

LKP Merchant Financing Ltd.



ANNUAL REPORT 1999-2000



LKP Merchant Financing Ltd.

LKP MERCHANT FINANCING LTD.

Board of Directors :

Mr. M.R. Shroff	<i>Chairman</i>
Mr. M.V. Doshi	<i>Vice-Chairman</i>
Mr. C.P. Mehta	
Mr. V.D. Desai	
Mr. P.C. Mehta	<i>Executive Director</i>
Mr. K.B. Baxi	<i>Company Secretary</i>

Auditors :

Ford, Rhodes, Parks & Co.,
Maharashtra Bank Bldg.,
45/47, Bombay Samachar Marg,
Mumbai - 400 023.

Banker :

Global Trust Bank Ltd.,

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Registered Office :

203, Embassy Centre,
Nariman Point,
Mumbai - 400 021.
Tel : 287 4785/287 4786
Fax : 287 4787

Registrar & Transfer Agents :

IIT Corporate Services Limited,
IIT House, Opp Vazir Glass,
Off M. VasANJI Road,
Near J. B. Nagar,
Andheri (East),
Mumbai- 400 059
Tel : 822 5599

*Annual General meeting on 27th June, 2000 at 4.30
p.m. at M.C. Ghia Hall, Hargovindas Building, 18/
20, Kaikhushru Dubash Marg, Mumbai - 400 001.*



NOTICE

NOTICE is hereby given that the Sixteenth Annual General Meeting of the Members of LKP Merchant Financing Limited will be held at M.C. Ghia Hall, Bhogilal Hargovindas Building, 18/20, Kaikhushru Dubash Marg, Mumbai 400 001 on Tuesday, 27th June, 2000 at 4.30 p.m. to transact the following business:

Ordinary Business :

1. To consider and adopt the Audited Balance Sheet and Profit and Loss Account for the year ended 31st March, 2000 & the Report of Directors and Auditors thereon.
2. To appoint a Director in the place of Mr. C. P. Mehta, who retires by rotation and, being eligible, offers himself for reappointment.
3. To appoint a Director in place of Mr. V. D. Desai, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint auditors and to fix their remuneration.

Special Business :

- (1). Re-appointment of Mr. Parag C. Mehta, Executive Director of the company
To consider and if thought fit, to pass, with or without modification(s), the following resolution as a Special Resolution.
"RESOLVED THAT pursuant to the provisions of sections 198, 269, 309, 310 read with Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956 and subject to other requisite approvals, the consent of the Company be and is hereby accorded to the reappointment of Mr. Parag C Mehta as Executive Director of the Company for a further period of five years with effect from 10th April 2000 on the terms and conditions including the remuneration as set out in the draft Agreement dated 27th April 2000 entered into by the company with Mr. Parag C. Mehta and placed before the meeting for approval and for identification signed by Vice Chairman thereof, which Agreement is hereby specifically sanctioned with liberty to alter and vary the terms and conditions of the said Re-appointment and/or remuneration so as not to exceed the limits specified in schedule XIII to the Companies Act, 1956 including any statutory modification or re-enactment thereof, for the time being in force or any amendments and/or modifications that may hereafter be made thereto by the Central Government in that behalf from time to time, or any amendments thereto as may be agreed to between the Board and Mr. Parag C. Mehta."
- (2) Amendment to Other Objects Clause
To consider and, if thought fit, to pass with or without modification(s), the following resolution as a Special Resolution :-
"RESOLVED THAT pursuant to section 17 and other applicable provisions, if any, of the Companies Act, 1956,

clause III of the Memorandum of Association of the company be and is hereby altered by adding, following new clauses as numbered 33A, 33B, 33C, 33D, 33E, 33F, 33G.

