

STEP TWO CORPORATION LIMITED

NOTICE

NOTICE IS HEREBY GIVEN that the Sixteenth 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 Saturday, the 25th day of September, 2010 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, 2010 and Profit and Loss Account for the year ended on that date together with the Reports of Directors and Auditors thereon.
2. To appoint a Director in place of Shri Sanjay Agarwal, who retires by rotation, and being eligible offers himself for reappointment.
3. To re-appoint M/s.Agrarwal Singhania & Co., Chartered Accountants, as statutory auditors and to fix their remuneration.

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 21st day of September 2010 to 25th day of September 2010 (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.

Registered Office :
21, Hemanta Basu Sarani,
5th Floor, Suite No.507,
Kolkata 700 001
Dated : 25th August, 2010

By Order of the Board
Raj Kumar Agarwal
Director

STEP TWO CORPORATION LIMITED

DIRECTORS' REPORT

Your Directors have pleasure in presenting the Sixteenth Annual report on the business and operations of the Company together with Audited statements of accounts for the year ended 31st March, 2010.

FINANCIAL HIGHLIGHTS:

The summarised financial results of the Company are given here under.

	CURRENT YEAR		PREVIOUS YEAR	
	Rs.	P.	Rs.	P.
Profit before Interest, Depreciation & taxes	(24,39,523)		15,98,290	
Less: Finance Charges	(21,439)		(12,77,162)	
Profit / (Loss) before Depreciation & Taxes	(24,60,962)		3,21,128	
Less: Depreciation	(1,09,351)		(1,27,956)	
Profit/(Loss) Before Provision & Taxes	(25,70,313)		1,93,172	
Current Tax	9,694		40,226	
Add: Deferred Tax	(1,816)		(26,796)	
Income Tax for the previous year	—		3,557	
Profit/(Loss) after Tax	(25,78,191)		1,76,185	
Transfer to Reserve Fund	—		35,237	
Balance brought forward from last year	(4,91,283)		(6,32,231)	
Balance Carried to Balance Sheet	(30,69,474)		(4,91,283)	

DIVIDEND

In view of the loss for the year, your Directors do not recommend any dividend.

OPERATING PERFORMANCE

The year witnessed turbulent Indian capital markets, and as a result, the company suffered major losses from stock trading and Investment business. In view of the uncertainties of the Capital Market and the risky nature of this business, your Directors have identified financing to SME as the thrust area and in keeping with this objective, the allocation towards financing of SME was increased almost 2.13 times the year. During the current financial, the company in keeping with its focus had deployed additional funds towards SME financing.

DIRECTORS

Shri Sanjay Agarwal retires from office by rotation, and being eligible offer himself for reappointment. The particulars in respect of the retiring Directors are furnished in the Corporate Governance report forming part of the Annual Report.

DIRECTORS RESPONSIBILITY STATEMENT

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 of the company for that period.

STEP TWO CORPORATION LIMITED

- iii) Your directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities, and
- iv) Your directors have prepared the accompanying Annual Accounts on a going concern basis.

AUDITORS

M/s Agrawal Singhania & Co., Chartered Accountants, Kolkata, statutory Auditors of your Company hold office till the conclusion of the 16th 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.

CORPORATE GOVERNANCE

A detailed report on the corporate governance together with a certificate from the Statutory Auditors, in compliance with clause 49 of the Listing Agreement, is attached as part of this report

Compliance reports in respect of all laws applicable to the Company have been reviewed by the Board of Directors.

INFORMATION AS PER SEC 217(1)(e) OF THE COMPANIES ACT 1956

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: NIL

ACKNOWLEDGEMENT

Your Directors wish to convey their gratitude to the Company's clients, Bankers, Business Associates, Shareholders, well wishers and employees, for their valued and timely support and advise to your company during the year & look forward to their continued support.

Place : Kolkata

Dated : 30th day of April, 2010

For and on behalf of the Board

Raj Kumar Agarwal

Ashok Kumar Sharma

Directors

STEP TWO CORPORATION LIMITED

MANAGEMENT DISCUSSION AND ANALYSIS

Economic Scenario

The year 2009-10 proved to be a year of global economic resurgence. The global economy, after faltering due to recession during 2008-09, witnessed an improvement, mainly on account of infusion of stimulus funds by respective countries. China and India led the recovery from the front, on account of huge domestic demand and continued thrust on infrastructure creation, further propelling demand within the core sectors. The US recovery, largely driven by fiscal and monetary stimulus, is expected to clock a GDP growth of 2.8% in 2010.

As per the advance estimates of GDP for 2009-10 released by the Central Statistical Organization (CSO), the Indian economy is expected to grow at 7.2% in 2009-10, with the industrial and the service sectors growing at 8.2 and 8.7% respectively, mainly driven by factors like rising per-capital income, urbanisation, favorable demographics, declining household size and increasing job security. Barring any problems caused by the country's fiscal vulnerability, growth is expected to strengthen in subsequent years, as it will continue to reap the benefits of the ongoing opening up of the economy and gradual improvements in infrastructure.

Business Outlook

The financial sectors globally witnessed a major upturn and supported by government interventions, many of the finance companies including banking institutions have managed to revive successfully world-wide. Conditions in India have also gradually improved supported by excellent results posted by most of the corporate. The financial sector in India has got a major role to play as demand for finance is gradually increasing in all major sectors especially infrastructure and housing development sectors. The equity markets also witnessed a major bounce-back and valuations have increased substantially. With SME playing a key role in the India development story, your company focus into MSME sector is going to pay off.

Analysis of performance for the year

The detailed highlights of the performance are produced elsewhere in the Director's Report.

