

STEP TWO CORPORATION LIMITED

NOTICE

NOTICE IS HEREBY GIVEN that the Twelfth Annual General meeting of the Members of Step Two Corporation Limited will be held at 21, Hemanta Basu Sarani, 5th Floor, Suite No.507, Kolkata - 700 001, on Wednesday, the 27th day of September, 2006 at 10:00 A.M. to transact the following business:

AS ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as on 31st March, 2006 and Profit and Loss Account for the year ended on that date and the Reports of Directors and Auditors thereon.
2. To appoint a Director in place of Shri Raj Kumar Agarwal who retires by rotation and being eligible offers himself for reappointment.
3. To appoint Auditors and to fix their remuneration. The retiring Auditors, M/s. B. P. Agarwal & Associates, Chartered Accountants, Kolkata are eligible for re-appointment.

AS SPECIAL BUSINESS

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

Amendment of Objects Clause

"RESOLVED that pursuant to section 17 of the Companies Act, 1956, and all other enabling provisions, if any, and subject to the approval of the members by postal ballot, the objects clause of the Memorandum of Association of the Company be and is hereby altered so as to include the following objects under the head "Main Objects" and numbered respectively as 1, 2 & 3 and the other objects stated therein be renumbered respectively beginning from No.4:

1. To carry on all or any of the business of investment company & to purchase, invest acquire, hold sell, transfer, hypothecate, deal exchange and dispose of or otherwise invest in shares, debentures, stocks Negotiable Instruments bonds, obligations and securities, issued or guaranteed by any company constituted or carrying on business in India or elsewhere and debenture, bonds, stocks, obligations and securities issued or guaranteed by any government, state dominion, sovereigns ruler, commissioner, public body or authority, supreme, municipal, local or otherwise whether in India or elsewhere.
2. To carry on the business of investors, guarantors and to finance, lend or advance money or give loans to such person or firm or body corporate with the object of financing industrial enterprises either with or without interest or security or on any such terms as may be determined and to receive money on deposit or loan upon such terms and conditions as the Company may approve. Provided that the Company shall not do any banking business as defined in the Banking Regulations Act, 1949 and further carry on the business of investment in shares and securities, sick-industries, rehabilitation, bridge financing, bill discounting, international capital market operations, money market operations, share finance, venture Capital finance and such other inter-related activities of lending money, financing industrial enterprises, borrowing money, accepting deposits and loans whatsoever in India or aboard and to carry on business as financiers, concessionaries to undertake and carry on and execute all kinds of financial, commercial and trading operation and to discount buy, sell and deal in bills, notes, Warrants, coupons, suits and decree for money guarantee by and court in the Union of India and other negotiable or transferable securities or documents but not to carry on chit fund business.
3. To carry on the business of Leasing, Hire Purchase finance and letting on hire and entering into any financial arrangement on acquiring, by import or otherwise and providing on lease, hire or rent in India and aboard, all types of plant, machinery, automobiles, vehicles, equipment, tools, dies,

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moulds, appliances, implements, instrument or apparatus, installation and fittings for domestic, industrial, commercial trading office or agricultural use vehicles, of all kinds and description, ships, aeroplanes and accessories thereof, land, building, offices show-rooms, shops, factories, godowns or any immovable properties or real estate; furniture, fixtures and utensils; air conditioners, refrigerators, television, video, tape recorders and all other electric and electronic equipments; and all other things, assets, of whatsoever nature used in the manufacturing processing, transportation and trading business and other commercial and service business.

“RESOLVED THAT in terms of Section 192A, read with the Companies (Passing of the Resolution by Postal Ballot) Rules, 2001 and amendments thereto, the aforesaid alteration of object clause shall require the approval of shareholders only through postal ballot.”

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

Alteration of Articles of Association- Postal Ballot

“Resolved that, pursuant to the provisions of Section 31 of the Companies Act, 1956, and other relevant provisions, the following Article be and is hereby inserted as Article 62A after Article 62 of the Articles of Association:”

62A: Passing of resolution by postal ballot

Notwithstanding anything contained in the Articles of Association of the Company, the Company do adopt the mode of passing a resolution by the members of the Company by means of a postal ballot and/or other ways as may be prescribed by the Central Government in this behalf in respect of the following matters, instead of transacting such business in a General Meeting of the Company :

- any business that can be transacted by the Company in General Meeting; and
- particularly, resolutions relating to such business as the Central Government, may by notification, declare to be conducted only by postal ballot.

The Company shall comply with the procedure for such postal ballot and/or other ways prescribed by the Central Government in this regard.”

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

Alteration of Articles of Association- Dematerialisation

“Resolved that, pursuant to the provisions of Section 31 of the Companies Act, 1956, and other relevant provisions, the following Article be are hereby inserted as Articles 54A after Article 54 of the Articles of Association:”

54A DEMATERIALISATION OF SECURITIES

Definitions

For the purpose of this Article, unless the context otherwise requires:

Beneficial Owner : ‘Beneficial Owner’ means the beneficial owner as defined in clause (a) of sub-section (1) of Section 2 of the Depositories Act, 1996.

Bye-laws : ‘Bye-laws’ means bye-laws made by a Depository under Section 26 of the Depository Act, 1996.

Depositories Act : ‘Depositories Act’ means the Depositories Act, 1996, and any statutory modification or re-enactment thereof for the time being in force.

Depository : ‘Depository’ means a Company formed and registered under the Companies Act, 1956 (1 to 1956) (the Act) and which has been granted a certificate of registration under sub-section (1 A) of Section 12 of the Securities and Exchange Board of India Act, 1992 (15 of 1992)

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Record : 'Record' include the records maintained in the form of books or stored in a computer or in such other form as may be determined by regulations.

Regulations : 'Regulations' means the regulations made by SEBI.

SEBI : 'SEBI' means the Securities and Exchange Board of India.

Security: 'Security' means such security as may be specified by SEBI from time to time.

Member: 'Member' means a person who holds any shares in the Company and includes a duly registered holder from time to time of the shares of the Company and includes every person holding, Equity Share Capital of the Company and a person whose name is entered as a beneficial owner in the records of a Depository shall be deemed to be a member of the Company.

Dematerialisation of Securities:

Notwithstanding anything contained in these Articles, the Company shall be entitled to dematerialise or rematerialise its shares, debentures and other securities (both existing and future) in accordance with the provisions of the Depositories Act, 1996 and the Rules framed thereunder, if any and to offer the same for subscription in a dematerialised form and on the same being done, the Company shall maintain a Register of Members/Debenture holders holding shares/debentures both in material and dematerialized media as permitted by law including any form of electronic media, whether in respect of existing shares or any future issue.

Option for Investors:

Every person subscribing to securities offered by the Company shall have the option to receive the security certificates or to hold the securities with a Depository. A beneficial owner of any security can at any time opt out of a Depository in respect of any security in the manner provided by the Depositories Act or rules made thereunder and the Company shall, in the manner and within the time prescribed, issue to the beneficial owner the required certificate of securities.

Where a person opts to hold his security with a Depository, the Company shall intimate such Depository the details of allotment of the security, and on receipt of such information, the Depository shall enter in its record the name of the allottee as the beneficial owner of the security.

Securities in Depositories to be in fungible form:

All securities held by a Depository shall be dematerialised and shall be in a fungible form. Nothing contained in Section 153, 153A, 153B, 187B, 187C and 372A of the Act shall apply to a Depository in respect of the securities held by it on behalf of the beneficial owners.

Rights of Depositories and Beneficial Owners:

1. Notwithstanding anything to the contrary contained in the Act or these Articles, a Depository shall be deemed to be the registered owner for the purpose of effecting transfer of ownership of securities on behalf of the beneficial owner.
2. Save as otherwise provided in (a) above, the Depository as a registered owner of the securities shall not have any voting rights or any other rights in respect of the securities held by it.
3. Every person holding securities of the Company and whose name is entered as a beneficial owner in the records of the Depository shall be deemed to be a member of the Company. The beneficial owner of the securities shall be entitled to all the rights and benefits and be subject to all the liabilities in respect of his securities held by a Depository.

Depository to furnish information:

Notwithstanding anything to the contrary contained in the Act or these Articles, where the securities are held in a Depository, the records of the beneficial ownership may be served by such Depository on the Company by means of electronic mode or by, delivery of floppies and discs.

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Section 83 and 108 of the Act not apply:

Notwithstanding anything to contrary contained in the Articles -

- i) Section 83 of the Act shall not apply to the shares with a Depository
- ii) Section 108 of the Act shall not apply to transfer of security effected by the transferor and the transferee both of whom are entered as beneficial owners in the records of a Depository.

Register and Index of Beneficial Owners:

In case of the dematerialized shares the Register and Index of Beneficial Owners maintained by a Depository under the Depositories Act, shall be deemed to be a Register and index of members as provided in accordance with Section 152A of the Act.

Intimation to Depository:

Notwithstanding anything contained in the Act or these Articles, where securities are dealt with a Depository, the Company shall intimate the details of allotment of securities thereof to the Depository immediately on allotment of such securities.