- 33A To amalgamate, enter into partnership or into any arrangement for sharing profits, union of interest, co-operation, joint venture, reciprocal concession, limiting competition or for any other purpose with any person, firm, corporation or company in India or else where carrying on or engaged in or about to carry on or engage in any business of transaction, which the company is authorized to carry on or engage in or which can be carried on in conjunction therewith.
- 33B To develop, provide, undertake, design, import, distribute and deal in computer systems and Application software for microprocessor based information systems, software project consultancy, development of allied computer services and to operate data processing and service centres in India and abroad.
- 33C. To advise and render services like management recruitment, training and technical analysis of data, electronic data processing, preparation of project reports, surveys and analysis for implementation of projects and their progress, review and to establish and render all consultancy and other services of professional and technical nature.
- 33D. To purchase sell, export, import all kinds of electrical components capable of being used in electrical mechanical and electronic industries including computers, to carry out software development work, to design, develop system software, application software and any other software in India or abroad, to start integrated services digital local network, dial for data centre, usernet, cybercafe services in India or abroad.
- 33E. To undertake and carry on insurance business without any risk participation as agent of insurance companies offering insurance or re-insurance on life, fire, marine, accident, employer's liability, fidelity guarantee, third party, burglary or theft, storm, vehicle, travel, mortgage or other investment insurance or any of them and to enter into an agreement with necessary insurance company, association or any underwriter.
- 33F. To carry on business as insurance brokers, underwriting agents in all classes of insurance and re-insurance and act as insurance advisers, pensions advisers, surveyors, mortgage brokers and without prejudice to the generality of the foregoing to carry on the business of brokers and agents for all classes of insurance business.
- 33G. To carry on business as consultants, advisers and managers in relation to any insurance and pension scheme.



LKP Merchant Financing Ltd.

- (3) Commencement of business and activities under or pursuant to new object clause

To consider and, if thought fit, to pass with or without modification (S), the following resolution as a Special Resolution :-

"RESOLVED THAT pursuant to section 149 (2A) and other applicable provision of the Companies Act, 1956 consent of the company be and is hereby accorded to the Board of Directors for commencing the business and activities under or pursuant to the new clause 33A to 33G of the clause of the Memorandum of Association of the company from time to time as may be determined and appropriate or advisable from time to time by the Board of Directors in that behalf.

- (4) Amendment to Articles of Association for Nomination

To consider and, if thought fit, to pass with or without modifications(s), the following resolution as a Special Resolution :-

"RESOLVED THAT pursuant to section 31 and other applicable provisions, if any, of the Companies Act, 1956 and the provisions of other statutes as applicable, the Articles of Association of the Company be and are hereby altered as under :

After Article 21, a new Article 21A be inserted as under"

NOMINATION

21A Notwithstanding anything stated in Article 21, a holder or joint holders of shares or debentures, may nominate, in accordance with the provisions of Section 109A of the Companies Act, 1956 and in the manner prescribed thereunder, a person to whom all the rights in the shares or debentures of the Company shall vest in the event of death of such holder/s. Any nomination so made shall be dealt with by the Company in accordance with the provisions of section 109B of the Companies Act, 1956."

- (5) Redemption of 2,50,000 13.5% Cumulative Preference Shares

To consider and, if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution :-

" RESOLVED THAT the Board of Directors of the company be and are hereby authorised to serve notice to the members holdings 2,50,000 13.5% Cumulative Redeemable Preference Shares of Rs.100/- each aggregating to Rs. 2,50,00,000/- still remained outstanding to be redeemed.

"RESOLVED FURTHER THAT a sum of Rs.2,50,00,000/- being the nominal value of the preference share capital of the company to be redeemed be transferred to a reserve fund "Capital Redemption Reserve Account" on redemption."

NOTES :

- (1) A Member, entitled to attend and vote at the meeting is entitled to appoint a proxy instead of himself, to attend and to vote on a poll and the proxy need not be a member.
- (2) Proxy, in order to be effective, shall be deposited at any time at the Registered Office of the Company, but not less than 48 hours, before the commencement of the Meeting.
- (3) The Register of Members and Share Transfer books will remain closed from 13th June, 2000 to 27th June, 2000 (both days inclusive).
- (4) As a measure of economy, copies of the Annual Report will not be distributed at the Annual General Meeting, members are therefore requested to bring their copies of the Annual Report to the meeting.
- (5) Members are requested to endorse their signature at the space provided for on the attendance sheet annexed to the proxy form and hand over the slip at the entrance at the place of the meeting.
- (6) Members are requested to :
 - i) quote their Folio Numbers in all correspondence with the Company's Registrars and Transfer Agent, IIT Corporate Services Limited, Mumbai.
 - ii) Notify to the Registrars and Transfer Agent on or before 13th June, 2000 any changes in their addresses and their mandates, if any.

By Order of the Board of Directors

Mumbai,
27th April, 2000.