Opportunities and Threats

Opportunities

- Rapidly reviving global economies
- Strong demand for finance in the industrial sector and more particularly SME sector.
- Increasing demand for working capital requirements in all sectors
- Expanding capital market base
- Growth in infrastructure development

STEP TWO CORPORATION LIMITED

Threats

- Strict competition from Banks
- Upcoming NBFCs entering the retail finance sector
- Regulatory changes in the Non-Banking Financial Company sector

Development in human resources

Human resources are an integral and important part of any organization and for the Company whose business model is relationship-based, its people are the key to its success and growth. Thus, the Company has put in place sound policies for the growth and progress of its employees. The Company also recognises the importance of providing training and development opportunities to its people to enhance their skills and experience, which in turn enables the Company to achieve its business objectives.

Conclusion

This report contains forward looking statements that involve risks and uncertainties including, but not limited to, risks inherent in the Company's growth strategy, dependence on certain businesses, dependence on the availability of qualified and trained manpower, economic conditions, government policies and other factors. Actual results, performances or achievements could differ materially from those expressed or implied in such forward looking statements. This report should be read in conjunction with the financial statements included herein and the notes thereto.

STEP TWO CORPORATION LIMITED

CORPORATE GOVERNANCE

Step Two Corporation Limited (STCL) pursues its long-term corporate goals on the bedrock of financial discipline, high ethical standards, transparency and trust. Enhancing shareholder value and protecting the interests of all stakeholders is a tradition at STCL. Every effort is made to follow best practices in all the functional areas and in discharging the Company's responsibilities towards all stakeholders and the community at large.

The Company follows the "Know Your Customer" (KYC) guidelines, "fair-practices code", which lays down detailed guidelines for dealing with customers, including an appropriate dispute resolution mechanism.

1. BOARD OF DIRECTORS

All the members of the Board are eminent persons with considerable expertise and experience in the corporate laws, income Tax, investment and retail financing. The Company is immensely benefited by the range of experience and skills that the directors bring to the Board.

The Board comprises Four Non-Executive Directors. The Promoter Non-executive director is Sri Raj Kumar Agarwal. Independent Non-executive Directors are Sri Sanjay Agarwal, Sri Ashok Kumar Sharma and Sri Anup Fatehpuria. The composition of the Board is in conformity with the listing requirements.

There were no materially relevant pecuniary relationships or transactions of the Non-Executive Directors vis-à-vis the Company during the year.

2. BOARD MEETINGS

The Board of Directors formulates the business and operational policies and decides on strategic issues concerning the Company. The Board generally meets every quarter to review the business performance. The gap between any two meetings has been less than four months, thus complying with the Clause 49 requirement.

During the year under review, 7 meetings of the Board of Directors were held.

30/04/2009	30/06/2009	22/06/2009	31/07/2009
19/09/2009	31/10/2009	30/01/2010	

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

Name of Director	Type	Executive/ Non-executive	Number of meetings attended	Number of other Directorships*	Whether attended last AGM
*Mr. Raj Kumar Agarwal	Promoter	Non-executive	4	Nil	Yes
Mr. Sanjay Agarwal	Independent	Non-executive	6	Nil	Yes
Mr. Ashok Kumar Sharma	Independent	Non-executive	6	Nil	Yes
Mr. Anup Fatehpuria	Independent	Non-executive	5	Nil	Yes

• Directorship held in Public Limited Company.

STEP TWO CORPORATION LIMITED

3. INFORMATION ON DIRECTORS' RE-APPOINTMENT / APPOINTMENT

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 Sanjay Agarwal (42 years), possesses immense knowledge in the fields of investment, Banking 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 holds directorships in the following public limited companies apart from Step Two Corporation Limited.

4. AUDIT COMMITTEE

The terms of reference of the Audit Committee are wide enough to cover the matters specified under Clause 49 of the Listing Agreement, the Reserve Bank of India Guidelines, as well as Section 292A of the Companies Act 1956, which included the following

- To oversee Company's financial reporting process and the disclosure of its financial information to ensure that financial statement is correct, sufficient and credible
- To recommend the appointment and removal of external auditor, fixing of audit fees and also approval for payment for any other services
- To review with the management, the annual financial statements before submission to the Board focusing primarily on -
 - Any change in the accounting policies and practices
 - Major accounting entries based on exercise of judgment by the management
 - Qualifications in draft Audit Report
 - Significant adjustments arising out of audit
 - The going concern assumption
 - Compliance with accounting standards
 - Compliance with Stock Exchanges and legal requirements concerning financial statements
 - Any related party transactions i.e., transaction of the Company of material nature, with promoters or the management and their subsidiaries or relatives, among others, that may have potential conflicts with the interests of the Company at large
- To review with the management, external and internal auditors, the adequacy of internal control systems, which includes
- Review the adequacy of internal audit function, including the structure of internal audit department, Staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit
- To discuss with internal auditors any significant findings and follow up thereon
- To review the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or failure of internal control systems of a material nature and reporting the matter to the Board

STEP TWO CORPORATION LIMITED

- To discuss with external auditors, before the audit commences, nature and scope of audit as well as have post-audit discussion to ascertain any area of concern
- To review the Company's financial and risk management policies
- To look into the reasons for substantial default in the payments to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors

During the year, the Committee met five times on 30th April 2009, 30th June 2009, 31st July 2009, 31st October 2009, and 30th January 2010.

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

<u>Name of the Director</u>	<u>No. of Meetings Attended</u>
Shri Raj Kumar Agarwal	4
Shri Sanjay Agarwal	5
Shri Ashok Kumar Sharma	5
Shri Anup Fatehpuria	5

5. SHARE TRANSFER AND INVESTOR RELATIONS COMMITTEE

The Share Transfer and Investor Relations Committee

- To deal with and decide all matters relating to the registration of transfer and transmission of shares and debentures, issue of duplicate share certificates or allotment letters and certificates for debentures in lieu of those lost/ misplaced

- To redress shareholders and investors complaints relating to transfer of shares, non-receipt of Balance Sheet and nonreceipt of declared dividends, among others.