Stamp duty on securities held in dematerialized form:

No stamp duty would be payable on shares and securities held in dematerialized form in any medium as may be permitted by law including any form of electronic medium.

Applicability of the depositories Act:

In case of transfer of shares, debentures and other marketable securities, where the Company has not issued any certificate and where such shares, debentures or securities are being held in an electronic and fungible form in a Depository, the provisions of the Depositories Act, 1996 shall apply.

Company to recognize the rights of Registered Holders as also the Beneficial Owners in the records of the Depository

Save as herein otherwise provided, the Company shall be entitled to treat the person whose name appears on the Register of Members as the holder of any share, as also the beneficial Owner of the shares in records of the Depository as the absolute owner thereof as regards receipt of dividends or bonus or service of notices and all or any other matters connected with the Company, and accordingly, the Company shall not, except as ordered benami trust or equity or equitable, contingent or other claim to or interest in such share on the part of any other person or not it shall have express or implied notice thereof.

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

"RESOLVED THAT Shri Ashok Kumar Sharma, appointed as Additional Director whose term of office expires at the conclusion of this Annual General Meeting be and is hereby appointed as a Director of the Company and liable to retire by rotation."

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

"RESOLVED THAT Shri Anup Fatehpuria, appointed as Additional Director whose term of office expires at the conclusion of this Annual General Meeting be and is hereby appointed as a Director of the Company and liable to retire by rotation."

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EXPLANATORY STATEMENT

ITEM NO.4

Amendment of Objects Clause

The Company, being a Non Banking Finance Company, has been engaged in financing and investment business and plans to foray deeply into the equities market. For this reason the main objects as stated in the Memorandum of Association of the Company needs to be expanded to include various other investment options available in the equities market. Besides, the Company plans to acquire membership of various recognized stock exchanges, commodity exchanges and depositories so as to efficiently and economically carry on its investment business. In view of the growing opportunities available in the market the Board recommends that this resolution be approved by the members.

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

ITEM NO.5

Alteration of Articles of Association- Postal Ballot

Section 192A of the Companies Act, 1956 read with the Companies (Passing of the Resolution by Postal Ballot) Rules, 2001 and amendments thereto requires that a listed public Company may, and in the case of resolutions relating to such business as the Central Government may, by notification, declare to be conducted only by postal ballot, shall, get any resolution passed by means of a postal ballot, instead of transacting the business in General Meeting of the Company. Accordingly, the Articles of Association of the Company are to be suitably amended so as to cover postal ballot.

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

ITEM NO.6

Alteration of Articles of Association- Dematerialisation

There has been several changes in the laws governing the functioning of companies in India. Recent technological developments have led to the enactment of the Depositories Act, 1996. The Depositories Act, 1996 has helped the investors by facilitating transactions in shares in dematerialized form. The Depository System seeks to eliminate the problems of the present system of manual and paper based settlement, which is highly unsuitable for any growing capital market. It envisages a far more convenient and safer mode for issue, holding and transfer/transmission of securities. However, in order to bring the Articles of Association of the Company in line with the prevailing laws, amendment as contained in the notice is proposed.

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

ITEM NO.7

Appointment of director

Shri Ashok Kumar Sharma was appointed as an additional director by the Board of Directors in their meeting held on the 23rd day of February, 2006 and his term of office expires at the conclusion of this Annual General Meeting. However, it is in the interest of the Company to utilize the vast experience of Shri Ashok Kumar Sharma as a Director of the Company and as such the Board recommends that this resolution regarding appointment of Shri Ashok Kumar Sharma be approved by the members.

As per the provisions of Section 257 of the Companies Act, 1956, the Company has received a notice from a member proposing the name of Shri Ashok Kumar Sharma as a Director of the Company and Shri Ashok Kumar Sharma has consented to act as such, if appointed.

None of the directors except Shri Ashok Kumar Sharma, is interested or concerned in this resolution except as a member.

ITEM NO.8

Appointment of director

Shri Anup Fatehpuria was appointed as an additional director by the Board of Directors in their meeting held on the 23rd day of February, 2006 and his term of office expires at the conclusion of this Annual General Meeting. However, it is in the interest of the Company to utilize the vast experience of Shri Anup Fatehpuria as a Director of the Company and as such the Board recommends that this resolution regarding appointment of Shri Anup Fatehpuria be approved by the members.

As per the provisions of Section 257 of the Companies Act, 1956, the Company has received a notice from a member proposing the name of Shri Anup Fatehpuria as a Director of the Company and Shri Anup Fatehpuria has consented to act as such, if appointed.

None of the directors except Shri Anup Fatehpuria, is interested or concerned in this resolution except as a member.

NOTES:

1. A Member entitled to attend and vote at this Annual General Meeting may appoint a proxy to attend and vote on a poll on his behalf. A Proxy need not be a Member of the Company. Proxy Forms duly completed should be deposited at the Company's Registered Office at least 48 hours before the commencement of the meeting.
2. The Register of Members & Share Transfer Books of the Company will remain closed from 24th day of September, 2006 to 27th day of September, 2006 (Both days inclusive).
3. All requests for transfer of shares and allied matters along with the relevant transfer deeds and/or share certificates should be sent to the Company's Registrar and Share Transfer Agents, viz., Niche Technologies Pvt. Ltd.
4. The Company's shares are enlisted with NSDL and CDSL for participation into Electronic Depository System operated by them. Its shares are compulsorily to be traded in Electronic Form and the security bears code no. INE623D01015.
5. Members are requested to notify immediately any change in their address to the Registrar and Share Transfer Agents of the Company quoting their folio numbers, to ensure prompt service.
6. Members holding shares in the same name under different folios are requested to apply for consolidation of such folios and send relevant Share Certificates to the Registrar and Share Transfer Agents of the Company.
7. Members are requested to produce the enclosed Attendance Slip at the entrance of the Office and bring their copies of Annual Report to the meeting, as extra copies will not be supplied.
8. Re-appointment / Appointment of Directors: Pursuant to clause 49 of the listing agreement with the Stock Exchanges, the information in respect of Directors being re-appointment has been provided in the section of Corporate Governance incorporated elsewhere in the Annual Report.
9. Business at serial no. 4 above requires consent of shareholders only through postal ballot

Registered Office :
21, Hemanta Basu Sarani,
5th Floor, Suite No.507,
Kolkata - 700 001
Dated : 31st July, 2006

By Order of the Board
Raj Kumar Agarwal
Director

STEP TWO CORPORATION LIMITED

DIRECTORS' REPORT

To
The Members

Your Directors have pleasure in presenting the Twelfth Annual report on the business and operations of the Company together with Audited statements of accounts for the year ended 31st March, 2006.

REVIEW OF OPERATION

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

	CURRENT YEAR		PREVIOUS YEAR	
	Rs.	P.	Rs.	P.
Profit/(Loss) Before Tax	41,78,599.35		5,39,870.13	
Provision for Loss on Equity Stock/Index Future	1,42,200.00		26,65,701.00	
Income Tax for earlier years	—		—	
Current Tax	1,18,605.00		—	
Add : Deferred Tax	(13,470.94)		(18,278.19)	
Profit/(Loss) after Tax	39,31,265.29		(21,07,552.68)	
Transfer to Reserve Fund	7,86,253.06		—	
Balance brought forward from last year	(22,79,777.89)		(1,72,225.21)	
Balance Carried to Balance Sheet	8,65,234.34		(22,79,777.89)	

DIVIDEND

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

OPERATION

The year 2005-2006 saw a tremendous boost in the Indian capital market. However, the year also witnessed a decline in the prevalent market rates of interest. As such, your Directors exercised their prudence and started shifting more towards the equities market and curtailed the loan financing activities. Your Directors decided to foray deeply into the capital market comprising both equities and commodities. The Company has managed to reap the benefits of the expertise available with its Directors and has shown growth in profits. Your Directors are very optimistic about the future prospects and expect to achieve still better results.

DIRECTORS

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

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DIRECTORS RESPONSIBILITY STATEMENT

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

- i) In the preparation of the annual accounts, the applicable accounting standards have been followed and that no material departures have been made from the same.
- ii) Your directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the Profit or Loss of the company for that period.
- iii) Your directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- iv) Your directors have prepared the accompanying Annual Accounts for the year ended 31st, March, 2006 on a going concern basis.

AUDITORS

M/s. B.P. Agarwal & Associates, Chartered Accountants, Kolkata, statutory Auditors of your Company hold office till the conclusion of the 12th Annual General Meeting and are recommended for re-appointment. The Company has received a certificate from them to the effect that their reappointment, if made, would be within the limits prescribed under section 224(1C) of the Companies Act, 1956.

