
	31/03/2011	31/03/2010
	Rs.	Rs.

SCHEDULE -5

FIXED ASSETS :

Sr. No.	Description of the Assets	GROSS BLOCK			DEPRECIATION			NET BLOCK			
		As at 01/04/2010	Additions during the Year	Deduction on A/c. of Sale / Transfer or Adjustment	As at 31/03/2011	As at 01/04/2010	Provided during the Year	Deduction on A/c. of Sale / Transfer or Adjustment	As at 31/03/2011	As at 31/03/2010	
	OWN ASSETS :										
1	Plant & Machinery	140,000	Nil	Nil	140,000	26,126	6,650	Nil	32,776	107,224	113,874
2	Furniture & Fixture	2,468,463	743,625	Nil	3,212,088	1,509,197	165,115	Nil	1,674,312	1,537,776	959,266
3	Air Conditioner	166,404	103,494	Nil	269,898	21,391	9,066	Nil	30,457	239,441	145,013
4	Electric Installation	157,707	16,001	Nil	173,708	91,681	7,713	Nil	99,394	74,314	66,026
5	Office Equipments	1,056,457	861,061	Nil	1,917,518	373,693	205,616	Nil	579,309	1,338,209	682,764
6	Vehicles	4,578,658	139,133	Nil	4,717,791	683,085	434,647	Nil	1,117,732	3,600,059	3,895,573
7	Office Building	5,010,426	Nil	Nil	5,010,426	860,225	81,670	Nil	941,895	4,068,531	4,150,201
	Total...	13,578,115	1,863,314	Nil	15,441,429	3,565,398	910,477	Nil	4,475,875	10,965,554	10,012,717
	Prev. Year's Total...	11,656,611	3,174,404	1,252,900	13,578,115	3,509,962	723,938	668,502	3,565,398	10,012,717	8,146,649

SCHEDULE - 6

INVESTMENTS :

Long Term Investments (Non Trade) :

Unquoted

- a. Nil Shares (P.Y. 8000) of Sarvodaya Commercial Co-op Bank Ltd. of Rs. 25/- each fully paid up

Nil 200,000

Total...

Nil 200,000

SCHEDULE - 7

CURRENT ASSETS :

(Considered Good unless otherwise stated)

STOCK IN TRADE :

(As Certified by Directors)

- a. Nil Shares (Prev. Year 150) of Ausom Enterprise Ltd. (Formerly known as Core Emblich Ltd.) of Rs. 10/- each fully paid up
- b. Nil Shares (Prev. Year 400) of Rolta India Ltd. of Rs. 10/- each fully paid up
- c. Nil Shares (Prev. Year 100) of Rolatainer Ltd. of Rs. 10/- each fully paid up
- d. Nil Shares (Prev. Year 80) of Silverline Ltd. of Rs. 10/- each fully paid up
- e. Nil Shares (Prev. Year 32) of Silverline Animation Ltd. of Rs. 10/- each fully paid up

Nil 2,532

Nil 71,580

Nil 32,785

Nil 428

Nil 320



PARTICULARS	As at 31/03/2011 Rs.	As at 31/03/2010 Rs.
f. Nil Shares (Prev. Year 660) of Pentamedia Graphics Ltd. of Rs. 1/- each fully paid up	Nil	1,709
g. Nil Shares (Prev. Year 45,000) of Sanara Media Ltd. of Rs. 1/- each fully paid up	Nil	16,650
h. Nil Shares (Prev. Year 800) of Shreerama Multi Ltd. of Rs. 5/- each fully paid up	Nil	4,280
i. Nil Shares (Prev. Year 100) of Trygen Technology Ltd. of Rs. 10/- each fully paid up	Nil	2,030
j. Nil Shares (Prev. Year 1) of Reliance Capital Ltd. of Rs. 10/- each fully paid up	Nil	226
k. Nil Shares (Prev. Year 254) of Reliance Ind. Ltd. of Rs. 10/- each fully paid up	Nil	120,767
l. Nil (Prev. Year 70) of BGR Energy Ltd. of Rs. 10/- each fully paid up	Nil	33,600
m. Nil Shares (Prev. Year 27) of Reliance Comm. Ltd. of Rs. 5/- each fully paid up	Nil	4,589
n. Nil Shares (Prev. Year 2) of Reliance Infrastructure Ltd. of Rs. 10/- each fully paid up	Nil	1,272
o. Nil Shares (Prev. Year 27) of Reliance Natural Resources Ltd of Rs. 5/- each fully paid up	Nil	122
p. Nil Shares (Prev. Year 5) of Chola Mandalam Fin. Ltd. of Rs. 10/- each fully paid up	Nil	469
q. Nil Shares (Prev. Year 5) of Ashok Leyland Fin. Ltd. of Rs. 1/- each fully paid up	Nil	178
r. Nil Shares (Prev. Year 5) of First Leasing of Rs. 10/- each fully paid up	Nil	213
s. Nil Shares (Prev. Year 5) of HDFC Bank Ltd. of Rs. 10/- each fully paid up	Nil	3,594
t. Nil Shares (Prev. Year 5) of ICICI Bank Ltd. of Rs. 10/- each fully paid up	Nil	2,498
u. Nil Shares (Prev. Year 5) of Indusind Bank Ltd. of Rs. 10/- each fully paid up	Nil	159
v. Nil Shares (Prev. Year 5) of Kotak Mahindra Bank Ltd. of Rs. 10/- each fully paid up	Nil	1,222
	<u>Nil</u>	<u>301,223</u>

