

GUPTA VIGG & CO.  
Chartered Accountants  
K-101 Kismat Complex G.T. Road  
Miller Ganj, LUDHIANA.  
[Phones:2532297,2535156]

# AUDITORS' REPORT

The Members of  
KOVALAM INVESTMENT & TRADING CO. LTD.,  
LUDHIANA.

We have audited the attached Balance Sheet of M/s Kovalam Investment & Trading Company Limited, Ludhiana as at 31st March, 2009 and Profit & Loss Account and also Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order to the extent applicable to the Company.

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

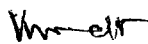
- (i) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
- (ii) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books.
- (iii) The Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account.
- (iv) In our opinion, the Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report comply with the mandatory accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956 to the extent applicable.
- (v) On the basis of written representations received from the Directors as on 31st March, 2009 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2009 from being appointed as a Director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.
- (vi) In our opinion, there is no adverse effect on the functioning of the Company.

BOMBAY STOCK  
EXCHANGE LTD.

(vii) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the Notes on Accounts as per Schedule -VIII give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India :-

- (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2009;
- (b) in the case of the Profit & Loss Account, of the profit/loss for the year ended on that date; and
- (c) in the case of Cash Flow Statement, of the cash flow for the year ended on that date.

Dated: 31.07.2009  
Place: LUDHIANA.

For GUPTA VIGG & CO.  
Chartered Accountants  
  
(VINOD KHANNA)  
M.NO. 8158 REGISTERED ACCOUNTANT  
PARTNER

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For KOVALAM INVESTMENT  
& TRADING CO. LTD.

## ANNEXURE TO AUDITORS' REPORT

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[Referred to in paragraph (3) thereof]

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- (i) The Company does not have any fixed assets. Hence Clauses 4(i)(a),(b) and (c) are not applicable to the Company.
- (ii) The Company does not have any inventories. Hence Clauses 4(ii)(a),(b) and (c) are not applicable to the Company.
- (iii) a) The Company has granted loan to one party covered in the register maintained u/s 301 of the Companies Act, 1956. The maximum amount outstanding during the year was Rs.2,09,64,161 and year end balance is Rs.60,70,930/-.
- b) In our opinion, the rate of interest and other terms & conditions on which the loans have been granted are not prima-facie prejudicial to the interest of the Company.
- c) The Loans granted are receivable on demand.
- d) There is no overdue amount.
- e) The Company has not taken any loans from the parties covered in the registered maintained u/s 301 of the Companies Act, 1956. Accordingly, the clauses 4(iii)(f) & (g) are not applicable to the Company.
- (iv) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the company and nature of its business. During the course of our audit, we have not observed any major weaknesses in internal control.
- (v) a) According to the information and explanations given to us, we are of the opinion that the particulars of contracts or arrangements referred to in section 301 of the Act have been entered in the register required to be maintained under that section; and
- b) In our opinion and according to the information and explanations given to us, no transactions have been made made in pursuance of such contracts or arrangements during the year.
- (vi) The company has not accepted any deposits from public. Hence, the clause 4(vi) of the Order is not applicable to the company.
- (vii) In our opinion, the company has internal audit system commensurate with its size and nature of its business.
- (viii) The maintenance of cost records has not been prescribed by the Central Government for the maintenance of cost records under section 209(1)(d) of the Companies Act, 1956. Hence clause 4(viii) of the Order is not applicable.
- (ix) a) According to the records of the company, undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income tax, sales tax, wealth tax, service-tax, custom duty, excise duty, cess and other material statutory dues applicable to the company, if any, have been regularly deposited with appropriate authorities.

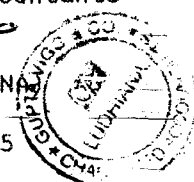
According to the information and explanations given to us, undisputed amounts payable in respect of above dues were not in arrears, as at 31st March, 2009 for a period of more than six months from the date they become payable.