PERSONNEL

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

STATUTORY INFORMATION

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

1. Part A and B pertaining to conservation and technology absorption are not applicable to the company.
2. Foreign Exchange earnings and outgoes : N I L

CORPORATE GOVERNANCE

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

ACKNOWLEDGEMENT

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

For and on behalf of the Board

Sd/-

Raj Kr. Agarwal
Ashok Kumar Sharma
Directors

Place : Kolkata
Date : 30.06.2006

STEP TWO CORPORATION LIMITED

MANAGEMENT DISCUSSION AND ANALYSIS

Economic Scenario

During the year under review, the performance of the Indian economy was better than what was expected. The growth in real GDP was to the extent of 8% in 2005-2006 as against 7.4% in the previous year. The capital market witnessed a steep growth and the BSE Sensex increased from an average of 637 in April, 2005 to a record 10857 points in March, 2006. The rise in the prices of securities was largely driven by domestic mutual funds and foreign institutional investors who evinced keen interest in the market. The inflation, measured by variations in the Wholesale Price Index (WPI) on a year-on-year basis was 4% at end March, 2006.

Business Outlook

The evolving economic and business environments exhibit a number of encouraging signs that suggest a robust economic growth. The simultaneous increase in domestic saving rate and the credit off-take will provide the potential for attainment of accelerated growth in the economy. Besides, there is an encouraging increase in foreign investor interest in India, which could be exploited to attain better economic growth. With the overall growth of the Indian economy, the role of Non-Banking Financial Companies (NBFCs) has become all the more important. Step Two Corporation Limited (STCL) has managed to withstand the intense competition from banks and financial institutions and with its clear understanding of business dynamics and its ability to efficiently switch between the equity and debt markets on a timely basis, it has managed to expand its business and profits.

Analysis of performance for the year

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

Opportunities and Threats

Indian NBFCs are poised for a big change as the economy grows with novel challenges being thrown up. The opportunities are large enough for every NBFC to have its share of the pie with the difference lying in effective delivery and profitability. This however necessitates effective cost management, risk monitoring and technology.

Given the change in the Indian economy, Small and Medium Enterprises (SMEs) have attained global ambition and therefore lending to SMEs will allow NBFCs to diversify credit portfolios, while earning good spreads on its SME exposures.

Internal control system and their adequacy

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

Fulfilment of RBI norms and standards

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

Development in human resources

During the period under review, your Company maintained healthy, cordial and harmonious relations at all levels. The enthusiasm and unstinting efforts of the employees have enabled your Company to remain at the forefront of the industry. Your Directors record their appreciation for this hard work and efficiency.

Conclusion

Statements in this "Management Discussion and Analysis" describing the Company's objectives, projections, estimates, expectation or predictions may be "forward looking statements" within the meaning of applicable securities law and regulations. Actual results could differ materially from those expressed or implied. Many unforeseen factors may come into play and affect results, which could be different from what the Management envisages in terms of performance and outlook.

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CORPORATE GOVERNANCE

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

Step Two Corporation Limited (STCL) has always believed in and practiced various elements of corporate governance since its inception. The Board has adopted corporate governance principles to ensure that the Board remains informed, independent and involved in the company. The Board recognizes that there will be ongoing efforts on better corporate governance, and it will review these principles and other aspects of governance periodically.

Sound corporate governance practices are crucial to the smooth, effective and transparent operation of a company and its ability to attract investment, protect the rights of shareholders and stakeholders and provide shareholder value. Everything we do is defined and conditioned by the highest standards of governance, which serve our values.

2. BOARD OF DIRECTORS

The Board has adopted corporate governance principles to ensure that the Board remains informed, independent and involved in the company and that there are ongoing efforts towards better corporate governance to mitigate "non business" risks. Deliberate focus is laid on ensuring that the board has elements of what the Asian Corporate Governance Association calls "PRIDE"- A Board that assures Participative, Responsible, Independent, Dependable and Efficient action to ensure good governance in benefit of key stakeholders. The Board is fully aware of its fiduciary responsibilities and recognizes its responsibilities to shareholders and other stakeholders to uphold the highest standards in all matters concerning STCL.

The Board of Directors meet at regular intervals with a formal schedule of matters specifically reserved for its attention to ensure that it exercises full control over significant strategic, financial, operational and compliance matters. Besides, information about statutory compliance, minutes of all sub-committees and information as required under listing guidelines are also provided to the Directors on a regular basis. During this year the Board had six meetings on 30.04.2005, 30.07.2005, 04.08.2005, 31.10.2005, 31.01.2006, 15.02.2006 & 23.02.2006.

<u>Name of Director</u>	<u>Type</u>	<u>Executive/ Non-executive</u>	<u>Number of meetings attended</u>	<u>Number of other Directorships*</u>	<u>Whether attended last AGM</u>
Mr. Raj Kumar Agarwal	Promoter	Non-executive	6	3	Yes
Mr. Sanjay Agarwal	Independent	Non-executive	6	Nil	Yes
Mr. Kuldeep Jain	Independent	Non-executive	5	Nil	Yes
Mr. Ashok Kumar Sharma	Independent	Non-executive	1	Nil	No
Mr. Anup Fatehpuria	Independent	Non-executive	1	Nil	No

* Directorship held in Public Limited Company.

3. INFORMATION ON DIRECTORS' RE-APPOINTMENT / APPOINTMENT

Shri Kuldeep Jain resigned from the Board of Directors on 23.02.2006. Shri Ashok Kumar Sharma and Shri Anup Fatehpuria were appointed on the Board on 23.02.2006. Shri Raj Kumar Agarwal is retiring by rotation in the ensuing Annual General Meeting and being eligible offers himself for re-appointment. His brief particulars are as under:

Shri Raj Kumar Agarwal (36 years) possesses immense knowledge in the fields of corporate laws, income tax and retail financing. His rich experience in the corporate world is an asset for the Company and

would surely go a long way in terms of value addition for the Company. He is also on the Board of following companies:

- i) M/s. Avani Projects & Infrastructure Ltd.
- ii) M/s. Global Overseas Ltd.
- iii) M/s. Venista Properties Ltd.
- iv) M/s. NFMA Manufacturers Pvt. Ltd.
- v) M/s. Asra Abasan Pvt. Ltd.

4. AUDIT COMMITTEE

The primary role of the Audit committee is overseeing the financial reporting process and disclosure financial information, reviewing the financial statements before submission to the Board, reviewing adequacy of internal control systems and reviewing findings of internal investigations besides recommending appointment/removal of statutory auditors and fixing their remuneration. The committee holds discussions with the statutory auditors and internal auditors periodically.

The Audit Committee comprised of 3 Directors, Shri Raj Kumar Agarwal, Promoter Non-executive Director, Shri Sanjay Agarwal, Independent Non-executive Director and Shri Kuldeep Jain, Independent Non-executive Director. However, after the resignation of Shri Kuldeep Jain and appointment of Shri Ashok Kumar Sharma and Shri Anup Fatehpuria on 23.02.2006, Shri Ashok Kumar Sharma and Shri Anup Fatehpuria, both Independent Non-executive Directors, were taken on the audit committee. The Committee is chaired by Shri Sanjay Agarwal, Independent Non-executive Director, who possesses the necessary financial background.

The Audit Committee met five times during the year i.e. on 30.04.2005, 30.06.2005, 30.07.2005, 04.08.2005, 31.10.2005 and 31.01.2006 which was attended by Shri Raj Kumar Agarwal, Shri Sanjay Agarwal and Shri Kuldeep Jain. Besides the committee members.

5. SHAREHOLDERS GRIEVANCE COMMITTEE

The Company has already constituted Investors'/ Shareholders' Grievance Committee to look into the redressing of Shareholders' and investors' complaints. This committee presently comprises of Shri Sanjay Agarwal, Independent Non-executive Director, Shri Kuldeep Jain, Independent Non-executive Director (resigned on 23rd February, 2006), Shri Ashok Kumar Sharma including Non-executive Director (appointed on 23rd February, 2006), and Shri Raj Kumar Agarwal, Promoter Non-executive Director. Shri Sanjay Agarwal, Independent Non-executive Director, is the Chairman of the committee. The Committee ensures speedy redress of investor complaints, queries and grievance. During the year under review, the role and scope of the committee was enhanced to comprise the role of the Shareholders Grievance committee which inter alia includes:

- Formulation of shareholders' servicing plans and policies;
- monitoring and reviewing the mechanism of share transfers and dematerialisation of shares, payment of dividends etc.;
- looking into the redressing of shareholders grievances and
- determining, monitoring and reviewing the standards for resolution of shareholders grievances.

No shareholder complaints were received during the year 2005-2006.

6. SHARE TRANSFER

The Company has appointed M/s Niche Technologies (P) Ltd. as Registrar and share transfer agent for share transfer in physical and demat form. Shri Raj Kumar Agarwal, Promoter Non-executive Director has been authorized to approve the transfers and transmissions of shares, securities, debentures, etc., issue of duplicate share certificates, consolidation and sub-division of shares and investors' grievance. The transfers/transmissions of shares are approved at least once in a fortnight. There were no share transfer requests pending as at March 31, 2006.

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7. REMUNERATION COMMITTEE

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

8. CODE OF CONDUCT

STCL's commitment to ethical and lawful business conduct is a fundamental shared value of the Board of Directors, the senior management and all other employees of the company. Consistent with its Values and Beliefs, the company has formulated a Code of Conduct applicable to the Board and Senior Management. All Board members and senior management personnel have affirmed compliance with the Company's code of conduct during the period under review and duly signed by the Chairman and CFO of the Company is annexed and forms part of this Report. Further, the Company has also adopted an Insider Trading Code for prevention of insider trading.