M.V. DOSHI
Vice-Chairman

ANNEXURE TO THE NOTICE

Explanatory statement pursuant to Section 173(2) of the Companies Act, 1956 :

Item No. 1

At the Eleventh Annual General Meeting of the company held on 9th June 1995, the Members had approved of the appointment of Shri. Parag C. Mehta as Executive Director of the company on a remuneration of Rs.15,000/- per month for a period of five years from 10th April 1995. Thereafter at Fifteenth Annual General Meeting of the company held on 29th June 1999, the members approved an increase in salary of Rs.10,000/- per month effecting remuneration from Rs.15,000/- per month to Rs. 25,000/- per month for the residue period of his terms and other conditions and perquisites remaining unchanged.

The term of appointment of Mr. Parag C. Mehta ended on 9th April 2000. The Board of Directors at their Board Meeting held on 27th April 2000, re-appointed Shri. Parag C. Mehta, as Executive Director for a further period of five years w.e.f. 10th April 2000. The re-appointment of Mr. Parag C. Mehta is subject to necessary approval of the shareholders at the ensuing annual general meeting. His remuneration is subject to the provisions of section 198, 269 and 309 and other applicable provisions of the Companies Act, 1956 read with schedule XIII of the Act.



LKP Merchant Financing Ltd.

The draft agreement between the company and Shri Parag C. Mehta contains the following terms and conditions :-

As members are aware, Government had liberalized schedule XIII to the Companies Act, 1956 enhancing the limits of managerial remuneration. Accordingly, it is now proposed to revise the salary scale of Executive Director with effect from 1st April 2000 as follows:-

The total remuneration payable to Shri. Parag C. Mehta shall be subject to the overall ceilings laid down in the section 198 and 309 of the companies Act, 1956 :-

- i. Salary Rs. 35,000/- per month as consolidated.
- ii. Commission payable is based on the net profits of the Company for each financial year not exceeding 1% of the company's net profits, subject to consent of the Board of Directors.
- iii. Perquisites as per the details given below :

Category - A

- i. Medical Reimbursement :
Reimbursement of expenses incurred for self and family, subject to the ceiling of one month's salary in a year or three month's salary in a block of three years.
- ii. Leave Travel Concession
Leave travel concession for self and family, once in a year, incurred in accordance with the rules of the company.
- iii. Personal Accident insurance
Personal accident insurance of an amount, the annual premium for which does not exceed Rs.1,000/-
- iv. Club Fees
Fees of clubs subject to a maximum of two clubs. This will not include admission and life membership fees.

Category - B

Contribution to provident fund will not be included in the computation of the ceiling on perquisites to the extent this is not taxable under Income Tax Act. Gratuity payable should not exceed half a month's salary for each financial year of service, subject to a ceiling of Rs.1,00,000/-.

Category - C

Provision of car for use on company's business and telephone at residence will not be considered as perquisites. The personal long distance calls on telephone and car for private purpose shall be billed by the company.

Other Benefits

- i. Leave on full pay and allowance, as per the rules of the company, but not more than one month's leave for

every eleven months of service. However, leave accumulated but not availed of will not be allowed to be encashed.

- ii. Benefits under loan and other scheme in accordance with the practices, rules and regulations in force from time to time.
- iii. Such other benefits as provided by the company to other senior officers from time to time.
- iv. Mr. Mehta shall not be entitled to any sitting fees for attending meeting of the Board or committees thereof, but however, be reimbursed the actual travelling expenses incurred by him for attending meetings of the Board of Directors and/or committee thereof.
- v. The agreement can be terminated by either party by giving to the other party six months notice.

As required under section 302 of the Companies Act 1956, the above may be treated as an abstract relating to the terms and conditions of the re-appointment of Mr. Parag C. Mehta to be sent to members of the company.

The re-appointment and remuneration of Mr. Parag C. Mehta is required to be approved by the shareholders in the first general meeting after his re-appointment and accordingly this resolution is being placed before the members of the company.

The Board recommends the passing of the resolution proposed at item No. 1 of the accompanying notice.

Except Mr. C. P. Mehta and Mr. P. C. Mehta, no other Directors are interested in passing of the resolution proposed at item No.1.

Item No. 2 and 3

With the measure of liberalization undertaken and continue to be undertaken by the Government of India, the Company have the opportunity of entering into new fields of activity and in particular entering into partnership with reputed organization.