- To monitor the compliance of Code of prevention of insider trading framed by the Company.

- To effect dematerialisation and re-materialisation of shares of the Company

During the year, the Committee did not held any meeting as there was no Investor Compliant or transfer/transmission of shares.

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

<u>Name of the Director</u>	<u>Type</u>
Shri Raj Kumar Agarwal	Member
Shri Sanjay Agarwal	Chairman
Shri Ashok Kumar Sharma	Member
Shri Anup Fatehpuria	Member

No investor compliant was received during the year and none was pending unresolved as on 31st March, 2010.

STEP TWO CORPORATION LIMITED

6. 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.

7. GENERAL BODY MEETINGS

Time and location of last three Annual General Meetings

Year	Date	Time	Location
2007	24.09.2007	11:00 A.M.	21, Hemanta Basu Sarani, 5th Floor, Suite No.507,, Kolkata 700001
2008	27.09.2008	11:00 A.M.	21, Hemanta Basu Sarani, 5th Floor, Suite No.507, Kolkata 700001
2009	19.09.2009	11:00 A.M.	21, Hemanta Basu Sarani, 5th Floor, Suite No.507, Kolkata 700001

Postal Ballot

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

8. DISCLOSURE

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.

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: None. 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 liasoning with the BSE on a continuous basis and hope that trading would resume on the BSE very soon.

Disclosure of Accounting Treatment: In the preparation of financial statements, the company has followed the treatment as prescribed in the Accounting Standards.

Risk Management: The Company has a defined Risk Management framework. The company has laid down procedures to inform the Board members about the risk assessment and minimization procedures.

Proceeds from public issues, rights issues, preferential issues etc.: There were no proceeds from public issues, rights issues, preferential issues etc. during the financial year.

9. MEANS OF COMMUNICATION

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

STEP TWO CORPORATION LIMITED

10. GENERAL SHAREHOLDER INFORMATION

A. Annual General Meeting

Date - 25th September, 2010

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, 2010 : On or before 14th August, 2010
Result for Quarter ending September 30, 2010 : On or before 14th November, 2010
Result for Quarter ending December 31, 2010 : On or before 14th February, 2011
Result for Quarter ending March 31, 2011 : On or before 15th May, 2011

C. Book Closure

The Register of members and Share Transfer Book will remain closed from 21st day of September, 2010 to 25th day of September, 2010 (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 2009-10 to all the stock exchanges.

F. ISIN Number : INE623D01015

G. Depository Connectivity : NSDL and CDSL

H. STOCK MARKET DATA

The shares of the Company are very thinly traded in the market and no data regarding the same is available with the Company.

11. REGISTRAR & TRANSFER AGENTS

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

12. COMPLIANCE OFFICER

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

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

Tel No.: 033-22318207/08

E-mail: admin@steptwo.in

STEP TWO CORPORATION LIMITED

13. DISTRIBUTION OF SHAREHOLDING AS ON 31.03.2010

No. of Equity Shares Held	No. of Share holders	% of Shares holders	No. of Shares held	% of Shares holding
Upto 50	14	0.7684	39	0.0008
51 to 100	51	2.7991	5061	0.1002
101 to 500	393	21.5697	154000	3.0482
501 to 1000	1059	58.1229	739800	14.6434
1001 to 5000	239	13.1175	536400	10.6174
5001 to 10000	18	0.9879	149900	2.9671
10001 to 20000	20	1.0977	301000	5.9579
20001 to 50000	21	1.1526	655600	12.9768
50001 to 100000	4	0.2195	285600	5.6531
100001 and above	3	0.1647	2224700	44.0352
Totals	1822	100.000	5052100	100.000

14. SHAREHOLDING PATTERN AS ON 31.03.2010

Category	No. of Share held	% of Share holding
Indian Promoters	2297700	45.48
Indian Public including corporate bodies	2754400	54.52
	<u>5052100</u>	<u>100.00</u>

15. DEMATERIALIZATION OF SHARES

2480836 shares have been dematerialised up to 31.03.2010 which is 49.11% of the total shares of the Company.

16. BREAK-UP OF SHARES IN PHYSICAL AND DEMAT SEGMENT (As on 31.03.2010)

Segment	No. of Shareholders	% to total Shareholders	No. of Shares held	% to total Shares
Physical	1706	93.6334	2571264	50.89
Demat	116	6.3666	2480836	49.11
Total	1822	100.00	5052100	100.00

17. OUTSTANDING GDRs/ADRs/WARRANTS OR ANY CONVERTIBLE INSTRUMENTS. CONVERSION DATE AND LIKELY IMPACT ONEQUITY

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

18. ADDRESS FOR CORRESPONDENCE

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

STEP TWO CORPORATION LIMITED

CEO/CFO CERTIFICATION

I, Mr. Raj Kumar Agarwal, Director, certify to the Board that:

- a) I have reviewed financial statements and the cash flow statement for the year ended on 31st March'2010 and that to the best of my knowledge and belief:
 - i. These statement 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 comply 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'2010 are fraudulent, illegal or violative of the company's code of conduct.
- c) I accept responsibility for establishing and maintaining internal controls and that I have evaluated the effectiveness of the internal control systems of the company and I have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of internal controls, if any, of which I am aware and the steps they have taken or propose to take to rectify these deficiencies.
- d) I have indicated to the auditors and the Audit Committee
 - i. Significant changes in internal control 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 they 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.

For Step Two Corporation Limited

Sd/-

Raj Kumar Agarwal

Director

STEP TWO CORPORATION LIMITED

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, 2010, 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.