9. DETAILS OF LAST 3 ANNUAL GENERAL MEETINGS

a) Information about last three Annual General Meeting

Year	Date	Time	Location
2003	27.09.2003	09:45 A.M.	17, Ganesh Chandra Avenue, 6 th Floor, Kolkata - 700 013
2004	30.09.2004	10:00 A.M.	17, Ganesh Chandra Avenue, 6 th Floor, Kolkata-700 013
2005	30.08.2005	11:00 A.M.	17, Ganesh Chandra Avenue, 6 th Floor Kolkata - 700 013

b) Postal Ballot

Special Resolutions put through postal ballot last year	:	Nil
Items proposed to be conducted through postal ballot this year	:	One

10. DISCLOSURE

- i) There were no materially significant transactions with related parties, i.e., promoters, directors or the management and their relatives conflicting with the Company's interest.
- ii) The Company has complied with various rules and regulations prescribed by Stock Exchanges, Securities and Exchange Board of India or any other statutory authority relating to capital markets. However, trading has been temporarily suspended for alleged non-compliance of certain clauses of the listing agreement by The Stock Exchange, Mumbai. Your Directors are liaising with the BSE on a continuous basis and hope that trading would resume on the BSE very soon.

11. MEANS OF COMMUNICATION

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

13. SHAREHOLDER INFORMATION

A. Annual General Meeting

Date - 27th September, 2006

Time - 10:00 A.M.

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

B. Financial Calender 1st April to 31st March Provisional) : Will be published during
Result for Quarter ending June 30, 2006 : On or before 31st July, 2006
Result for Quarter ending September 30, 2006 : On or before 31st October, 2006
Result for Quarter ending December 31, 2006 : On or before 31st January, 2007
Result for Quarter ending March 31, 2007 : On or before 30th April, 2007

C. Book Closure

The Register of members and Share Transfer Book will remain closed from 24th September, 2006 to 27th September, 2006 (both days inclusive) on account of Annual General Meeting.

D. Dividend

No dividend is recommended for the year.

E. Listing at Stock Exchange

(i) The Calcutta Stock Exchange Association Ltd. (Stock Code 29182)
(ii) The Stock Exchange, Mumbai (Stock Code 31509)
(iii) The Stock Exchange, Ahmedabad (Stock Code 56708)
(iii) The Jaipur Stock Exchange Ltd. (Stock Code 758)

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

F. ISIN Number: INE623D01015

G. Depository Connectivity: NSDL and CDSL

H. STOCK MARKET DATA

The shares of the Company are temporarily suspended on The Stock Exchange of Mumbai and are thinly traded in other Stock Exchange so no data regarding the same is available with the Company.

12. REGISTRAR & TRANSFER AGENTS

<u>Name</u>	<u>Address</u>
Niche Technologies (P) Ltd. (For Physical and Demat Shares)	D-511, Bagree Market, 71 B.R.B. Road, Kolkata-700001

13. COMPLIANCE OFFICER

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

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

Tel No.: 033-2231-8207/08

E-mail: admin@steptwo.co.in

STEP TWO CORPORATION LIMITED**14. DISTRIBUTION OF SHAREHOLDING AS ON 31.03.2006**

<u>No. of Equity Shares Held</u>	<u>No. of Shares holder</u>	<u>% of Share holders</u>	<u>No. of Shares held</u>	<u>% of Share holding</u>
Upto 500	461	24.161	160000	3.167
501 to 1000	1067	55.922	745900	14.764
1001 to 5000	286	14.990	622800	12.328
5001 to 10000	22	1.153	186100	3.684
10001 to 50000	60	3.145	1550200	30.684
50001 to 100000	9	0.472	837700	16.581
100001 and above	3	0.157	949400	18.792
Totals	<u>1908</u>	<u>100.000</u>	<u>5052100</u>	<u>100.000</u>

15. SHAREHOLDING PATTERN AS ON 31.03.2006

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

16. DEMATERIALIZATION OF SHARES

1349737 Shares have been dematerialised upto 31.03.2006 which is 26.72% percent of the total shares of the Company.

17. BREAK-UP OF SHARES IN PHYSICAL AND DEMAT SEGMENT (As on 31.03.2006)

<u>Segment</u>	<u>No. of Shareholders</u>	<u>% to total Shareholders</u>	<u>No. of Shares held</u>	<u>% to total Shares</u>
Physical	1788	93.71	3702363	73.28
Demat	120	6.29	1349737	26.72
Total	<u>1908</u>	<u>100.00</u>	<u>5052100</u>	<u>100.00</u>

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

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

19. ADDRESS FOR CORRESPONDENCE

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

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

We have examined the compliance of conditions of Corporate Governance by Step Two Corporation Limited for the year ended March 31, 2006, as stipulated in clause 49 of the Listing Agreement of the said company with the Stock Exchanges.

The Compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

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

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

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

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

Place : Kolkata
Date : 30.06.2006

(Sanjay Dixit)
Partner

CFO CERTIFICATION

I, Suresh Ramaswamy, responsible for the finance function certify that:

- a) I have reviewed the financial statements and cash flow statement for the year ended 31st March, 2006 and 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) To the best of my knowledge and belief, no transactions entered into by the Company during the year ended 31st March 2006 are fraudulent, illegal or violative of the Company's code of conduct.
- c) I accept the responsibility for establishing and maintaining internal controls for financial reporting and I have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting. Deficiencies in the design or operation of such internal controls, if any, of which I am aware have been disclosed to the auditors and the Audit Committee and steps have been taken to rectify these deficiencies.
- d)
 - i. There has not been any significant change in internal control over financial reporting during the year under reference;
 - ii. There has not been any significant changes in the accounting policies during the year requiring disclosure in the notes to the financial statements; and
 - iii. I am not aware of any instance during the year of significant fraud with involvement therein of the management or any employee having a significant role in the Company's internal control system over financial reporting.

Kolkata
30th June 2006

Chief Financial Officer

AUDITOR'S REPORT

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

We have audited the attached Balance Sheet of **M/s. Step Two Corporation Limited**, as at 31st March, 2006, and the Profit and Loss Account of the company for the year ended on that date annexed thereto and the cash flow statement for the period ended on that date, which we have signed under reference to this report. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our Audit.

We have conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Companies (Auditors' Report) Order, 2003, as amended by the Companies (Auditors' Report) (Amendment) Order, 2004, (together the 'Order') issued by the Central Government of India in terms of Section 227(4A) of the Act and on the basis of such checks as we considered appropriate, and according to the information and explanations given to us, we annex hereto a statement on the matters specified in paragraphs 4 and 5 of the said Order.

We further report that:

1. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
2. In our opinion proper books of accounts as required by law have been kept by the company so far as it appears from our examination of the books of the company.
3. The Balance Sheet and the Profit and Loss Account dealt with by this report are in agreement with the books of accounts of the company.
4. In our opinion the Profit and Loss Account and the Balance Sheet comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.
5. On the basis of written representations received from the directors, as on 31st March, 2006, and taken on record by the Board of directors, we report that none of the directors are disqualified as on 31st March 2006 from being appointed as a director in terms of clause (a) of sub-section (1) of section 274 of the Companies Act, 1956;
6. In our opinion and to the best of our information and according to the explanations given to us, the said Balance Sheet & the Profit & Loss Accounts read together with and subject to the Notes thereon and Schedules annexed thereto give the information required by the Companies

STEP TWO CORPORATION LIMITED

Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- a) In the case of the Balance Sheet, of the state of affairs of the Company as on 31st March, 2006,
- b) In the case of the Profit and Loss Account, of the profit of the company for the year ended on that date.
- c) In the case of cash flow statement, of the cash flows for the year ended on that date.

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

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

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

(Sanjay Dixit)
Partner

Place : Kolkata
Date : 30.06.2006

ANNEXURE TO AUDITORS' REPORT

- 1) a. The company has maintained proper records showing full particulars including quantitative details and situation of its fixed assets.
b. The fixed assets of the Company have been physically verified by the management during the year. No discrepancies were noticed on such verification.
c. There was no substantial disposal of fixed assets during the year.
- 2) The nature of the business of the company is dealing in shares and securities and financing activities. In view of the said nature of the business Accounting Standard 2 - "Valuation of Inventories" is not applicable to the company.
Accordingly, clauses (ii)(a), (ii)(b) and (ii)(c) of paragraph 4 of the 'Order' are not applicable.
- 3) a. According to the information and explanations given to us the Company has not granted loans to any person covered in the register maintained u/s 301 of the Companies Act, 1956. Accordingly clauses (iii)(a), (iii)(b), (iii)(c), (iii)(d) of paragraph 4 of the 'Order' are not applicable to the Company.
b. The Company has not taken any loans secured or unsecured from companies, firms & other parties covered in the register maintained u/s. 301 of the Companies Act, 1956. Accordingly clauses (iii)(f) and (iii)(g) of paragraph 4 of the 'Order' are not applicable to the Company.
- 4) In our opinion, there are adequate internal control procedures commensurate with the size of the company and nature of its business with regard to the purchase and sale of inventories and fixed assets.
- 5) a. In our opinion and according to the information and explanations given to us, no contracts or arrangements as referred to in section 301 of the Act have been entered into by the Company. Accordingly clauses (v)(a) and v (b) of paragraph 4 of the 'Order' are not applicable to the Company.
b. The register, required to be maintained under section 301 of the Companies Act, 1956 has been properly maintained.
- 6) The Company has not accepted any deposits under the provisions of Section 58A and 58AA or any other relevant provisions of the Act and the rules framed there under.
- 7) According to the information and explanations given to us, the company does not have an internal audit system commensurate with its size and nature of its business.
- 8) No cost record has been prescribed by the Central Government under clause (d) of sub-section (1) of section 209 of the Act.
- 9) a. The Company is regular in depositing undisputed statutory dues in respect of Income tax, cess and any other statutory dues with the appropriate authorities. Provisions of the Employee's Provident Fund, Miscellaneous Provisions Act, Employee's State Insurance Act, Sales Tax,