In anticipation of the above, it would be advisable to incorporate new clauses in clause III (Other Objects) of the Memorandum of Association. It is therefore considered advisable to incorporate clause 33A to 33G in the Object Clause after existing clause 33.

In accordance with the provisions of Section 17 of the Companies Act, the Object Clause of the Memorandum of Association can be altered only by a Special Resolution at a General Meeting. Further, as a matter of expediency, approval of the shareholders is sought as required under section 149(2A) of the Companies Act, 1956 to enable the Board of Directors from time to time as it considers appropriate to commence and undertake all or any of the business specified in the new clause's 33A to 33G.

The Board of Directors, therefore, recommend the passing of the Special Resolution contained in item no.2 and 3 of the accompanying notice. None of the Directors are deemed to be interested in the passing of above resolutions.

**Item No.4**

The Companies (Amendment) Act, 1998 has inter alia, made a provision through section 109A and 109B whereby a holder or joint holders of shares can nominate a person to whom all rights in the shares or debentures of a company shall vest in the event of death of such holder/s. Such a nominee can elect either to be registered himself as the holder of the shares or debentures or to make such transfer of the shares or debentures as the deceased holder/s of the shares or debentures could have made. It is, therefore, proposed to incorporate a new article in the Articles of Association of the company providing for nomination facility in accordance with the provisions of section 109A and 109B of the Companies Act, 1956.

None of the Directors of the company are interested in the said resolution.

Item No. 5

The Company had on 1st September 1995 issued, 2,50,000 13.5% Redeemable Cumulative Preference Shares of Rs.100/- each aggregating to Rs. 2,50,00,000/- to Housing Development Finance Corporation Limited on Private Placement Basis. The Company has paid preference dividend till year ended 31st March 1997. In accordance with the terms of issue, these shares were due for redemption on 1st September 1998.

Due to consistently falling revenues during the last three years, the company was not in position to pay the dividend and redeem the said shares on maturity date. The company intends to redeem the outstanding preference shares in the year 2000-2001. Pursuant to Section 80 of the Companies Act, 1956, a sum equal to the nominal value of shares to be redeemed will be required to be transferred to Capital Redemption Reserve Account.

The Board of Directors propose the above resolution for enabling the company to redeem and for the purpose of fulfilling the requirements laid down in section 80 of the Companies Act, 1956. None of your Directors are interested but recommend your acceptance thereof in the interest of the company.

Inspection of the Documents :

The agreement entered into between the company and Mr. Parag C. Mehta and Memorandum and Articles of Association are available for inspection to the members of the company at the registered office of the company during the company's business hours on any working day except Saturday between 10.30 a.m. to 12.30 p.m. upto and including the date of the Annual General Meeting or any adjournment or adjournments thereof.

By order of the Board of Directors

Mumbai
27th April, 2000

M.V. Doshi
Vice Chairman



Directors' Report

1. The Directors present the Sixteenth Annual Report and Audited Accounts of the Company for the year ended March 31, 2000.

	1999-2000 (Rs. in lacs)	1998-1999 (Rs. in lacs)
2. FINANCIAL RESULTS		
Profit/(Loss) subject to Depreciation & Tax	910.21	453.85
Depreciation	192.36	364.50
Provision for Non Performing Assets	—	31.80
Profit/(Loss) before tax	717.85	57.55
Provision for taxation	160.00	189.59
Profit/(Loss) after tax	557.85	(132.04)
Profit/(Loss) brought forward from previous year	(535.80)	(403.76)
Amount available for appropriation	22.05	(535.80)

3. DIVIDEND

In view of the need to conserve resources, the Board has not recommended any dividend for the year.

4. PERFORMANCE REVIEW

In the current year, the thrust was on Money Changing business. Money changing network was expanded significantly during the year. Your company now operates its money changing business from 31 branches located at 25 leading cities in the country as against 22 branches located at 20 leading cities last year. Income from money changing activities has increased from Rs.788 lacs to Rs.907 lacs this year. The strategy adopted of spreading Money Changing network across the length and breadth of the country is now paying dividends. Your company is recognised as one of the leading Money Changers in the country.

In order to give value added services, your company has started providing travel related Insurance Policy to out bound passengers.

During the year, the stock markets witnessed an uptrend. Consequently, valuations of a large number of companies in which your company had made short term and long term investments increased, resulting in substantial income in its investment activities.