Place : Kolkata
Date : The 30th Day of April, 2010

For **AGRAWAL SINGHANIA & CO.**
Chartered Accountants

(SANJAY KUMAR AGRAWAL)
(Partner)

STEP TWO CORPORATION LIMITED

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

To the Members of Step Two Corporation Limited

The Company has framed specific code of conduct for the members of the Board of Directors and the Senior Management Personnel of the Company pursuant to Clause 49 of the Listing Agreement with the Stock Exchange to further strengthen corporate governance practices in the Company. All the members of the Board and Senior Management Personnel of the Company have affirmed due observance of the said code of conduct in so far as it is applicable to them and there is no non-compliance thereof during the year ended March 31, 2010.

Place : Kolkata

Date : April 30, 2010.

Raj Kumar Agarwal

Director

AUDITOR'S REPORT

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

We have audited the attached Balance Sheet of **M/s. Step Two Corporation Limited**, as at 31st March, 2010, and the Profit and Loss Account of the company for the year ended on that date annexed thereto and the cash flow statement for the period ended on that date, which we have signed under reference to this report. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our Audit.

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

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

We further report that:

1. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
2. In our opinion proper books of accounts as required by law have been kept by the company so far as it appears from our examination of the books of the company.
3. The Balance Sheet and 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, 2010, and taken on record by the Board of directors, we report that none of the directors are disqualified as on 31st March 2010 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
6. In our opinion and to the best of our information and according to the explanations given to us, the said Balance Sheet & the Profit & Loss Accounts read together with and subject to the Notes thereon and Schedules annexed thereto give the information required by the

STEP TWO CORPORATION LIMITED

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 on 31st March, 2010,
- b) In the case of the Profit and Loss Account, of the Loss 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 Directors, namely the following :-

- i). The company, incorporated prior to January 9, 1997, has applied for registration as provided in section 45IA of the Reserve Bank of India Act, 1934 (2 of 1934). The Company has been granted certificate of registration as NBFC by the Reserve Bank of India & the Registration No. is 05.02614 dated 04.06.1998.
- ii). The Board of Directors of the Company has passed a Resolution for non-acceptance of any public deposits.
- iii). The Company has not accepted any public deposits during the year under reference.
- iv). The Company has complied with the prudential norms relating to income recognition, accounting standards, asset classification and provisioning of bad doubtful debts as applicable to it.

For **AGRAWAL SINGHANIA & CO.**

Chartered Accountants

(Sanjay Kumar Agrawal)

Partner

Place : Kolkata

Date : 30.04.2010

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 at reasonable intervals during the year. No material 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 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

STEP TWO CORPORATION LIMITED

Provident Fund, Miscellaneous Provisions Act, Employee's State Insurance Act, Sales Tax, Wealth Tax, Service Tax, Custom Duty and Excise Duty are not applicable to the Company.

- b. According to the information and explanations given to us and the records of the Company examined by us, there are no statutory dues, which have not been deposited on account of any dispute.
- 10) The Company has been registered for a period of more than five years and it has accumulated losses of Rs. 43,23,838.18/- at the end of the financial year, it has incurred cash loss of Rs. 15,95,305.64/- in the current financial year but it has not incurred any cash loss in the immediately preceding financial year.
- 11) The company does not have dues to a financial institution or bank or debenture holders.
- 12) The Company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures and other securities.
- 13) In our opinion, considering the nature of activities carried on by the Company during the year, the provisions of any special statute applicable to chit funds / nidhi / mutual benefit funds / societies are not applicable to it.
- 14) In our opinion, the company has maintained proper records of transactions and contracts in respect of trading in shares & other investments and timely entries have been made therein and the shares, securities, debentures and other securities have been held by the company, in its own name.
- 15) The company has not given any guarantee for loans taken by others from banks or financial institutions, the terms and conditions whereof are prejudicial to the interest of the company.
- 16) The Company has not taken any term loans during the year under reference.
- 17) The Company has not raised any funds on short-term basis, which have been used for long term investment.
- 18) The company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under section 301 of the Act.
- 19) The Company has not raised any money by issue of debentures.
- 20) The Company has not raised any money by public issue during the year.
- 21) As per the information and explanations given to us and on the basis of examination of records, no material fraud on or by the Company was noticed or reported during the year.

STEP TWO CORPORATION LIMITED**BALANCE SHEET AS ON 31ST MARCH 2010**

SOURCES OF FUNDS	SCHEDULE	As on 31.03.2010 Rs. P.	As on 31.03.2009 Rs. P.
<u>Shareholders' Fund</u>			
Share Capital	1	45,922,536.00	45,922,536.00
Reserves & Surplus	2	890,780.19	399,496.83
Deferred Tax Liability		15,053.00	16,869.00
	Total:	<u>46,828,369.19</u>	<u>46,338,901.83</u>
<u>APPLICATION OF FUNDS</u>			
<u>Fixed Assets</u>	3		
Gross Block		1,620,865.00	1,556,105.00
Less : Depreciation		<u>1,376,692.52</u>	<u>1,267,341.68</u>
Net Block		244,172.48	288,763.32
<u>Investments</u>	4	—	3,461,853.60
<u>Current Assets, Loans & Advances</u>			
<u>Current Assets</u>			
Inventories	5	12,712,234.16	8,697,716.53
Sundry Debtors	6	281,256.26	25,234,000.25
Cash & Bank Balances	7	4,241,225.01	2,814,090.56
Loans & Advances	8	<u>26,603,696.10</u>	<u>6,236,699.95</u>
		43,838,411.53	42,982,507.29
Less : Current Liabilities & Provisions			
Current Liabilities	9	188,266.00	268,493.38
Provisions	10	<u>135,423.00</u>	<u>125,729.00</u>
		323,689.00	394,222.38
Net Current Assets		<u>43,515,722.53</u>	<u>42,588,284.91</u>
Profit & Loss Account (Loss to the extent not adjusted)		3,069,474.18	
	Total :	<u>46,828,369.19</u>	<u>46,338,901.83</u>
Significant Accounting Policies & Notes on Accounts	15		