SUNDRY DEBTORS :**Unsecured, Considered good unless otherwise stated****a. Outstanding for a period exceeding six months :****Good**

— Secured	2,283,856		3,516,,336
— Unsecured	167,022		1,516,003
		2,450,878	5,032,339
Doubtful	Nil	Nil	Nil
		2,450,878	5,032,339

b. Others :**Good**

— Secured	2,752,228		2,542,397
— Unsecured	18,525		207,625
		2,770,753	2,750,022
Doubtful	Nil	Nil	Nil
		2,770,753	2,750,022
		<u>5,221,631</u>	<u>7,782,361</u>



PARTICULARS	As at 31/03/2011 Rs.	As at 31/03/2010 Rs.
CASH AND BANK BALANCES :		
a. Cash on Hand	538,180	106,712
b. <u>Balance with Scheduled Banks</u>		
- In Current A/c.	883,668	9,389
c. <u>Balance with Non-scheduled Banks</u>		
- In Current A/c.	3,722,040	923,617
(Maximum Debit Balance at any time during the year Rs. 74465173/-) (Prev. Year Rs. 56349215/-)		
- Fixed Deposit A/c.	34,445,974	34,407,816
(Maximum Debit Balance at any time during the year Rs. 39874158/-) (Prev. Year Rs. 35229940/-)		
	<u>39,589,862</u>	<u>35,447,534</u>
Total...	<u>44,811,493</u>	<u>43,531,118</u>
SCHEDULE - 8		
LOANS AND ADVANCES :		
Considered good unless otherwise stated		
a. Secured		
Loan Secured by Hypothication of Assets (Refere Note No. 14 of the "Schedule 15")	208,555,958	136,165,484
Individual Loans Secured by Assets (Secured by Hypothcation of vehicles) (Refere Note No. 14 of the "Schedule 15")	12,237,591	47,332,058
b. Unsecured		
Loans to Companies, Firms & Individuals (Refere Note No. 14 of the "Schedule 15")	211,538,064	40,830,426
c. Advances recoverable in cash or kind or for value to be received (Unsecured)	2,691,684	874,261
d. Deposits	10,201,986	1,151,134
e. Advances to Staff	164,145	195,800
Total...	<u>445,389,428</u>	<u>226,549,163</u>
SCHEDULE - 9		
CURRENT LIABILITIES :		
a. Sundry Creditors	3,515,356	3,478,283
b. Security Deposites (Repayable within One Year Rs. 254491/- (Prev. Year Rs. 140526/-)	254,491	140,526
c. Other Liabilities	279,072	242,058
d. Unclaimed Dividend	249,508	74,590
Total...	<u>4,298,427</u>	<u>3,935,457</u>
SCHEDULE - 10		
PROVISIONS		
a. Provision for Proposed Dividend	3,261,280	2,445,960
b. Provision for Corporate Dividend Tax on Proposed Dividend	541,666	415,691
c. Provision for NPA	333,013	485,978
d. Contingent Provision against standered Asset	1,100,000	Nil
e. Provision for Taxation	1,990,550	(126,413)
Total...	<u>7,226,509</u>	<u>3,221,216</u>
SCHEDULE - 11		
INCOME FROM OPERATIONS :		
a. Interest Income (TDS Rs. 177141/-) (Prev. Year TDS Rs. 304352/-)	110,377,866	55,068,001
b. Income from Loan	3,732,197	894,144
c. Share Trading Income	103,677	116,507
Total...	<u>114,213,741</u>	<u>56,078,652</u>