- b) According to the information and explanation given to us, there are no dues of sales tax, income tax, custom duty, wealth tax, service-tax, excise duty and cess which have not been deposited on account of any disputes.
- (x) The company does not have any accumulated losses at the end of the financial year and has not incurred cash losses in the financial year and in the financial year immediately preceding such financial year.
- (xi) The Company has not borrowed any money from banks or financial institutions. Hence Clause 4(xi) is not applicable.
- (xii) In our opinion and according to the information and explanations given to us, the company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Therefore, the provisions of clause 4(xii) of the Companies (Auditors' Report) Order, 2003 are not applicable to the company.
- (xiii) The company is not a chit fund or a nidhi mutual benefit fund/society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditors' Report) Order, 2003 are not applicable to the company.
- (xiv) In respect of dealing/investments in shares, in our opinion and according to the information and explanations given to us, proper records have been maintained of the investments and timely entries have been made therein. The shares and other investments have been held by the company in its own name.
- (xv) According to the information and explanations given to us, the company has not given any guarantee for the loans taken by others from banks or financial institutions.
- (xvi) The Company has not taken any term loans and hence not applicable.
- (xvii) The Company has not raised any funds on short term basis. Accordingly, Clause 4(xvii) is not applicable to the Company.
- (xviii) The company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Companies Act, 1956. Hence clause 4(xviii) of the Order is not applicable.
- (xix) The company has not issued debentures during the year. Therefore, the provisions of clause 4(xix) of the Companies (Auditors' Report) Order, 2003 are not applicable to the company.
- (xx) The company has not raised money by way of public issue during the year. Therefore, the provisions of clause 4(xx) of the Companies (Auditors' Report) Order, 2003 are not applicable to the company.
- (xxi) According to the information and explanations given to us, no fraud on or by the company has been noticed or reported during the year.

Dated: 31.07.2009  
Place: LUDHIANA.

For GUPTA VIGG & CO.  
Chartered Accountants

(VINOD KHANNA)  
Partner  
M.No. 81585



**KOVALAM INVESTMENT AND TRADING COMPANY LIMITED****PREMISES: OSWAL WOOLLEN MILLS LTD, G.T. ROAD, SHERPUR, LUDHIANA****BALANCE SHEET AS AT 31.03.2009**

PARTICULARS	SCHEDULE	AMOUNT (RS.)	
		AS AT	AS AT
		31.03.2009	31.03.2008
<b><u>SOURCES OF FUNDS</u></b>			
<b><u>Shareholder's Funds</u></b>			
Share Capital	I	17,062,100.00	17,062,100.00
Reserves & Surplus	II	110,590,586.27	112,048,193.60
<b>TOTAL :-</b>		<b>127,652,686.27</b>	<b>129,110,293.60</b>

**APPLICATION OF FUNDS**

Investments	III	116,701,717.39	118,776,352.31
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**CURRENT ASSETS, LOANS & ADVANCES**

(Unsecured Considered Good)

Current Assets	IV	1,105,428.19	2,490,842.37
Loans & Advances	V	11,326,897.69	15,389,643.92
<b>TOTAL: A</b>		<b>12,432,325.88</b>	<b>17,880,486.29</b>

LESS:

**CURRENT LIABILITIES & PROVISIONS**

Current Liabilities	VI	22,641.00	34,535.00
Provisions	VII	2,154,300.00	7,512,010.00
<b>TOTAL: B</b>		<b>2,176,941.00</b>	<b>7,546,545.00</b>

NET CURRENT ASSETS (A - B) 10,255,384.88 10,333,941.29

Deferred Tax Asset (Net) 695,584.00 0.00

**TOTAL: -** 127,652,686.27 129,110,293.60**NOTES ON ACCOUNTS**

VIII

**"SUBJECT TO OUR SEPARATE****REPORT OF EVEN DATE"****FOR GUPTA VIGG & CO**

Chartered Accountants

(VINOD KHANNA)

PARTNER

PLACE : LUDHIANA

DATED: 31.07.2009

**FOR KOVALAM INVESTMENT AND TRADING CO LTD**

(SAT PAUL NIJHAWAN)