The schedules referred to above form an integral part of the Balance Sheet As per report of even date attached.
For **AGRAWAL SINGHANIA & CO.**
Chartered Accountants

(CA Sanjay Kumar Agrawal)
Partner
Mem. No. 056837

Place : Kolkata
Date : 30.04.2010

For and on behalf of the Board
Sd/-

Raj Kumar Agarwal
Ashok Kumar Sharma
Directors

STEP TWO CORPORATION LIMITED

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2010

		Year ended 31.03.2010	Year ended 31.03.2009
	SCHEDULE	Rs. P.	Rs. P
INCOME			
Sale of Shares		18,278,970.18	95,838,006.52
Interest & Other Income	11	1,760,176.02	148,853.43
Profit / (Loss) on Sale of Investments		(2,610,550.14)	—
Accretion / (Decretion) of Stock	12	4,014,517.63	(37,874,599.47)
	Total :	<u>21,443,113.69</u>	<u>58,112,260.48</u>
EXPENDITURE			
Purchase of Shares		22,115,532.31	54,698,198.40
Administrative & Other Expenses	13	1,683,786.13	1,664,080.79
Share Transaction Expenses		83,317.81	151,690.45
Depreciation written off		109,350.84	127,956.84
Finance Charges	14	21,439.42	1,277,162.31
	Total :	<u>24,013,426.51</u>	<u>57,919,088.79</u>
Profit (Loss) before Tax		(2,570,312.82)	193,171.69
Tax Expense			
Current Tax		9,694.00	11,904.00
Deferred Tax		(1,816.00)	(26,796.00)
Fringe Benefit tax		—	28,322.00
Income Tax for the Previous Year		—	—
Fringe Benefit Tax for the Previous Year		—	3,557.00
Profit (Loss) after Tax		(2,578,190.82)	176,184.69
Transfer to Reserve Fund		—	35,236.93
Balance brought forward From the last year		<u>(491,283.36)</u>	<u>(632,231.12)</u>
Balance carried to Balance Sheet		<u>(3,069,474.18)</u>	<u>(491,283.36)</u>
Basic & Diluted Earning per Share	15	(0.51)	0.03

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 **AGRAWAL SINGHANIA & CO.**
Chartered Accountants

(CA Sanjay Kumar Agrawal)
Partner

Mem. No. 056837

Place : Kolkata

Date : 30.04.2010

For and on behalf of the Board
Sd/-

Raj Kumar Agarwal
Ashok Kumar Sharma
Directors

STEP TWO CORPORATION LIMITED

SCHEDULES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET

SCHEDULE - 1
SHARE CAPITAL

	As on 31.03.2010 Rs. P.	As on 31.03.2009 Rs. P.
Authorised 53,50,000 Equity Shares of Rs. 10/- each	53,500,000.00	53,500,000.00
	<u>53,500,000.00</u>	<u>53,500,000.00</u>
Issued, Subscribed & Paid up 50,52,100 Equity Shares of Rs. 10/- each	50,521,000.00	50,521,000.00
Fully called up in cash	4,598,464.00	4,598,464.00
Less : Calls in arrear	<u>45,922,536.00</u>	<u>45,922,536.00</u>

SCHEDULE - 2
RESERVES & SURPLUS

Profit & Loss Account	0.00	(491,283.36)
Reserve Fund	890,780.19	890,780.19
	<u>890,780.19</u>	<u>399,496.83</u>

SCHEDULE - 4

	No. of Shares 31.03.2010	No. of Shares 31.03.2009	As on 31.03.2010 Rs. P	Value As on 31.03.2009 Rs. P
<u>INVESTMENTS</u>				
<u>Other Investments</u>				
(Long Term, at cost)				
<u>Quoted</u>				
(Equity Shares of Rs. 10/- each fully paid up)				
Clutch Auto Ltd.	—	25000	—	3,461,853.60
TOTAL			<u>0.00</u>	<u>3,461,853.60</u>
Aggregate Market Value of Quoted Shares.			—	400,000.00
Aggregate Market Value of Unquoted Shares.			—	—

STEP TWO CORPORATION LIMITED

**SCHEDULE - 3
FIXED ASSETS**

AMOUNT (Rs)

Particulars	GROSS BLOCK			DEPRECIATION			NET BLOCK	
	Balance as on 01.04.2009	Additions during the year	Sales during the year	As on 01.04.2009	Depreciation for the year	As on 31.03.2010	WDV as on 31.03.2010	WDV as on 31.03.2009
Computer	464,342.00	64,760.00	-	335,852.00	36,947.00	372,799.00	156,303.00	161,717.00
Furniture & Fixture	28,300.00	-	-	24,117.00	1,791.00	25,908.00	2,392.00	5,974.00
Office Equipment	80,997.00	-	-	49,718.68	3,847.84	53,566.52	27,430.48	35,126.16
Elec. Installation	44,000.00	-	-	28,371.00	2,090.00	30,461.00	13,539.00	17,719.00
Vehicles	894,966.00	-	-	826,110.00	62,609.00	888,719.00	6,247.00	153,878.00
Mobile Phones	43,500.00	-	-	3,173.00	2,066.00	5,239.00	38,261.00	30,806.00
Total	1,556,105.00	64,760.00	-	1,267,341.68	109,350.84	1,376,692.52	244,172.48	405,220.16
Previous year	1,544,605.00	11,500.00	-	1,139,384.84	127,956.84	1,267,341.68	405,220.16	-