P A R T I C U L A R S	As at 31/03/2011 Rs.	As at 31/03/2010 Rs.
SCHEDULE - 12		
OTHER INCOME :		
a. Dividend	11,393	25,950
Total...	<u>11,393</u>	<u>25,950</u>
SCHEDULE - 13		
ADMINISTRATIVE AND OTHER EXPENSES :		
a. Payment made to Employees (Including Director's Salary Rs. 20,76,664/-) (Prev. Year Rs. 8,89,980/-)		
- Salary and Bonus	14,598,890	5,533,069
- Staff Welfare Expenses	402,106	188,578
	15,000,996	5,721,647
b. Rent, Rates and Taxes	1,545,917	247,749
c. Electricity Expenses	384,874	164,458
d. Security & Recovery Expenses	606,517	744,370
e. Insurance	1,386,746	56,611
f. Repairs to		
(a) Building	379,262	20,364
(b) Plant & Machinery	Nil	Nil
(c) Others	125,453	193,212
	504,715	213,576
g. Printing, Stationery & Advertisement	1,059,046	775,715
h. Postage & Telephone Expenses	1,260,888	568,120
i. Travelling, Conveyance & Vehicle Maintenance (Including Director's Travelling Rs. 95,600/-) (Prev. Year Rs. 39,158/-)	1,394,220	517,416
j. Legal & Professional Expenses	7,076,983	3,509,527
k. Sales Incentive Exp.	3,501,400	2,825,502
l. Marketing Expenses	4,181,681	3,866,314
m. Remuneration to Auditors	183,208	221,078
n. Director's Sitting Fees	180,000	149,000
o. Loss on Sale of Fixed Assets	Nil	177,398
p. Bad Debts & Irrecoverables W/off (Net)	3,278,492	3,193,378
q. Provision for N.P.A. (Net)	(152,965)	3,013
r. Contingent Provision on Standard Asset	1,100,000	Nil
s. Sundry Balance Written Off	723,843	845,895
t. General Expenses	444,848	236,741
Total...	<u>43,661,409</u>	<u>24,037,508</u>
SCHEDULE - 14		
INTEREST & FINANCE CHARGES		
On Term Loans	14,194,406	11,741,389
On Other Loans	26,841,147	5,684,233
Bank Charges	1,898,466	1,955,181
Total...	<u>42,934,020</u>	<u>19,380,803</u>
SCHEDULE - 15		
Notes Forming Part of The Accounts For The Year Ended 31st March, 2011.		
1. Significant Accounting Policies		
(a) Method of Accounting		
The Company follows accrual method of accounting.		
(b) Revenue Recognition		
(i) Interest on Loan against:		
Interest on Loan against hypothecation of vehicle is recognised in the year in which the installment falls due as per the terms of contract.		
(ii) Income is not recognised in respect of Non Performing Assets, as per the guidelines for prudential norms prescribed by the Reserve Bank of India.		
(c) Fixed Assets		
All the assets are stated at cost less depreciation, after taking into consideration provision for NPA.		



(d) Depreciation

The depreciation on assets for own use is provided on straight line method at the rates Specified in Schedule XIV of the Companies Act, 1956 on Pro-rata Basis.

(e) Investments

Long Term Investments are stated at cost. Provision is made for any diminution in the market value of the Quoted Investments. The Company does not have any Current Investments.

(f) Stock In Trade

Stock in Trade is valued at Lower of Cost and net realizable value. Cost is determined on FIFO basis.

(g) Retirement Benefits

- a) The Employee and Company make monthly fixed Contribution to Government of India Employee's Provident Fund equal to a specified percentage of the Covered employee's salary, Provision for the same is made in the year in which services are rendered by the employee.
- b) The Liability for Gratuity to employees, which is a defined benefit plan is determined on the basis of actuarial Valuation based on Projected Unit Credit method. Actuarial gain / loss in respect of the same is charged to the profit and loss account.

(h) Borrowing Cost

Borrowing costs are capitalized as part of qualifying fixed assets when it is possible that they will result in future economic benefits. Other borrowing costs are expensed.

(i) Provision for Taxation

Provision for taxation has been made in accordance with the tax laws and rules applicable to the relevant assessment year.

(j) Deferred Taxation

Deferred Tax resulting from timing differences between book and tax profit is accounted for under the liability method, at the current rates of tax, to the extent that the timing differences are expected to crystallise.

(k) Impairment

The management periodically assesses, using external and internal sources whether there is an indication that an asset an asset may be impaired. If an asset is impaired, the company recognises an impairment loss as the excess of the carrying amount of the asset over the recoverable amount.

(l) Provisions, Contingent Liabilities and Contingent Assets

Provisions involving substantial degree of estimation in measurement are recognized when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent liabilities are not recognized but are disclosed in the notes to the accounts. Contingent Assets are neither recognized nor disclosed in the financial statement.

(m) Transfer and recourse obligation under Debt Securitization.

The company assigns assets under securitization transactions. The assigned loans / assets are derecognized and gains / losses are recorded on assignment of loan contracts. Recourse obligation with respect to Debt Securitizations with other financiers is provided in books as per past track records of delinquency / servicing of the loans of the Company.

1. Contingent liabilities not provided for: -

(a) Disputed Demand of Income Tax Rs. 38.69 Lacs (Previous year Rs.58.70 Lacs) (Against which the Company has paid Rs. 29.73 Lacs [Previous year Rs.11.00 Lacs] under protest which are shown as advances)

2. The disclosure in respect of Employee Benefit as defined in the Accounting Standard 15 is given below :

A. The Amounts (In Rs.) Recognized In The Balance Sheet Are As Follows:		
Particulars	Gratuity Defined Benefit Obligation 31/03/2011	Gratuity Defined Benefit Obligation 31/03/2010
Present value of funded obligations	-	-
Fair value of plan assets -	-	-
Present value of unfunded obligations	161874	110726
Unrecognized past service cost	-	-
Net liability	161874	110726
Amounts in the balance sheet:		
Liabilities	161874	110726
Assets	-	-
Net liability	161874	110726



B. The Amounts (In Rs.) Recognized In The Statement Of Profit And Loss Are As Follows:		
Particulars	Gratuity Defined Benefit Obligation 31/03/2011	Gratuity Defined Benefit Obligation 31/03/2010
Current service cost	30852	17585
Interest on obligation	9135	7867
Expected return on plan assets	-	-
Net actuarial losses (gains) recognized in year	11161	(10085)
Past service cost	-	-
Losses (gains) on curtailments and settlement	-	-
Total, included in 'employee benefit expense'	51148	15367
Actual return on plan assets	-	-