DIRECTOR

(GAGNISH BHALLA)

DIRECTOR

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**For KOVALAM INVESTMENT**  
**& TRADING CO. LTD.**

Director

**KOVALAM INVESTMENT AND TRADING COMPANY LIMITED****PREMISES: OSWAL WOOLLEN MILLS LTD, G.T. ROAD, SHERPUR, LUDHIANA****PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31.03.2009**

PARTICULARS	CURRENT YEAR AMOUNT (RS.)	PREVIOUS YEAR AMOUNT (RS.)
<b><u>INCOME :</u></b>		
<b><u>INTEREST</u></b> (Tax Deducted at Sources Rs. 3,53,574/- Previous year Rs. 2,03,510/-)	1,560,343.00	898,102.00
<b><u>DIVIDEND INCOME</u></b>		
On Trade Investments	797,927.00	855,301.00
On Other Investments	1,528,073.40	2,326,000.40
<b><u>BROKERAGE INCOME</u></b>		
(Tax Deducted at Sources Rs.21,476/- Previous Year - Rs.25,153/-)	5,507,509.20	19,071,502.64
<b><u>MISC. INCOME</u></b> (Tax Deducted at Sources Rs.3,626/- Previous Year Rs. 1,133/-)	142,399.00	119,500.00
Capital Gain (Long Term) (Net)	0.00	3,655,854.26
Capital Gain (Short Term) (Net)	0.00	7,061,291.21
	<u>9,536,251.60</u>	<u>33,224,480.61</u>
<b><u>EXPENDITURE :</u></b>		
Capital Loss (Long Term) (Net)	4,571,607.16	0.00
Capital Loss (Short Term) (Net)	4,297,552.07	0.00
Printing & Stationery	1,436.00	44,308.00
Rate, Fee & Taxes	9,000.00	7,250.00
Bank Charges	992.00	276.00
Salary	66,000.00	66,000.00
Listing Fees	11,084.00	10,000.00
Postage & Telegram Charges	3,675.00	34,575.00
Legal & Professional	245,466.00	317,246.00
Misc. Expenses	693.80	5,673.20
PMS Pool Expenses	9,740.00	15,506.00
S.T.T. Paid	86,260.90	149,950.17
Donation Paid	250,000.00	0.00
<b><u>AUDITOR'S REMUNERATION</u></b>		
Audit Fee	6,618.00	6,742.00
Tax Audit Fee	2,206.00	2,247.00
Certification Charges	900.00	450.00
	<u>9,563,230.93</u>	<u>660,223.37</u>
<b>PROFIT BEFORE TAX</b>	(26,979.33)	32,564,257.24
Provision for Taxation	(2,154,300.00)	(7,512,010.00)
Excess Provision of Income Tax Written Back	28,088.00	0.00
Deferred Tax Liability /Assets	695,584.00	0.00
<b>PROFIT AFTER TAX</b>	(1,457,607.33)	25,052,247.24
Balance B/F from Last Account	204,559.60	163,312.36
<b>BALANCE AVAILABLE FOR APPROPRIATION</b>	<u>(1,253,047.73)</u>	<u>25,215,559.60</u>
<b><u>APPROPRIATION</u></b>		
General Reserve	(1,253,047.73)	20,000,000.00
Statutory Reserve Fund	0.00	5,011,000.00
Balance carried over to Balance Sheet	0.00	204,559.60
	<u>0.00</u>	<u>25,215,559.60</u>
Earning Per Share ( Value of Rs. 10/- Each ) (Basic & Diluted)	(0.85)	14.68

Subject to our Separate report of even date

for GUPTA VIGG &amp; CO.

CHARTERED ACCOUNTANTS

(VINOD KHANNA)

PARTNER

PLACE : LUDHIANA

DATED :31.07.2009

FOR KOVALAM INVESTMENT AND TRADING CO LTD

(SAT PAUL NIJHAWAN)

DIRECTOR

(GAGNISH BHALLA)

DIRECTOR

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