STEP TWO CORPORATION LIMITED

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

- b. According to the information and explanations given to us and the records of the Company examined by us, there are no statutory dues, which have not been deposited on account of any dispute.
- 1) The Company has been registered for a period of more than five years and it neither have accumulated losses at the end of the financial year nor it has incurred cash losses in the current financial year nor in the immediately preceding financial year.
- 2) The company does not have dues to a financial institution or bank or debenture holders.
- 3) The Company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures and other securities.
- 4) In our opinion, considering the nature of activities carried on by the Company during the year, the provisions of any special statute applicable to chit funds / nidhi / mutual benefit funds / societies are not applicable to it.
- 5) In our opinion, the company has maintained proper records of transactions and contracts in respect of trading in shares & other investments and timely entries have been made therein and the shares, securities, debentures and other securities have been held by the company, in its own name.
- 6) The company has not given any guarantee for loans taken by others from banks or financial institutions, the terms and conditions whereof are prejudicial to the interest of the company.
- 7) The Company has not taken any term loans during the year under reference.
- 8) The Company has not raised any funds on short-term basis, which have been used for long term investment.
- 9) The Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under section 301 of the Act.
- 10) The Company has not raised any money by issue of debentures.
- 11) The Company has not raised any money by public issue during the year.

As per the information and explanations given to us and on the basis of examination of records, no material fraud on or by the Company was noticed or reported during the year.

STEP TWO CORPORATION LIMITED

BALANCE SHEET AS ON 31ST MARCH 2006

SOURCES OF FUNDS	SCHEDULE	As on	
		31.03.2006 Rs. P.	31.03.2005 Rs. P.
<u>Shareholders' Fund</u>			
Share Capital	1	4,59,22,536.00	4,54,24,956.00
Reserves & Surplus	2	16,51,487.40	-
<u>Loan Funds</u>			
Secured Loans	3	6,57,99,278.43	1,37,28,408.58
Unsecured Loans	4	2,00,00,000.00	57,50,000.00
Deferred Tax Liability		51,153.73	64,624.67
Total :		<u>13,34,24,455.56</u>	<u>6,49,67,989.25</u>
<u>APPLICATION OF FUNDS</u>			
<u>Fixed Assets</u>			
Gross Block	5	13,24,623.00	13,07,623.00
Less: Depreciation		9,11,967.87	8,09,880.59
Net Block		<u>4,12,655.13</u>	<u>4,97,742.41</u>
Investments	6	1,98,93,137.39	93,87,543.55
<u>Current Assets, Loans & Advances</u>			
<u>Current Assets</u>			
Inventories	7	9,11,87,469.57	1,73,85,965.12
Cash & Bank Balances	8	55,89,474.59	28,76,318.25
Loans & Advances	9	3,05,60,752.64	3,73,63,487.95
		<u>12,73,37,696.80</u>	<u>5,76,25,771.32</u>
Less : Current Liabilities & Provisions			
Current Liabilities	10	1,41,03,428.76	48,22,845.92
Provisions	11	1,15,605.00	-
		<u>1,42,19,033.76</u>	<u>48,22,845.92</u>
Net Current Assets		11,31,18,663.04	5,28,02,925.40
Profit & Loss A/c (Loss to the extent not adjusted)		-	22,79,777.89
Total :		<u>13,34,24,455.56</u>	<u>6,49,67,989.25</u>
Significant Accounting Policies & Notes on Accounts	17		

The schedules referred to above form an integral part of the Balance Sheet
As per report of even date attached.
For **B. P. AGARWAL & ASSOCIATES**
Chartered Accountants

(Sanjay Dixit)
Partner

Place : Kolkata
Date : 30.06.2006

For and on behalf of the Board
Sd/-
Raj Kr. Agarwal
Ashok Kumar Sharma
Directors

STEP TWO CORPORATION LIMITED

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2006

SCHEDULE	Year ended 31.03.2006 Rs. P.	Year Ended 31.03.2005 Rs. P.
INCOME		
Sale of Shares	66,93,65,339.79	84,051,286.86
Interest & Other Income	53,79,944.77	42,66,394.97
Profit / (Loss) on Sale of Investments	4,13,945.84	1,892.14
Accretion / (Decretion) of stock	7,38,01,504.45	1,66,55,943.12
Total	74,89,60,734.85	10,49,75,517.09
EXPENDITURE		
Purchases of Shares	73,29,80,084.67	10,16,43,997.82
Administrative & Other Expenses	11,39,473.32	10,14,381.01
Share Transaction Expenses	32,50,881.52	6,72,882.94
Depreciation w/off	1,02,087.28	1,34,793.00
Finance Charges	73,09,608.71	6,83,149.19
Misc. Expenditure W/off	-	2,86,443.00
Total	74,47,82,135.50	10,44,35,646.96
Profit (Loss) before Tax	41,78,599.35	5,39,870.13
Provision for Loss on Equity Stock/ Index Futures	142,200.00	26,65,701.00
Tax Expense		
Current Tax	97,345.00	-
Deferred Tax	(13,470.94)	(18,278.19)
Fringe Benefit Tax	21,260.00	-
Profit (Loss) after Tax	39,31,265.29	(-21,07,552.68)
Transfer to Reserve Fund	7,86,253.06	0.00
Balance brought Forward from the last year	(22,79,777.89)	(1,72,225.21)
Balance carried to Balance Sheet	8,65,234.34	(-22,79,777.89)
Basic & Diluted Earning Per Share	0.855	(0.464)

Significant Accounting Policies & Notes on Accounts 17

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

The schedules referred to above form an integral part of the Balance Sheet As per report of even date attached.

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

(Sanjay Dixit)
Partner

Place : Kolkata
Date : 30.06.2006

For and on behalf of the Board
Sd/-
Raj Kr. Agarwal
Ashok Kumar Sharma
Directors

STEP TWO CORPORATION LIMITED

SCHEDULES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET

	As on 31.03.2006		As on 31.03.2005	
	Rs.	P.	Rs.	P.
<u>SCHEDULE - 1</u>				
<u>SHARE CAPITAL</u>				
Authorised 53,50,000 Equity Shares of Rs. 10/- each	5,35,00,000.00		5,35,00,000.00	
Issued, Subscribed & Paid up 50,52,100 Equity Shares of Rs 10/- each fully called up in cash	5,35,00,000.00		5,35,00,000.00	
Less: Calls in arrear	5,05,21,000.00		5,05,21,000.00	
	45,98,464.00		50,96,044.00	
	4,59,22,536.00		4,54,24,956.00	
<u>SCHEDULE - 2</u>				
<u>RESERVES & SURPLUS</u>				
Profit & Loss Account	8,65,234.34		-	
Reserve Fund	7,86,253.06		-	
	16,51,487.40		-	
<u>SCHEDULE - 3</u>				
<u>SECURED LOANS</u>				
Fortis Finvest Ltd.	6,39,43,208.34		1,37,28,408.58	
Finflow Investment Pvt. Ltd. (Secured by way of pledge over securities held as investments & inventories)	18,56,070.09		-	
	6,57,99,278.43		1,37,28,408.58	
<u>SCHEDULE - 4</u>				
<u>UNSECURED LOANS</u>				
Form body corporates	2,00,00,000.00		57,50,000.00	
	2,00,00,000.00		57,50,000.00	
<u>SCHEDULE - 6</u>				
<u>INVESTMENTS</u>				
(Long-Term, at cost)				
Quoted (Equity Shares of Rs. 10/- each fully paid up)				
Raj Rayon Ltd.	2,00,000	NIL	1,26,93,742.40	-
Radhamadhav Corporation Ltd.	50,000	NIL	24,64,940.75	-
Srei Infrastructure Finance Ltd.	NIL	1,000	-	54,610.93
Himachal Futuristic Ltd.	2,00,000	2,10,000	47,34,454.24	49,72,604.96
Satnam Overseas Ltd.	NIL	40,000	-	43,60,327.66
TOTAL			1,98,93,137.39	93,87,543.55
Aggregate Market Value of Quoted Shares.			178,20,000.00	742,01,000.00

**SCHEDULE-5
FIXED ASSETS**

AMOUNT (Rs)