STEP TWO CORPORATION LIMITED

	As on 31.03.2010 Rs. P.	As on 31.03.2009 Rs. P.
SCHEDULE - 5		
INVENTORIES		
(As certified by the management)		
(Valued at lower of cost or market price)		
Stock of Shares / Securities	12,712,234.16	8,697,716.53
(As per Annexure - 1)	<u>12,712,234.16</u>	<u>8,697,716.53</u>
SCHEDULE - 6		
SUNDRY DEBTORS		
(Unsecured, considered Good)		
Debts due within Six months	281,256.26	25,234,000.25
Debts due for more than Six months		
	<u>281,256.26</u>	<u>25,234,000.25</u>
SCHEDULE - 7		
CASH & BANK BALANCES		
Cash in hand	365,256.36	234,125.86
(As certified by the management)		
Balances with Scheduled banks		
In Current Accounts	3,875,968.65	2,579,964.70
	<u>4,241,225.01</u>	<u>2,814,090.56</u>
SCHEDULE - 8		
LOANS & ADVANCES (Unsecured considered good)		
Loans	17,330,744.00	5,542,630.95
Advances recoverable in cash or in	9,116,952.10	438,069.00
Kind or for value to be received		
or for value to be received		
Security Deposits	156,000.00	256,000.00
	<u>26,603,696.10</u>	<u>6,236,699.95</u>
SCHEDULE - 9		
CURRENT LIABILITIES		
Sundry Creditors	—	—
Other Liabilities	188,266.00	268,493.38
	<u>188,266.00</u>	<u>268,493.38</u>
SCHEDULE - 10		
PROVISIONS		
Provision for Taxation	39,370.00	29,676.00
Provision for Fringe Benefit Tax	96,053.00	96,053.00
	<u>135,423.00</u>	<u>125,729.00</u>

STEP TWO CORPORATION LIMITED

	As on 31.03.2010 Rs. P.	As on 31.03.2009 Rs. P.
<u>SCHEDULE - 11</u>		
<u>INTEREST & OTHER INCOME</u>		
Dividend	66,233.00	311,671.00
Interest Income (TDS Rs. 107,169/- Previous Year Rs. 19,330/-)	1,353,935.00	265,222.20
Consultancy Fees	—	—
Share Speculation	50,320.17	319,678.05
Profit/(Loss) from Derivatives	289,687.85	(747,717.82)
	<u>1,760,176.02</u>	<u>148,853.43</u>
<u>SCHEDULE - 12</u>		
<u>ACCRETION / (DECRETION) OF STOCK</u>		
Closing Stock	12,712,234.16	8,697,716.53
Less : Opening Stock	8,697,716.53	46,572,316.00
	<u>4,014,517.63</u>	<u>(37,874,599.47)</u>
<u>SCHEDULE - 13</u>		
<u>ADMINISTRATIVE & OTHER EXPENSES</u>		
Personnel Cost	420,000.00	420,000.00
Advertisement Expenses	20,693.00	14,266.00
Seminar Fees	—	10,000.00
Tour & Travelling Expenses	597,855.67	694,483.89
Balance W/off	124,959.65	—
Rent	96,000.00	96,000.00
Rates & Taxes	90,950.00	83,370.00
Legal & Professional Charges	30,000.00	30,000.00
Auditor's Remuneration	16,545.00	17,668.00
Bank Charges	137.90	849.44
Conveyance Expenses	19,306.00	33,158.00
General Expenses	26,570.00	38,989.17
Communication Cost	125,293.47	127,377.29
Printing & Stationery	31,069.00	22,545.00
Custodial Fees	47,637.00	42,732.00
Repair & Maintenance & Electricity	36,769.14	32,642.00
	<u>1,683,786.13</u>	<u>1,664,080.79</u>
<u>SCHEDULE 14</u>		
<u>FINANCE CHARGES</u>		
Interest Paid	21,439.42	1,277,162.31
	<u>21,439.42</u>	<u>1,277,162.31</u>

STEP TWO CORPORATION LIMITED

SCHEDULE - 15

(Notes annexed to & forming part of the accounts for the year ended 31st March, 2010)

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 their cost of acquisition.

1.5 Income & Expenditure

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

1.6 Fixed Assets

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

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 recognized, 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 recognized unless there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized.

[Provision for Fringe Benefit tax has been made in accordance with the provision of the Chapter XII-H of the Income Tax Act, 1961.]

STEP TWO CORPORATION LIMITED

2. Notes on Accounts

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

	Quantity as at 31.03.2010	Quantity as at 31.03.2009
Opening Stock	483,653	5,95,485
Purchases	584,207	10,64,452
Sales	531,009	1,176,284
Closing Stock	536,851	483,653

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

2.3. Details of the foreign currency transaction entered into by the company during the year.

	2009-2010 Amount (Rs.)	2008-2009 Amount (Rs.)
1. Earning in Foreign Exchange on F.O.B. basis	Nil	Nil
2. Expenditure in Foreign Currency:- For Tour & Traveling Expenses	24,550.00	Nil

2.4. Auditor's Remuneration

	2009-2010 Amount (Rs.)	2008-2009 Amount (Rs.)
Statutory Audit Fees	5,618.00	5,618.00
Tax Audit fees	2,247.00	2,247.00
Other matters	8,680.00	9,804.00
Total	<u>16,545.00</u>	<u>17,668.00</u>

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

STEP TWO CORPORATION LIMITED

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

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

Sl. No.	Nature of Relationship Particulars/Transactions	Key Management personnel and their relatives
1.	Rent Paid	Rs. 96,000/-
2.	Maintenance & Electric Charges	Rs. 32,757/-
3.	Legal & Professional Charges	Rs. 18,000/-

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

Associates of Key Managerial Personnel :

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

2.7 Deferred Tax

	<u>31.03.2010</u>		<u>31.03.2009</u>	
	Deferred Tax		Deferred Tax	
	Asset	Liability	Asset	Liability
Opening Balance (A)	NIL	16,869.00	NIL	43,665.00
Less : Deferred tax liability reversed during the year	NIL	1,816.00	NIL	26,796.00
Closing Balance	NIL	15,053.00	NIL	16,869.00

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

(Amount in Rs.)