As explained in the previous year, your company had resorted to legal remedies against borrowers and lessees who had defaulted in either repayment of loans or in

payment of lease rentals. These legal remedies have yielded returns as some of the borrowers and lessees have made part payment of their dues. All possible efforts are continuing to recover loans and advances as expeditiously as possible.

5. BORROWINGS

Your company repaid over Rs.25 crores working capital loans by offering one time settlement to some Banks and Financial Institutions, thereby reducing total borrowings significantly.

6. Y2K COMPLIANCE

A program had been initiated to meet the possible fallout of Y2K related issues. The transition to the year 2000 vis-a-vis all computerised systems used in the company was accomplished smoothly.

7. CERTIFICATE FOR ISO 9002

Your Company has earned the distinction to be the first company in the Money Changing business to be awarded the prestigious ISO-9002 Certificate in September, 1998 by KPMG Quality Registrar for the money changing operations at Mumbai, New Delhi, Chennai and Pune. It is proposed to extend the quality systems to become applicable at more branches during this year.

8. DEMATERIALISATION OF SHARES

Consequent to the signing of the agreements with National Securities Depository Ltd. (NSDL) and Central Depository Services (India) Ltd. (CDSL), LKP's equity shares became eligible for dematerialisation. As per notification issued by SEBI, any delivery of LKP's shares against Stock Exchange's trade by institutional investors will be compulsory in demat mode with effect from 15th May, 2000. As of date, over 929305 equity shares or 7.26% of the total issued shares have been dematerialised.

9. LISTING

The company's equity shares are listed on the Stock Exchange, Mumbai and the Company has paid the listing fees upto and for the year 2000-01.

10. DELISTING

As on date, the Madras Stock Exchange, has accepted company's request for voluntary delisting of equity shares of the company with effect from 20/10/1999.

An appeal has been filed with SEBI against the Stock Exchange, Ahmedabad, subsequent to their refusal of accepting voluntary delisting application. The said appeal is pending.

**11. PUBLIC DEPOSITS**

The company has no public deposits as of date and will not accept any further deposits without prior approval of the Statutory Authorities concerned.

12. STATUTORY DISCLOSURE

The particulars required under the provisions of Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, forms part of this report. However, as per Section 219(1)(b) (iv) of the Companies Act, 1956, the Report and Accounts is being sent to all shareholders of the Company excluding the above Statement. Any shareholder interested in obtaining a copy of the said Statement may write to the Company Secretary at the Registered Office of the Company.

The provisions of Section 217(1)(e) of the Companies Act, 1956 relating to conservation of energy and technology absorption do not apply to your company.

13. DIRECTORS

Mr. P. C. Mehta whose term as Executive Director expired on 9/4/2000, was reappointed for a further period of five years at the Board Meeting held on 27/4/2000. The reappointment and his enhanced remuneration are subject to necessary approvals of the shareholders at the ensuing

Annual General Meeting.

Mr. C.P. Mehta and Mr. V. D. Desai retire by rotation at the forthcoming Annual General Meeting and being eligible offer themselves for re-appointment.

14. AUDITORS' REPORT

The Auditors' comments in their report dated 27th April, 2000, are dealt with by Note No. 2(c), & 2(d) of the report which are self explanatory.

15. The Auditors, M/s. Ford, Rhodes, Parks & Co., Chartered Accountants, Mumbai, retire at the conclusion of the forthcoming Annual General Meeting and are eligible for reappointment.

16. ACKNOWLEDGEMENT

Your Directors would like to place on record their sincere appreciation to the Reserve Bank of India, SEBI, Bankers, Shareholders and employees for their cooperation and support.

For and on behalf of the Board of Directors

Mumbai
Date : 27th April, 2000.

M. R. SHROFF
Chairman

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Auditors' Report

We have audited the attached Balance Sheet of LKP Merchant Financing Limited as at 31st March, 2000 and also the Profit & Loss Account of the Company for the year ended on that date annexed thereto and 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 appears from our examination of the books.
3. The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account.
4. In our opinion, the Balance Sheet and the Profit & Loss Account dealt with by the report are in compliance with the accounting standards referred to in section 211 (3C) of the Companies Act, 1956 and are in agreement with the books of account.
5. With respect to Unsecured Loans of Rs. 857.76 lakhs outstanding for a long period where there are no repayments/ interest recovery as explained in Note No. 2(c), we are unable to formulate an opinion on the recoverability of the amounts due.
6. Attention is drawn to Note No. 2(d) regarding non-confirmation of balances of loans and advances and deposits.