C. Changes In The Present Value Of The Defined Benefit Obligation Representing Reconciliation Of Opening And Closing Balances Thereof Are As Follows:		
Particulars	Gratuity Defined Benefit Obligation 31/03/2011	Gratuity Defined Benefit Obligation 31/03/2010
Opening defined benefit obligation	110726	95359
Service cost	30852	17585
Interest cost	9135	7867
Actuarial losses (gains)	11161	(10085)
Losses (gains) on curtailments	-	-
Liabilities extinguished on settlement	-	-
Liabilities assumed in an amalgamation in the nature of purchase	-	-
Exchange differences on foreign plans	-	-
Benefits paid	-	-
Closing defined benefit obligation	161874	110726

D. Changes In The Fair Value Of Plan Assets Representing Reconciliation Of The Opening And Closing Balances Thereof Are As Follows:		
Particulars	Gratuity Defined Benefit Obligation 31/03/2011	Gratuity Defined Benefit Obligation 31/03/2010
Opening fair value of plan assets	-	-
Expected return	-	-
Actuarial gains and (losses)	-	-
Assets distributed on settlements	-	-
Contributions by employer	-	-
Assets acquired in an amalgamation in the nature of purchase	-	-
Exchange differences on foreign plans	-	-
Benefits paid	-	-
closing balance of fair value of plan assets	-	-

E. The Major Categories Of Plan Assets As A Percentage Of Total Plan Assets Are As Follows:		
Particulars	Gratuity Defined Benefit Obligation 31/03/2011	Gratuity Defined Benefit Obligation 31/03/2010
Government of India Securities	0.00%	0.00%
High quality corporate bonds	0.00%	0.00%
Equity shares of listed companies	0.00%	0.00%
Property	0.00%	0.00%
Insurance Company	0.00%	0.00%



F. Principal Actuarial Assumptions At The Balance Sheet Date (Expressed As Weighted Averages):		
Particulars	Gratuity Defined Benefit Obligation 31/03/2011	Gratuity Defined Benefit Obligation 31/03/2010
Discount rate	8.40 %	8.25 %
Expected return on plan assets	-	-
Proportion of employees opting for early retirement	-	-
Annual increase in Salary costs	6.00%	5 %
Future changes in maximum state health care benefits	-	-

G. Gratuity Benefit Amount for the current period are as follow		
Particulars	Gratuity Defined Benefit Obligation 31/03/2011	Gratuity Defined Benefit Obligation 31/03/2010
Defined benefit obligation	161874	110726
Plan assets	-	-
Surplus/(deficit)	(161874)	(110726)
Experience adjustments on plan liabilities	(7016)	(4650)
Experience adjustments on plan assets	-	-
Actuarial Loss/(Gain) due to change in assumption	18177	(5435)
Actuarial Loss/(Gain) due to participant experience	(7016)	(4650)
Actuarial Loss/(Gain) on liabilities	11161	(10085)
Net Actuarial Loss/(Gain) on liabilities	11161	(10085)

3. Segment Reporting:

In the opinion of the management, the Company is mainly engaged in the business of providing commercial finance. All other activities of the Company revolve around the main business, and as such, there are no separate reportable segments.

4. Related Party Disclosures :

List of Related Parties with whom transactions have taken place during the year:

A) Key Management Personnel

Mr. Jayendrabhai Patel
 Mr. Aalokbhai Patel
 Mr. Amitbhai Manakiwala

B) Relatives of Key Management Personnels

<u>Name of Party</u>	<u>Related party Relationship</u>
Mrs. Ritaben J. Patel	Relative of Key Management Personnel
Mr. Aakash J. Patel	Relative of Key Management Personnel
J.B.Patel HUF	Key Management personnel is Karta
Raj Enterprise	Key Management personnel is Proprietor
Mrs. Himani Manakiwala	Relative of Key Management Personnel
Mr. Maulik Manakiwala	Relative of Key Management Personnel
J B Patel & Co.	Key Management personnel is co-owner
Mrs. Sachi Patel	Relative of Key Management Personnel
Amit Manakiwala (HUF)	Key Management personnel is Karta
Aakash Patel (HUF)	Relative of Key Management Personnel
Namra Holdings & Cons. Services Pvt. Limited	Relative of Key Management Personnel is Director



Details of Transactions are as follows:

Sr. No.	Nature of Transactions	Key Management Personnels	Relatives of Key Management Personnel	Total
1	Expenses			
	Remuneration & Perquisites	2039664 (889980)	Nil (Nil)	2039664 (889980)
	Sitting Fees	20000 (5000)	30000 (40000)	50000 (45000)
	Interest Paid	847707 (566538)	1336847 (1099672)	2184554 (1666210)
	Rent Paid	Nil (Nil)	19856 (19856)	19856 (19856)
	Professional Fees	688000 (210000)	Nil (Nil)	688000 (210000)
2	Unsecured Loan			
	Loan taken during the year	3555000 (3535000)	5908000 (5230000)	9463000 (8765000)
	Loan repaid during the year	7063318 (2740927)	12863661 (3065219)	19926979 (5806146)
	Balance out standing at 31/03/2011	Nil (2660611)	180639 (5799453)	180639 (8460064)