	<u>2009-2010</u>	<u>2008-2009</u>
	(a) Amount used as the numerator	
Profit after tax (A) (Rs.)	(25,78,109.82)	1,76,184.69
(b) Basic/weighted average number of equity		
Shares used as denominator (B)	50,52,100	50,52,100
(c) Nominal value of equity shares (Rs.)	10.00	10.00
(d) Basic/diluted Earnings per share (A/B)	(0.51)	0.03

2.9 No employee is eligible for gratuity benefits, hence, the same has not been provided in the books.

2.10 There is no outstanding amount payable to small scale industrial undertaking, which is outstanding for more than 30 days.

2.11 As per provisions of Macro Small and Medium Enterprises Development Act, 2006, there are no such enterprises to whom the company over due which are outstanding for more than 45 days at the Balance Sheet date to the extent such enterprises have been identified on the basis of information available with the company.

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

STEP TWO CORPORATION LIMITED

3. BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE FOR THE YEAR ENDED 31ST MARCH 2010.

I. REGISTRATION DETAIL

Registration No.	21-66080	State Code	21
Balance Sheet Date	31.03.2010		

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	46828	Total Assets	46828
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SOURCES OF FUNDS

Paid-up Capital	45923	Reserve & Surplus	891
Secured Loans	0	Unsecured Loans	0
Deferred Tax Liability	15		

APPLICATION OF FUNDS

Net Fixed Assets	244	Investment	-
Net Current Assets	43516	Misc. Expenditure	NIL

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

Turnover/Total Income	21443	Total Expenditure	24013
Profit before tax	(2570)	Profit after tax	(2579)
Basic E.P.S. in Rs.	(0.51)	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 **AGRAWAL SINGHANIA & CO.**
Chartered Accountants

Place : Kolkata
Date : 30.04.2010

(CA Sanjay Kumar Agrawal)
Partner
Mem. No. 056837

STEP TWO CORPORATION LIMITED**Annexure-1****INVENTORIES**

(Equity shares fully paid up)

SR. No.	Name of company	No. of Shares as on 31.03.2010	No. of Shares as on 31.03.2009	Value as on 31.03.2010	Value as on 31.03.2009
Quoted Shares					
1	Aftek Infosys Ltd	20,000	27,500	149,000.00	204,875.00
2	Accurate Transfor		—	—	—
3	Arihant Foundation		1,000	—	55,400.00
4	Asian Oilfld		—	—	—
5	Atlanta Ltd.		3,000	—	122,700.00
6	Austral Coke & Project Ltd.		2,000	—	351,560.00
7	A. V. Cottex Ltd.		500	—	3,610.00
8	Bang Overseas Ltd.	21,316	—	903,798.40	—
9	Bhagyanagar Metals Ltd.		200	—	2,844.00
10	Bipinind Ltd.	800	800	14,400.00	14,400.00
11	Birla Shloka Edutech Ltd.	20,000		969,600.00	
12	Cerebra Integrated Ltd.	9,331	24,331	60,931.43	158,881.43
13	Clutch Auto Ltd.	12,500	20,285	200,000.00	324,560.00
14	Confidence Petroleum Ltd.		10,000	—	40,700.00
15	Donear Industries Ltd.	84,454	84,454	1,520,172.00	1,520,172.00
16	Glory Polyfilms Ltd.		13,686	—	570,021.90
17	Intellivision Soft Ltd.	40,000	—	756,000.00	—
18	RDB Industries Ltd.	3,537	—	233,760.33	—
19	Spanco Telesystems Ltd.	2,525	—	148,672.00	—
20	India Bulls Finance Ltd.		100	—	8,995.00
21	India Bulls Securities Ltd.		100	—	—
22	Kohinoor Foods Ltd.		500	—	26,425.00
23	Larsen & Toubro Ltd.		50	—	33,570.00
24	Lumax Industries Ltd.		—	—	—
25	Magnum Ventures Ltd.		8,000	—	44,800.00
26	Noida Toll Bridge Co Ltd.		1,500	—	35,700.00
27	Pal Credit & Capital Ltd.		7,500	—	15,300.00

STEP TWO CORPORATION LIMITED

28	Parekh Aluminex Ltd.		500	—	26,075.00
29	Parsvanath Developers Ltd		1,000	—	36,400.00
30	Pitti Laminations Ltd.		1,624	—	38,570.00
31	Priyadarshini Cement (Rain Commodities Ltd.)		500	—	25,000.00
32	Ranbaxy Laboratories Ltd.		862	—	142,833.40
33	Reliance Industries Ltd.		50	—	76,237.50
34	Reliance Petroleum Ltd.		6,000	—	570,600.00
35	Sea Mec Ltd.		162	—	9,549.90
36	Stenly Credit Capital Ltd.	3,400	3,400	245,650.00	245,650.00
37	Tricom Finance Ltd.		250,000	—	2,662,500.00
38	Vasparr Securities Ltd.		1,000	—	29,610.00
39	Visesh Infosystems		49	—	176.40
Total (A)		217,863	470,653	5,201,984.16	7,397,716.53
Unquoted Shares					
1	Fancy Marketing & Investment Co. (P) Ltd.	—	13,000	—	1,300,000.00
2	Saffron Capital Advisors Pvt. Ltd.	63,750	—	4,730,250.00	
3	Avani Projects and Infrastructure Ltd.	250,000	—	2,500,000.00	
Total (B)		313,750	13,000	7,230,250.00	1,300,000.00
Mutual Funds					
1	HDFC Top Fund-Growth	528	—	90,000.00	—
2	DSP Black Rock Top 100 Equity Fund-Growth	923	—	80,000.00	—
3	Reliance Growth Fund- Retail Plan	32	—	10,000.00	—
4	Reliance Regular Savings Fund-Growth	491	—	10,000.00	—
5	ICICI Prudential Infrastructure Fund-Growth	3,264	—	90,000.00	—
Total (C)		5,238	—	280,000.00	—
Total (A) + (B)		536,851	483,653	12,712,234.16	8,697,716.53