Particulars	GROSS BLOCK				DEPRECIATION			NET BLOCK	
	Balance as on 01.04.2005	Additions during the year	Sales during the year	Total	As on 01.04.2005	Depreciation for the year	As on 31.03.2006	WDV as on 31.03.2006	WDV as on 31.03.2005
Computer	259,360.00	17,000.00	-	276,360.00	252,566.72	9,337.28	261,904.00	14,456.00	6,793.28
Furniture & Fixture	28,300.00	-	-	28,300.00	16,952.71	1,791.00	18,743.71	9,556.29	11,347.29
Office Equipment	80,997.00	-	-	80,997.00	34,328.16	3,847.00	38,175.16	42,821.84	46,668.84
Elec. Installation	44,000.00	-	-	44,000.00	20,011.00	2,090.00	22,101.00	21,899.00	23,989.00
Vehicles	894,966.00	-	-	894,966.00	486,022.00	85,022.00	571,044.00	323,922.00	408,944.00
Total :	1,307,623.00	17,000.00	-	1,324,623.00	809,880.59	102,087.28	911,967.87	412,655.13	497,742.41
Previous year	1,307,623.00	-	-	1,307,623.00	675,087.59	134,793.00	809,880.59	497,742.41	

STEP TWO CORPORATION LIMITED

	As on 31.03.2006 Rs. P.	As on 31.03.2005 Rs. P.
SCHEDULE - 7		
INVENTORIES		
(As certified by the management)		
(Valued at lower of cost or market price)		
Stock of Shares / Securities	9,11,87,469.57	1,73,85,965.12
(As per Annexure - 1)	<u>9,11,87,469.57</u>	<u>1,73,85,965.12</u>
SCHEDULE - 8		
CASH & BANK BALANCES		
Cash in hand	2,69,828.38	69,542.58
(As certified by the management)		
Cheques in hand	2,00,000.00	-
Balances with Scheduled banks in Current Accounts	51,19,646.21	28,06,775.67
	<u>55,89,474.59</u>	<u>28,76,318.25</u>
SCHEDULE - 9		
LOANS & ADVANCES (Unsecured considered good)		
Loans	1,40,67,906.95	3,63,01,868.95
Advances Recoverable in cash or in kind or for value to be received	1,00,81,829.69	4,53,127.00
Security Deposits	1,56,000.00	1,06,000.00
Share Application Money (Pending Allotment)	62,55,016.00	5,00,000.00
Prepaid Expenses	-	2,492.00
	<u>3,05,60,752.64</u>	<u>3,73,63,487.95</u>
Mark to Market Margin - Equity Index/ Stock Futures A/c	1,42,200.00	26,65,701.00
Less: Provision for Loss on E I F	1,42,200.00	26,65,701.00
	<u>3,05,60,752.64</u>	<u>3,73,63,487.95</u>
SCHEDULE - 10		
CURRENT LIABILITIES		
Sundry Creditors	1,35,79,583.57	46,37,745.86
Other Liabilities	5,23,845.19	1,85,100.06
	<u>1,41,03,428.76</u>	<u>48,22,845.92</u>
SCHEDULE - 11		
PROVISIONS		
Provision for Taxation	97,345.00	-
Provision for Fringe Benefit Tax	18,260.00	-
	<u>1,15,605.00</u>	<u>-</u>

STEP TWO CORPORATION LIMITED

	As on 31.03.2006	As on 31.03.2000
	Rs. P.	Rs. P.
SCHEDULE - 12		
INTEREST & OTHER INCOME		
Dividend (TDS Rs. NIL)	12,05,249.50	11,800.00
Previous Year NIL		
Interest Income (TDS Rs. 168,064 Previous Year Rs.3,52,213/-)	16,40,604.00	32,47,192.00
Share Speculation	44,15,471.41	8,77,818.92
Loss From Derivatives	(18,81,380.14)	-
Brokerage & Commission (TDS Rs.NIL, Previous Year-Rs.NIL/-)	-	1,27,577.05
Interest on I.T. Refund	-	2,007.00
	53,79,944.77	42,66,394.97
SCHEDULE - 13		
ACCRETION / (DECRETION) OF STOCK		
Closing Stock	9,11,87,469.57	1,73,85,965.12
Less: Opening Stock	1,73,85,965.12	7,30,022.00
	7,38,01,504.45	1,66,55,943.12
SCHEDULE - 14		
ADMINISTRATIVE & OTHER EXPENSES		
Personnel Cost	3,90,000.00	3,48,350.00
Advertisement Expenses	10,640.20	3,327.00
Travelling & Conveyance Expenses	1,25,792.00	1,10,732.50
Rent	1,68,000.00	18,750.00
Rates & Taxes	1,16,984.00	1,51,769.00
Auditor's Remuneration	16,775.00	8,816.00
Bank Charges	19,289.90	30,379.50
Business Promotion expenses	55,137.85	82,241.20
General Expenses	38,879.00	53,442.70
Communication cost	69,078.27	69,555.76
Printing & Stationery	32,090.00	45,352.85
Share Transfer Expenses	19,836.00	19,524.00
Vehicle up-keep	43,990.10	54,002.50
Repair & Maintenance & Electricity	30,489.00	11,250.00
Car Insurance	2,492.00	6,888.00
	11,39,473.32	10,14,381.01
SCHEDULE - 15		
FINANCE CHARGES		
Interest Paid	73,09,608.71	6,83,149.19
	73,09,608.71	6,83,149.19
SCHEDULE - 16		
MISC. EXPENDITURE W/OFF		
Preliminary Expenses	-	16,216.00
Share Issue Expenses	-	2,70,227.00
	-	2,86,443.00

STEP TWO CORPORATION LIMITED

SCHEDULE - 17

(Notes annexed to & forming part of the accounts for the year ended 31st March '2006).
Significant Accounting Policies & Notes on Accounts

1. Significant Accounting Policies

1.1 Accounting Convention

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

1.2 Basis of Accounting

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

1.3 Inventories

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

1.4 Investments

Investments are stated at its cost of acquisition.

1.5 Income & Expenditure

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

1.6 Fixed Assets

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

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

1.7 Taxation

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

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

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

Fringe Benefit Tax has been provided for the accounting year 2005-2006 as per the provision of the Income Tax Act, 1961.

2. Notes on Accounts

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

	Quantity as at 31.03.2006	Quantity as at 31.03.2005
Opening Stock:	5,25,477	50,162
Purchases:	1,07,86,638	23,22,370
Sales	96,64,350	18,47,055
Closing Stock	16,47,765	5,25,477

STEP TWO CORPORATION LIMITED

2.2. In terms of the Reserve Bank of India guidelines issued to Non-Banking Financial Companies, all investments in securities are bifurcated into current investments & long term investments. Investments which acquired with the intention of short term holding are considered as Stock-in-trade and classified as current assets and others are considered as long term investments. Long term investments are valued at cost, whereas current investments are valued at cost or market price whichever is lower.

2.3. As per section 45-IC of the Reserve Bank of India Act, 1934, the company has transferred 20% of its net profit (PAT) i.e. Rs.786,253.06.

2.4. Miscellaneous Expenditure

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

2.5. Auditor's Remuneration

	<u>2005-2006</u> <u>Amount (Rs.)</u>	<u>2004-2005</u> <u>Amount (Rs.)</u>
Statutory Audit Fees	5,612.00	5,510.00
Tax Audit and Quarterly Review fees	5,551.00	3,306.00
Others matters	<u>5,612.00</u>	-
Total	<u>16,775.00</u>	<u>8,816.00</u>

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

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

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

Sl.No.	Nature of Relationship Particulars/Transactions	Key Management personnel and their relatives
1.	Rent Paid	96,000.0
2.	Repairs & Electricity Paid	26,489.00
3.	Legal & Professional Charges	18,000.00
4.	Outstanding amount as on the balance sheet date	
	- Payables	2,049.00
	- Receivable	NIL

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

Associates of Key Managerial Personnel.
M/s. Raj Bhavna & Associates
M/s. Asra Abasan Pvt. Ltd.

STEP TWO CORPORATION LIMITED

2.8. Deferred Tax

The break up of deferred tax liability as at 31st March, 2006 is as follows :
(Figures in brackets are in respect of the previous year)

	Amount (in Rs.) Deferred Tax asset	Amount (in Rs.) Deferred Tax liability
Timing difference of account of : Difference between book depreciation and depreciation under Income tax Act, 1961		64,624.67 (82,02.86)
Reverse during the year for Difference between book depreciation and depreciation under Income tax Act, 1961		13,470.94 (18,278.19)
Deferred Tax Liability as on 31.03.2005		51,153.73 (64,624.67)

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

Earning per share:

	(Amount in Rs.)	
	<u>2005-06</u>	<u>2004-05</u>
(a) Amount used as the numerator Profit after tax (A) (Rs.)	39,31,265.29	(2,107,552.68)
(b) Basic/weighted average number of equity shares used as denominator (B)	4600416	4542495
(c) Nominal value of equity shares (Rs.)	10.00	10.00
(d) Basic/diluted Earnings per share(A/B)	0.855	(0.464)

2.10 Purchases includes securities, which are converted from investment to stock in trade. The details are as follows :-

Particulars	Satnam Overseas Ltd.	Srei International Ltd.
No. of securities converted	40000 shares	1000 shares
Date of conversion	01.04.2005	01.04.2005
Value of Conversion	Rs.43,60,327.66	Rs.54,610.93
Entire Stock of securities has been sold during the year.		