List of Transaction, out of the transaction reported in the above table, where the transaction entered in to with single party exceeds 10 % of the total related party transactions of similar nature are as under:

Unsecured Loan taken includes taken from Shri Jayendra Patel Rs. 20,10,000 (P.Y. Rs. 21,70,000), from Smt. Himani A. Manakiwala Rs. 1,50,000 (P.Y. Rs. 5,25,000), from Smt. Ritaben J. Patel Rs. 21,00,000 (P.Y. Rs. 25,50,000), from Shri Aakash J. Patel Rs. 5,95,000 (P.Y. Rs. 15,00,000), from Shri Aalok J. Patel Rs. 15,45,000 (P.Y. Rs. 13,65,000), from Jayendra Patel (HUF) Rs.2,05,000 (P.Y. Rs. 80,000), from Smt. Sachi Patel Rs. 6,58,000 (P.Y. Rs. Nil), from Amit Manakiwala (HUF) Rs. 7,00,000 (P.Y. Rs. Nil), from Namra Holdings & Consultancy Services Pvt. Limited Rs. 15,00,000 (P.Y. Rs. Nil) Unsecured Loan repayments includes paid to Shri Jayendra Patel Rs. 31,24,114 (P.Y. Rs. 24,84,664), to Smt. Himani A. Manakiwala Rs. 7,91,839 (P.Y. Rs. Nil), to Smt. Ritaben J. Patel Rs. 35,40,297 (P.Y. Rs. 23,20,709), to Shri Aakash Patel Rs. 33,58,848 (P.Y. Rs. Nil), to Shri Aalok Patel Rs. 39,39,204 (P.Y. Rs. 2,41,277), to Aakash Patel (HUF) Rs.1,19,530 (P.Y. Rs. Nil), to Smt. Sachi Patel Rs. 7,17,287 (P.Y. Rs. Nil), to Amit Manakiwala (HUF) Rs. 7,89,088 (P.Y. Rs. Nil), to Shri Maulik Manakiwala Rs. 4,96,551 (P.Y. Rs. Nil), to Jayendra Patel (HUF) Rs. 14,97,208 (P.Y. Rs. Nil), to Namra Holdings & Consultancy Services Pvt. Limited Rs. 15,53,013 (P.Y. Rs. Nil), Interest paid includes paid to Shri Jayendra Patel Rs. 3,80,108 (P.Y. Rs. 2,58,740), to Shri Aakash Patel Rs. 4,42,612 (P.Y. Rs. 3,86,585), to Shri Aalok Patel Rs. 5,08,432 (P.Y. Rs. 3,07,798), to Smt. Ritaben J Patel Rs. 4,49,126 (P.Y. Rs. 3,49,312), to J B Patel (HUF) Rs. 2,17,683 (P.Y. Rs. 1,82,789), to Aakash Patel (HUF) Rs.17,754 (P.Y. Rs. 1,973), to Smt. Sachi Patel Rs. 53,359 (P.Y. Rs. Nil), to Amit Manakiwala (HUF), Rs. 80,179 (P.Y. Rs. Nil), to Smt. Himani Manakiwala Rs. 1,07,252 (P.Y. Rs. 63,472), to Shri Maulik Manakiwala Rs. 21,551 (P.Y. Rs. 57,427), to Namra Holdings & Consultancy Services Pvt. Limited Rs.53,013 (P.Y. Rs. Nil) Balance Outstanding includes of Shri Jayendra Patel Rs. Nil (P.Y. Rs. 7,74,076), of Shri Aakash Patel Rs. Nil (P.Y. Rs. 25,32,165), of Shri Aalok Patel Rs. Nil (P.Y. Rs. 18,86,535), of Smt Ritaben Patel Rs. Nil (P.Y. Rs. 10,28,603), of J B Patel (HUF) Rs. Nil (P.Y. Rs. 10,96,964), of Aakash Patel (HUF) Rs. 1,80,639 (P.Y. Rs. Nil) Remuneration includes payment to Shri Jayendrabhai Patel Rs. 15,32,203 (P.Y. Rs. 6,39,749) and to Shri Amit Manakiwala Rs. 44,625 (P.Y. Rs. 2,50,231), to Shri Aalok Patel Rs.4,62,436 (P.Y. Nil) Sitting Fees included paid to Smt. Ritaben Patel Rs. 30,000 (P.Y. Rs. 40,000) and Shri Amitbhai R. Manakiwala Rs.20,000 (P.Y.Rs.5,000), Rent includes paid to J B Patel & Co. Rs. 19,856 (P.Y. 19,856), Professional Fees includes paid to Shri Amitbhai R. Manakiwala Rs. 6,88,000 (P.Y.Rs.2,10,000)