STEP TWO CORPORATION LIMITED**Cash Flow Statement for the Year Ended 31st March 2010**

	2009-2010	2008-2009
	Amount (Rs.)	Amount (Rs.)
A. <u>Net Cash from Operational Activities</u>		
Net Profit before Taxes	(2,570,312.82)	193,171.69
<u>Adjustments</u>		
Loss from sale of Investments	2,610,550.14	—
Depreciation & Amortisation	109,350.84	127,956.84
Provision for Taxation	(9,694.00)	(43,783.00)
Operating Profit before change in Working Capital	139,894.16	277,345.53
Increase/Decrease in trade & other receivable	24,952,743.99	(25,234,000.25)
Increase/Decrease in Inventories	(4,014,517.63)	37,874,599.47
Increase/Decrease in Loans & Advances	(20,366,996.15)	16,584,411.43
Increase/Decrease in trade & other payable	(80,227.38)	(1,225,459.99)
Increase/Decrease in Provision	9,694.00	39,226.00
Income Tax for the Previous Year paid	—	—
Net Cash from Operating Activities	A 640,590.99	28,316,122.19
B. <u>Cash Flow from Investing Activities</u>		
Profit from sale of Investment	(2,610,550.14)	—
Purchase/Sale of Fixed Assets	(64,760.00)	(11,500.00)
Purchase/Sale of Investments	3,461,853.60	—
Cash Flow from Investing Activities	B 786,543.46	(11,500.00)
C. <u>Cash Flow from Financing Activities</u>		
Loan Taken	—	—
Loan Repaid	—	(28,177,417.02)
Cash Flow from Financing Activities	C —	(28,177,417.02)
Net Increase in cash & Cash Requirement	Total (A+B+C) 1,427,134.45	127,205.17
Cash & Cash Equivalent (Opening Balance)	2,814,090.56	2,686,885.39
Cash & Cash Equivalent (Closing Balance)	4,241,225.01	2,814,090.56

STEP TWO CORPORATION LIMITED

Notes to the Cash Flow Statement:

- 1 Cash & Cash Equivalent comprises of:

	As on 31.03.2010 Amount (Rs.)	As on 31.03.2009 Amount (Rs.)
Cash in hand	365,256.36	234,125.86
Balances with Scheduled banks in Current Accounts	3,875,968.65	2,579,964.70
	<u>4,241,225.01</u>	<u>2,814,090.56</u>

- 2 The opening as well as the closing balance of Cash & Cash Equivalents as shown in the Cash Flow Statement include an amount of Rs. 25,00,000/- which 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 31.03.2009. 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 **AGRAWAL SINGHANIA & CO.**
Chartered Accountants

(**CA Sanjay Kumar Agrawal**)
Partner
Mem. No.: 056837

Place : Kolkata
Date : 30.04.2010

For and on behalf of the Board
Sd/-
Raj Kumar 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)	
<u>Liabilities side:</u>		
(1) Loans and Advances availed by the NBFCs inclusive of interest accrued thereon but not paid:	<u>Amount outstanding</u>	<u>Amount overdue</u>
(a) Debentures : Secured	NIL	NIL
: Unsecured	NIL	NIL
(other than falling within the Meaning of Public deposits*)		
(b) Deferred Credits	NIL	NIL
(c) Term Loans	NIL	NIL
(d) Inter-corporate loans and borrowing	NIL	NIL
(e) Commercial Paper	NIL	NIL
(f) Public Deposits*	NIL	NIL
(g) Other Loans (specify nature)	NIL	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		
<u>Assets side:</u>		
(3) Break-up of Loans and Advances including bills receivables [other than those included in (4) below]:		
(a) Secured		NIL
(b) Unsecured		26,603
(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	NIL
(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) Shares : (a) Equity	3,462
(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 previous		Total
	Secured	Unsecured	
1. Related Parties**	Nil	Nil	Nil
(a) Subsidiaries	Nil	Nil	Nil
(b) Companies in the same group	Nil	Nil	Nil

STEP TWO CORPORATION LIMITED

(c) Other related parties	Nil	Nil	Nil
2. Other than related parties	Nil	26,603	26,603
Total	Nil	26,603	26,603

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

Notes :

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

STEP TWO CORPORATION LIMITED

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

Folio
No. of Shares

PROXY

I/WE.....being a member/
Members of the abovenamed company, hereby appoint.....
of.....or failing him.....of.....as
my/our proxy absence to attend and vote for me/us and my/our behalf at Sixteenth Annual
General Meeting of the Company, to be held at 21, Hemant Basu Sarani, 5th Floor, Room No. 507,
Kolkata-700 001 on 25th September, 2010 at 10 A.M. or at any adjournment thereof. AS
WITNESS my/our hand/hands this.....day of.....2010.

Signed by the said



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 Sixteenth Annual General Meeting of the Company, to be held at 21, Hemant Basu Sarani, 5th Floor, Room No. 507, Kolkata-700 001 on 25th September, 2010 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).