2.11. Open interests relating to Equity Stock/Index Futures entered contracts as on 31.03.2006 shown below :

Name of Equity Index/Stock Futures	No. of Contracts	No. of Units	
		Long	Short
Nifty Index	1	-	15000
Bharat Forge Limited	1	40000	-
Ranbaxy Laboratories Limited	1	75600	-

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

3. BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE FOR THE YEAR ENDED 31ST MARCH 2006.

I. REGISTRATION DETAILS

Registration No.	21-66080	State Code	21
Balance Sheet Date	31.03.2006		

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

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

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

Total Liabilities	133424	Total Assets	133424
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SOURCE OF FUNDS

Paid-up Capital	45923	Reserve & Surplus	1651
Secured Loans	65799	Unsecured Loans	20000
Deferred Tax Liability	51		

APPLICATION OF FUNDS

Net Fixed Assets	413	Investments	19,893
Net Current Assets	113119	Misc. Expenditure	NIL

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

Turnover / Total Income	748961	Total Expenditure	744782
Profit before tax	4179	Profit after tax	3931
Basic E.P.S. in Rs.	0.85	Dividend Rate %	NIL

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

Products / Service Description	Item Code No.
1. Dealing in Shares & Securities	Not Applicable
2. Finance Activities	Not Applicable

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

Place : Kolkata
Date : 30.06.2006

(Sanjay Dixit)
Partner

STEP TWO CORPORATION LIMITED

Annexure-1

INVENTORIES

Quoted shares

(Equity shares fully paid up)

SR. No. Name of the company	No. of Shares as on 31.03.2006	No. of Shares as on 31.03.2005	Lower of Cost or Market Price as on 31.03.2006	Lower of Cost or Market Price as on 31.03.2005
1 ABC Bearing ltd.	6500	-	7,74,800.00	-
2 Aftak Infosys ltd.	117500	-	90,67,475.00	-
3 Alka India ltd.	4000	-	2,560.00	-
4 Alka Spinners ltd.	-	6000	-	9,320.00
5 Archies ltd.	2000	4500	1,69,480.00	3,20,400.00
7 Baffin Engineering Pro. ltd.	-	23000	-	80,730.00
8 Bhagyanagar Metals ltd.	100	-	2,800.00	-
9 Bhusan Steel ltd.	-	4000	-	8,27,200.00
10 Bipinind ltd.	800	-	14,400.00	-
11 BITS ltd.	-	20000	-	54,200.00
12 Brijlaxmi lease. ltd.	4000	-	1,040.00	-
13 BSEI Information ltd.	-	100000	-	32,00,000.00
14 Cerebra Intergrate ltd.	144900	125000	3,43,413.00	7,78,750.00
16 Clutch Auto ltd.	212500	-	8,41,59,375.00	-
17 Dataproinformation ltd.	5000	-	2,050.00	-
18 Diana Tea ltd.	100500	-	16,48,200.00	-
19 ECE India ltd.	-	600	-	59,370.00
20 Elder Pharma ltd.	-	15750	-	28,20,825.00
21 Elgi Equipments ltd.	10000	-	7,08,300.00	-
22 Escorts ltd.	-	1000	-	14,227.60
23 Eskay Knit ltd.	401908	-	30,62,538.96	-
24 Essar Steel ltd.	-	1000	-	34,050.00
25 Excel Glasses ltd.	-	1000	-	11,280.00
26 Finolex Industries ltd.	75	-	5,250.00	-
27 G.V.Films ltd.	-	10000	-	5,100.00
28 Givo ltd.	-	500	-	5,250.00
29 Glenmark Pharmaceutical ltd.	5500	-	17,32,280.00	-
30 Gold Stone Teleserv ltd.	10000	-	1,50,900.00	-

STEP TWO CORPORATION LIMITED

31 Grasim Industries ltd.	250	-	2,78,137.50	-
32 Gujrat Ambuja ltd.	-	200	-	80,320.00
33 Gujrat NRE Coke ltd.	18156	-	16,70,352.00	-
34 Hindalco Industries ltd.	3236	-	2,97,420.76	-
35 Hindustan Dorr Oliver ltd.	3969	-	14,78,492.19	-
36 Hindustan Motors ltd.	-	1000	-	32,950.00
37 Hindustan Petroleum ltd.	450	450	1,45,305.00	1,37,677.50
39 Hindustan Zinc ltd.	-	500	-	85,000.00
40 Hotline Glass ltd.	-	7000	-	89,250.00
41 Indraprastha Medic ltd.	10000	-	3,57,000.00	-
42 Ingersoll Rand ltd.	-	800	-	2,08,863.72
43 ISlbars ltd.	-	30000	-	2,96,700.00
44 Jayaswal Neco. ltd.	9600	-	1,55,520.00	-
45 JCT ltd.	-	1000	-	12,900.00
46 Jet Airways/Spicejet ltd.	100	-	99,545.00	-
47 K.G.Khosla ltd.	-	1000	-	1,14,450.00
48 Kanishka Steel Industries ltd.	900	-	31,950.00	-
49 Khoday India ltd.	-	500	-	22,050.00
50 LI Taka Pharma ltd.	50000	-	13,30,000.00	-
51 Lic Housing Finance ltd.	3200	-	6,07,200.00	-
52 Lupin ltd.	1000	-	10,15,490.00	-
53 Lyka labs ltd.	10000	-	6,29,000.00	-
54 Maars Software ltd.	-	25,000	-	1,20,000.00
55 Madhav Marbles ltd.	50000	-	48,91,000.00	-
56 Maikal Fibres ltd.	-	2,000	-	7,000.00
57 Mascon Global ltd.	-	25,000	-	5,12,500.00
58 Mega Corp. ltd.	2000	-	1,120.00	-
59 Micro Techno ltd.	1000	-	2,05,460.00	-
60 Modi luft ltd.	100000	-	53,15,000.00	-
61 Moving Picture ltd.	69449	-	9,82,008.86	-
62 Mysore Cement ltd.	-	2500	-	58,750.00
63 National Peroxide ltd.	-	650	-	23,75,132.50
64 National Steel ltd.	-	11500	-	4,05,375.00
65 Nectar lifescience ltd.	500	-	1,29,425.00	-
66 NRB Bearings ltd.	500	-	1,47,495.00	-
67 ONGC ltd.	-	65	-	52,552.50
68 Oswal Chem. & Fert. ltd.	100000	-	37,10,000.00	-
69 Paficot ltd.	10000	-	98,000.00	-
70 Parag Bosmi ltd.	-	2500	-	12,925.00
71 Paramount Communicate ltd.	10000	-	17,28,000.00	-

STEP TWO CORPORATION LIMITED

72 PBA Infrastructure ltd.	25000	-	40,98,750.00	-
73 Petron Engineering ltd.	500	250	82,350.00	30,917.50
75 Pitti laminations. ltd.	7500	-	7,93,875.00	-
76 Priyadarshini Cement. ltd.	500	500	20,375.00	16,125.00
78 Radha Madhav Corp. ltd.	15000	-	5,10,000.00	-
79 Raghunath International ltd.	1000	-	3,420.00	-
80 Raj Rayon ltd.	15000	-	8,24,250.00	-
81 Rama Vision ltd.	-	10000	-	25,400.00
82 Ranbaxy lab ltd.	200	-	86,470.00	-
83 Rolta India ltd.	10000	-	22,66,400.00	-
84 Sabero Organics ltd.	-	500	-	11,600.00
85 Sail ltd.	-	11000	-	6,96,850.00
86 Sain-Gobian securities ltd.	-	5000	-	1,49,750.00
87 Saregama India ltd.	3010	3,000	2,13,800.30	2,20,961.30
90 Seamec ltd.	162	162	17,091.00	11,542.50
91 Shipping Corporation ltd.	2500	-	3,95,975.00	-
92 Shree Rama Mult ltd.	40000	-	3,44,000.00	-
93 Shyam Tele ltd.	-	6750	-	4,86,675.00
94 Spic Electronics ltd.	-	2000	-	9,800.00
95 SPI Industries ltd	4200	-	3,13,110.00	-
96 Srei International ltd	1000	55000	56,300.00	24,25,500.00
98 SRF ltd	-	2000	-	1,77,800.00
99 Stenly Credit Capital ltd.	3400	-	2,45,650.00	-
100 Sujana Steel Ltd	14000	-	11,14,680.00	-
101 Supra Eng. Ltd	1000	-	1,68,350.00	-
102 Surya Roshni ltd.	1500	-	99,000.00	-
103 Tamilnadu Newsprint ltd	-	800	-	46,920.00
104 Tata Elxsi ltd	3000	-	5,83,050.00	-
105 Tata Infomedia ltd.	1000	-	2,08,280.00	-
106 Tata Sponge Iron ltd	1000	-	1,39,350.00	-
107 Tata Telservices ltd	2000	-	47,500.00	-
108 Tera Software ltd	-	2000	-	21,600.00
109 Tips Industries ltd.	2500	-	87,500.00	-
110 Tricom Finance ltd	1700	-	2,84,835.00	-
111 Universal Cables ltd	4500	-	5,48,325.00	-
112 Usha Beltron ltd	-	1000	-	92,200.00
113 Valecha Engineering. ltd	-	500	-	75,575.00
114 Xpro India ltd	-	1000	-	41,650.00
115 Yatharth Exports Pvt. ltd.	2000	-	2,00,000.00	-
116 Zenith Birla ltd	5000	-	2,87,000.00	-
Total	1647765	525477	9,11,87,469.57	1,73,85,965.12