5. Major components of deferred tax assets and liabilities arising out of timing differences are as follows:

		2010-2011 Amount Rs.	2009-2010 Amount Rs.
1	Deferred Tax Asset on account of		
	Provision for NPAs that are allowable for Tax purpose in the year of actual loss	4,62,147	1,65,184
	Provision for Gratuity	52,204	37,636
	Right Issue Expense	2,88,799	Nil
	Total Deferred Tax Assets	8,03,150	2,02,820
	Deferred Tax Liability on account of		
	Additional Depreciation on Fixed Assets for Tax purpose due to higher tax depreciation rates.	16,07,479	15,21,102
	Total Deferred Tax Liability	16,07,479	15,21,102
	Net Deferred Tax Liability	8,04,329	13,18,282



6. Earning Per Share

	2010-2011 Amount Rs.	2009-2010 Amount Rs.
Numerator used for calculating Basic and Diluted Earning Per Share (Profit After Tax)	1,81,33,181	78,81,148
Weighted Average No. of Shares used as denominator for calculating Basic and Diluted Earning Per Share	40,76,600	40,76,600
Nominal Value per Share	10	10
Basic and Diluted earning per share	4.45	1.93

7. Balances are subject to confirmation.

8. In the opinion of the Board, Current assets and loans and advances, are approximately of the value stated, if realised in ordinary course of business.

9. Remuneration Paid to Directors is as under :

	For the Year Ended 31-3-2011	For the year Ended 31-3-2010
Salary & Bonus	19,62,046	795,976
Perquisites	77,615	57,404
PF	31,032	36,600
Total...	20,70,693	8,89,980

10. Auditors' Remuneration includes :

	For the Year Ended 31-3-2011	For the year Ended 31-3-2010
Audit Fees	110,300	110,300
Tax Audit Fees	33,090	33,090
Taxation Matters	22,060	22,060
Certification & Others	17,758	55,628
Total...	183,208	2,21,078

11. As per the prudential norms of the Reserve Bank of India, provision has been made in the accounts for the Non Performing Assets. Income is not recognised in respect of Non Performing Assets.

12. Disclosure requirement by Originator as per Reserve Bank of India's Guidelines on Securitization of standard Assets are as under:

Particulars	2010-2011	2009-2010
Total No. of Loan Assets	504	Nil
Book Value of loan Assets	1,93,71,228	Nil
Sales Consideration received from securitized assets	2,13,75,872	Nil
Gain / (Loss) on Securitised Assets	4,68,028	Nil
Form of Service Provided	Post Securitization assets servicing	Nil
Quantum of Outstanding Value of Services	15,36,616	Nil

13. Share Trading Income includes (Rs. 23,246/-) (P.Y. Rs. 1,16,507/-) on account of (diminution)/ increase in the market value of closing stock.

14. Loans Secured by Hypothecation includes Rs. NIL/- (P.Y. Rs. 8,39,176/-) outstanding portfolio on which NPA provisions of Rs. NIL/- (P.Y. Rs. 83,918/-) has been made.

15. Loans to Companies, Firms & Individual includes Rs. 3,27,071/- (P.Y. Rs. 5,04,100/-) out standing portfolio on which NPA provisions of Rs. 66,228/- (P.Y. Rs. 50,410/-) has been made.

16. Sundry Debtors includes Rs. 26,45,094/- (P.Y. Rs. 32,73,426/-) principal out standing on which NPA provisions of Rs. 2,66,785/- (P.Y. Rs. 3,51,650/-) has been made.

17. Bad debts & Irrecoverable W/off are shown net off bad debts recovery during the year amounting to Rs.3,91,570/- (P.Y. Rs. 1,40,077/-).

18. NPA Provision are shown net off NPA Provision written back during the year amounting to Rs. 4,39,226/- (P.Y. 4,08,258/-).



19. Current Account with Banks includes Rs. 2,49,508/- (Prev. Year Rs. 74,590/-) in Unpaid Dividend Account.
20. Loans secured by hypothecation of Assets (Vehicles) are secured by hypothecation of the Assets (Vehicles) under finance. In opinion of the Board, the market value of the hypothecated Assets (Vehicle) as on Balance Sheet date is more than the amount of Loan Outstanding.
21. To the extent of available information, at the year-end, there were no outstanding amounts due to S.S.I Units in excess of Rs. 1,00,000/-.
22. (a) Particulars in respect of Opening Stock, Purchases, Sales and Closing Stock of Shares (As Certified by Directors).

	As at 31-3-2011		As at 31-3-2010	
	Qty. (Nos.)	Value (Rs.)	Qty. (Nos.)	Value (Rs.)
Opening Stock	47738	301223	22611	184716
Purchase	Nil	Nil	** 25127	Nil
Sales	47738	404900	Nil	Nil
Closing Stock	Nil	Nil	47738	301223

** Purchase includes Nil shares received during the year (P.Y. 25127).

(b) Particular of Mutual Funds purchased and sold during the financial year 2010-11.

Sr. No.	Particular	Purchase during the year		Sold during the year	
		Units	Value (Rs.)	Units	Value (Rs.)
1	GFRD IDFC Money Manager Fund	Nil (1439934.85)	Nil (14522713.15)	Nil (1439934.85)	Nil (14522713.15)
	Total	Nil (1439934.85)	Nil (14522713.15)	Nil (1439934.85)	Nil (14522713.15)

23. As required in terms of Paragraph 13 of Non-Financial Companies Prudential Norms (Reserve Bank) Directions, 2007, schedule to the Balance Sheet of a Non-Banking Financial Company are annexed hereto.

(Amount in Rs.)

24. Earning in foreign currency - Nil (Nil)
25. Expenditure in foreign Currency - Nil (Nil)
26. Previous years' figures have been regrouped / rearranged wherever necessary so as to make them comparable with those of the current year.

Signature to Schedules "1" to "15"
As per our report of even date attached.

For, J. T. SHAH & COMPANY
CHARTERED ACCOUNTANTS
(J. J. SHAH)
PARTNER
Place : Ahmedabad
Date : 11/05/2011

For & On behalf of Board of Directors

Jayendra Patel **Amit Manakiwala**
Vice Chairman & **Director**
Managing Director



**ARMA FINANCIAL SERVICES LIMITED
(FORMERLY KNOWN AS ARMA LEASE AND FINANCE LIMITED)**

Schedule to the Balance Sheet of a Non-Banking Financial Company
[as required in terms of Paragraph 13 of Non-Banking Financial (Non Deposit or Holding)
Companies Prudential Norms (Reserve Bank) Directions, 2007]

(Rs. In lakhs)

Particulars		Amount Outstanding	Amount Overdue
(1)	Liabilities side :		
	Loan and advances availed by the NBFCs inclusive of interest accrued thereon but not paid :		
	(a) Debentures: Secured	NIL	NIL
	Unsecured (other than falling within the meaning of public deposits*)	NIL	NIL
	(b) Deferred Credits	NIL	NIL
	(c) Term Loans	1832.63	NIL
	(d) Inter-Corporate loans and borrowing		NIL
	(e) Commercial Paper	NIL	NIL
	(f) Public Deposits*	NIL	NIL
	(g) Other Loans (specify nature)	2129.15	NIL
	* Please see Note 1 below		
(2)	Break-up of (1)(f) above (Outstanding public deposits inclusive of interest accrued thereon but not paid):		
	(a) In the form of Unsecured debentures	NIL	NIL
	(b) In the form of partly secured debentures i.e. debentures where there is a shortfall in the value of security	NIL	NIL
	(c) Other Public Deposits	NIL	NIL
	Assets Side:		
		Amount Outstanding	
(3)	Break-up of Loans and Advances including bills receivable [other than those included in (4) below]:		
	(a) Secured	NIL	NIL
	(b) Unsecured	2117.24	1.86
(4)	Break-up of Leased Assets and stock on hire and hypothecation loans counting towards EL/HP activities		
	(i) Lease assets including lease rentals under sundry debtors:		
	(a) Financial Lease	NIL	NIL
	(b) Operating lease	NIL	NIL
	(ii) Stock on hire including hire charges under sundry debtors:		
	(a) Assets on hire	NIL	NIL
	(b) Repossessed Assets	NIL	NIL
	(iii) Hypothecation loans counting towards EL/HP activities		
	(a) Loans where assets have been re-possessed	NIL	NIL
	(b) Loans other than (a) above	2258.30	50.36
(5)	Break-up of Investments:		
	Current Investments:		
	1. Quoted:		
	(i) Shares (a) Equity	NIL	NIL
	(b) Preference	NIL	NIL
	(ii) Debentures and Bonds	NIL	NIL
	(iii) Units of mutual funds	NIL	NIL
	(iv) Government Securities	NIL	NIL
	(v) Others (please specify)	NIL	NIL



	2. Unquoted:			
	(i) Shares	(a) Equity	NIL	NIL
		(b) Preference	NIL	NIL
	(ii) Debentures and Bonds		NIL	NIL
	(iii) Units of mutual funds		NIL	NIL
	(iv) Government Securities		NIL	NIL
	(v) Others (please specify) FDR		344.46	NIL
	Long-term investments:			
	1. Quoted:			
	(i) Shares	(a) Equity	NIL	NIL
		(b) Preference	NIL	NIL
	(ii) Debentures and Bonds		NIL	NIL
	(iii) Units of mutual funds		NIL	NIL
	(iv) Government Securities		NIL	NIL
	(v) Others (please specify)		NIL	NIL
	2. Unquoted:			
	(i) Shares	(a) Equity	NIL	NIL
		(b) Preference	NIL	NIL
	(ii) Debentures and Bonds		NIL	NIL
	(iii) Units of mutual funds		NIL	NIL
	(iv) Government Securities		NIL	NIL
	(v) Others (please specify)		NIL	NIL

(6) **Borrower group-wise classification of all leased assets, stock-on-hire and loans and advances**
Please see Note 2 below

Category	Amount net of provision		
	Secured	Unsecured	Total
1. Related Parties**	NIL	NIL	NIL
'(a) Subsidiaries	NIL	NIL	NIL
'(b) Companies in the same group	NIL	NIL	NIL
'(c) Other related parties	NIL	NIL	NIL
2. Other than related parties	2258.30	2117.24	4375.53
Total	2258.30	2117.24	4375.53