STEP TWO CORPORATION LIMITED

Cash Flow Statement for the Year Ended 31st March 2006

		2005-2006 Amount (Rs.)	2004-2005 Amount (Rs.)
<u>Net Cash from Operational Activities</u>			
Net Profit Before Taxes		41,78,599.35	5,39,870.13
Less : Profit from sale of investment		(4,13,945.84)	(1,892.14)
Depreciation & Amortisation		1,02,087.28	4,21,236.00
Provision for Taxation		(1,18,605.00)	0.00
		<u>37,48,135.79</u>	<u>9,59,213.99</u>
Operating Profit before change in Working Capital			
Increase/Decrease in trade & other receivable.		0.00	0.00
Increase/Decrease in Inventories		(7,38,01,504.45)	(1,66,55,943.12)
Increase/Decrease in Loans & Advance.		66,60,535.31	26,79,976.00
Increase/Decrease in trade & other Payable		92,80,582.84	(46,00,022.73)
Increase/Decrease in Provision		1,15,605.00	(17,342.00)
Net Cash from Operating Activities	A	(5,39,96,645.51)	(1,76,34,117.86)
<u>Cash Flow from Investing Activities</u>			
Profit from sale of Investment.		4,13,945.84	1,892.14
Purchase/Sale of Fixed Assets		(17,000.00)	0.00
Purchase/Sale of Investments		(1,05,05,593.84)	(12,25,261.81)
Cash Flow from Investing Activities	B	(1,01,08,648.00)	(12,23,369.67)
<u>Cash Flow from Financing Activities</u>			
Loan Taken		6,63,20,869.85	1,94,78,408.58
Loan Repaid		—	—
Issue of shares		4,97,580.00	16,85,366.00
Cash Flow from Financing Activities	C	6,68,18,449.85	2,11,63,774.58
Net Increase in cash & Cash Requirement	Total (A+B+C)	27,13,156.34	23,06,287.05
Cash & Cash Equivalent (Opening Balance)		28,76,318.25	5,70,031.20
Cash & Cash Equivalent (Closing Balance)		<u>55,89,474.59</u>	<u>28,76,318.25</u>

STEP TWO CORPORATION LIMITED

Notes to the Cash Flow Statement :

1. Cash & Cash Equivalent comprises of :

	As on 31.03.2006 <u>Amount (in Rs.)</u>	As on 31.03.2005 <u>Amount (in Rs.)</u>
Cash in hand	2,69,828.38	69,542.58
Cheques in hand	2,00,000.00	0.00
Balances with Scheduled banks in Current Accounts	51,19,646.21	28,06,775.67
	<u>55,89,474.59</u>	<u>28,76,318.25</u>

2. The opening as well as the closing balance of Cash & Cash Equivalents as shown in the Cash Flow Statement out of which Rs.25,00,000/- was fraudulently withdrawn from the Punjab & Sind Bank in the financial year 1996-97. The closing Balance of this account as appearing in Balance Sheet under the head "Cash & Bank Balances" is Rs.25,02,195/- as on 31.03.2006. The entire amount is not available for use by the Company.

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

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

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

(**Sanjay Dixit**)
Partner

Place : Kolkata
Date : 30.06.2006

For and on behalf of the Board

Sd/-

Raj Kr. Agarwal
Ashok Kumar Sharma
Directors

STEP TWO CORPORATION LIMITED

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

Particulars	(Rs. in Thousands)	
Liabilities side :		
(1) Loans and advances availed by the NBFCs inclusive of interest accrued thereon but not paid:	Amount outstanding	Amount overdue
(a) Debentures : Secured	NIL	NIL
: Unsecured (other than falling within the meaning of public deposits*)	NIL	NIL
(b) Deferred Credits	NIL	NIL
(c) Term Loans	NIL	NIL
(d) Inter-corporate loans and borrowing	20,000	NIL
(e) Commercial Paper	NIL	NIL
(f) Public Deposits*	NIL	NIL
(g) Other Loans (specify nature)	65,799	NIL
* Please see Note 1 below		
(2) Break-up of (1)(f) above (Outstanding public deposits inclusive of interest accrued thereon but not paid):		
(a) In the form of Unsecured debentures	NIL	NIL
(b) In the form of partly secured debentures i.e. debentures where there is a shortfall in the value of security	NIL	NIL
(c) Other public deposits	NIL	NIL
* Please see Note 1 below		
Assets Side :		
(3) Break-up of Loans and Advances including bills receivables [other than those included in (4) below] :		
(a) Secured		NIL
(b) Unsecured		24,150
(4) Break up of Leased Assets and stock on hire and hypothecation loans counting towards EL/HP activities		
(i) Lease assets including lease rentals under sundry debtors :		
(a) Financial lease		NIL
(b) Operating lease		NIL
(ii) Stock on hire including hire charges under sundry debtors:		
(a) Assets on hire		NIL
(b) Repossessed Assets		NIL

STEP TWO CORPORATION LIMITED

(iii) Hypothecation loans counting towards EL/HP activities:			
(a) Loans where assets have been repossessed			NIL
(b) Loans other than (a) above			NIL
(5) Break-up of Investments :			
Current Investments :			
1. Quoted :			
(i) Shares : (a) Equity			91,187
(b) Preference			NIL
(ii) Debentures and Bonds			NIL
(iii) Units of mutual funds			NIL
(iv) Government Securities			NIL
(v) Others (please specify)			NIL
2. Unquoted :			
(i) Shares : (a) Equity			NIL
(b) Preference			NIL
(ii) Debentures and Bonds			NIL
(iii) Units of mutual funds			NIL
(iv) Government Securities			NIL
(v) Others (please specify)			NIL
Long Term investments :			
1. Quoted :			
(i) Share : (a) Equity			19,873
(b) Preference			NIL
(ii) Debentures and Bonds			NIL
(iii) Units of mutual funds			NIL
(iv) Government Securities			NIL
(v) Others (Please specify)			NIL
2. Unquoted :			
(i) Shares : (a) Equity			NIL
(b) Preference			NIL
(ii) Debentures and Bonds			NIL
(iii) Units of mutual funds			NIL
(iv) Government Securities			NIL
(v) Others (Please specify)			NIL
(6) Borrower group-wise classification of all leased assets, stock-on-hire and loans and advances :			
Please see Note 2 below			
Category		Amount net of provisions	
		Secured	Unsecured
			Total
1. Related Parties **		Nil	Nil
(a) Subsidiaries		Nil	Nil
(b) Companies in the same group		Nil	Nil

STEP TWO CORPORATION LIMITED

(c) Other related parties	Nil	Nil	Nil
2. Other than related parties	Nil	24,150	24,150
Total	Nil	24,150	24,150

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

Please see note 3 below

Category	Market Value/Break up or fair value or NAV	Book Value (Net of Provisions)
1. Related Parties **		
(a) Subsidiaries	NIL	NIL
(b) Companies in the same group	NIL	NIL
(c) Other related parties	NIL	NIL
2. Other than related parties	1,09,007	1,11,081
Total	1,09,007	1,11,081

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

(8) Other information

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

Notes:

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

STEP TWO CORPORATION LIMITED

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

Folio

No. of Shares

PROXY

I/WE..... of..... being a member,

Members of the abovenamed company, hereby appoint.....
of..... or failing him..... of.....

my/our proxy absence to attend and vote for me/us and my/our behalf at Twelfth Annual General Meeting of the Company, to be held at 21, Hemant Basu Sarani, 5th Floor, Room No.507, Kolkata-700 001 on 27th September, 2006 at 10 A.M. or at any adjournment thereof AS WITNESS my/our hand/hands this day of 2006.

Singed by the said

1 Rupee
Revenue
Stamp

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

STEP TWO CORPORATION LIMITED

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

ADMISSION SLIP

I/WE hereby record my/our presence at the Twelfth Annual General Meeting of the Company to be held at 21, Hemant Basu Sarani, 5th Floor, Room No.507, Kolkata-700 001 on 27th September, 2006 at 10 A.M.

Name (s).....

Folio No.....

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

- NOTES :**
- (1) A Member/Proxy/Representative wishing to attend the meeting must complete this Admission Slip and hand it over at the entrance.
 - (2) Name of the Proxy/Representative in Block Letters (in case of Proxy/Representative attends the meeting).