(7) **Investor group-wise classification of all investments (current and long-term) in shares and securities (both quoted and unquoted):**
Please see note 3 below

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

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



(8) Other information

		Particulars	Amount
	(i)	Gross Non-performing Assets	NIL
		'(a) Related Parties	NIL
		'(b) Other than related parties	29.72
	(ii)	Net Non-Performing Assets	NIL
		'(a) Related Parties	26.39
		'(b) Other than related parties	
	(iii)	Assets acquired in satisfaction of debts	NIL

- As defined in paragraph 2(1) (xii) of the Non Banking Financial Companies Acceptance of Public Deposits (Reserve Bank) Directions, 1998.
- Provisioning Norms shall be applicable as prescribed in the Non-Banking Financial Companies Norms (Reserve Bank) Directions, 1998.
- All Accounting Standards and Guidance Notes issued by ICAI are applicable including for valuation of Investments and other assets as also assets aquired in satisfaction of debts. However, market value in respect of quoted investments and break-up/fair value/NAV in respect of unquoted investments should be disclosed irrespective of whether they are classified as long-term or current in column (5) above

ADDITIONAL INFORMATION AS REQUIRED UNDER PART IV OF SCHEDULE VI TO THE COMPANIES ACT, 1956.

Balance sheet abstract and company's General business Profile

(a) **Registration Details**

Registration No. : 18623 State Code : 04
Balance Sheet Date : 31st March 2011

(b) **Capital Raised during the year (Amount in Rs.lacs.)**

Public Issue : Not Applicable Right Issue : Not applicable
Bonus Issue : Not applicable Private Issue : Not applicable

(c) **Position of Mobilisation and Development Funds (Amount in Rs.lacs)**

Total Liabilities : 4896.42 Total assets : 4896.42

SOURCES OF FUNDS

Paid-up Capital : 407.66 Reserve and Surplus : 518.93
Secured Loans : 3859.07 Unsecured Loans : 102.71
Deferred tax Liability : 8.04

APPLICATION OF FUND

Net Fixed Assets : 109.66 Investments : Nil
Net Current Assets : 4786.76 Misc.Expenditure : Nil
Accumulated loss : Not applicable

(d) **Performance of company (Amount in Rs.lacs)**

Total Turnover : 1142.25 Total Expenditure : 8750.59
Profit Before tax : 267.19 Profit After tax : 78.81
Earning per Share : 4.45 Dividend Rate : 0.80

(Annulised)

(e) **Generic Names of three Product/Services of Company (As per Monetary terms)**

The Company undertakes the financial service activities like Two Wheeler, Three Wheeler Financing, ICD, Micro Financing and Personal Financing.

For & On behalf of Board of Directors

Date : 11/05/2011
Place : Ahmedabad

Jayendra Patel Vice Chairman & Managing Director
Amit Manakiwala Director



ARMAN FINANCIAL SERVICES LIMITED

REGISTERED OFFICE : 502-503, SAKAR III, OPP. OLD HIGH COURT, OFF ASHRAM ROAD, AHMEDABAD - 380 014

PLEASE FILL ATTENDANCE SLIP AND HAND IT OVER AT THE ENTRANCE OF THE MEETING HALL
Joint Shareholders may obtain additional Slip on request.

ATTENDANCE SLIP

Dp Id*	
Client Id*	

Master Folio No.	
------------------	--

NAME AND ADDRESS OF THE SHAREHOLDER
No. of Shares held

I hereby record my presence at the **19TH ANNUAL GENERAL MEETING** of the Company held on Monday the 26th September, 2011 at 1.00 P.M. at "The Ahmedabad Textile Mills' Association (ATMA) Hall, Ashram Road, Ahmedabad 380 009.

SIGNATURE OF THE SHAREHOLDER OR PROXY **

*Application for Investors holding shares in electronic form.

**Strike out whichever is not applicable.

----- TEAR HERE -----



ARMAN FINANCIAL SERVICES LIMITED

REGISTERED OFFICE : 502-503, SAKAR III, OPP. OLD HIGH COURT, OFF ASHRAM ROAD, AHMEDABAD - 380 014

PROXY FORM

Dp Id*	
Client Id*	

Master Folio No.	
------------------	--

I/WE _____
of _____ being a member/
members of ARMAN FINANCIAL SERVICES LIMITED hereby appoint _____
of _____
of failing him _____ of _____
as my/our proxy to vote for me/us and on my/our behalf at the **19TH ANNUAL GENERAL MEETING**
to be held on Monday the 26th September, 2011 at 1.00 P.M. or at any adjournment thereof.

Signed this _____ day of _____ 2011.

*Application for Investors holding shares in electronic form.

NOTE : The Proxy in order to be effective should be duly stamped, completed and signed and must be deposited at the Registered Office of the Company not less than 48 hours before the time for holding the aforesaid meeting. The Proxy need not be a member of the Company.

Affix a 30 paise Revenue Stamp

B O O K - P O S T



If Undelivered please return to :

Arman Financial Services Limited
502-503, Sakar-III, Opp. Old High Court,
Off Ashram Road, Ahmedabad-380 014.