Subject to matters stated in paragraph 5 above, in our opinion and to the best of our information and according to the explanations given to us the accounts read together with notes thereon, give the information required and give a true and fair view :

- a) in the case of the Balance Sheet of the state of affairs of the Company as at 31st March 2000.
- and
- b) in the case of the Profit and Loss Account- of the Profit for the year ended on that date.

As required by the Manufacturing and Other Companies (Auditors Report) Order, 1988, and on the basis of such checks as we considered appropriate, we further state on the matters specified in paragraphs 4 and 5 of the said Order as under :

1. The Company has maintained proper records to show full particulars including quantitative details and situation of fixed assets. The assets on lease have not been physically verified by the management during the year as several cases are pending in various courts for recovery of lease rentals and/or taking possession of leased assets. Letter requesting certificates of possession of assets on lease have been forwarded to all lessees during the year but none have confirmed as of the date of reporting. All other Fixed Assets have been physically verified by the Management during the

year. No discrepancies have been noticed on such verification.

2. None of the fixed assets have been revalued during the year.
3. (i) The company does not have any stock of raw materials, stores, spare parts, finished goods and therefore clauses (iii), (iv), (v), (vi), (xii) and (xiv) of paragraph 4(A) are not applicable. However the Company has stock on hand comprising of shares and other securities, foreign currencies of full fledged money changing division and stocks on hire. Physical verification has been conducted by the Management at reasonable intervals in respect of stocks on hire and foreign currencies. The shares and securities have been physically verified at the year end.
- (ii) In our opinion the procedure of physical verification of above stocks followed by the management are reasonable and adequate considering the size of the Company and the nature of its business.
- (iii) There are no discrepancies noticed on physical verification.
- (iv) In our opinion the valuation of above mentioned stocks are fair and proper in accordance with the normally accepted accounting principles and is on the same basis as in the preceding years.
4. During the year the company has taken loan from companies listed in the Register maintained under Section 301 of the Companies Act, 1956. In terms of sub-section 6 of section 370 of the Companies Act, 1956, this section shall not apply to a company on and after the commencement of the Companies (Amendment) Act, 1999.
5. The Company has granted unsecured loans to companies, listed in the register maintained under Section 301 of the Companies Act, 1956. The rate of interest wherever applicable and the other terms and conditions are prima facie not prejudicial to the interest of the Company.
6. The parties/employees to whom loans or advances in the nature of loans are given by the company have been repaying the principal amounts and interest as stipulated and are also regular in payment of the interest wherever applicable except loans of Rs. 857.76 lakhs outstanding for a long period where there are no repayments/interest recovery as explained in note no. 2(c).
7. 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 the nature of its business with regard to purchase of equipments and other assets.
8. The Company has no transactions of purchase of goods and materials and sale of goods, materials and services during the year.



9. The Company has not accepted deposits from the public during the year and the provisions of Section 58A of the Companies Act, 1956 and the rules framed thereunder are not applicable.
10. The Company's activities do not generate any by-products or scrap.
11. In our opinion the company has an internal audit system commensurate with its size and nature of its business.
12. As per the records of the Company the Provident Fund and ESIS dues have been regularly deposited with the appropriate authorities during the year.
13. At the last day of the financial year, according to the books and records examined by us and the information and explanations given to us, there were no undisputed amounts payable in respect of income tax, wealth tax, sales tax, customs duty and excise duty which were due for more than six months from the date they became payable.
14. During the course of our examination of the books of account carried out in accordance with the generally accepted auditing practices, we have not come across any personal expenses which have been charged to Profit and Loss Account, nor have we been informed of any such case by the management.
15. The service activities of the Company are such that the question of recording receipts, issues and consumption of materials and stores and allocation of materials and man- hours consumed to the relative jobs does not arise. Consequently, the authorisation and control on the issue of stores and allocation of stores and labour to jobs is not applicable.
16. In our opinion, adequate documents and records are maintained by the Company for loans and advances granted on the basis of security by way of pledge of shares and debentures and similar other securities.
17. We are informed that the provisions of any special statutes applicable to chit funds, nidhi or mutual benefit society, do not apply to the company.
18. The Company has maintained proper records of transactions and contracts in respect of trading in shares, debentures and other securities and that timely entries have been made therein. All shares, debentures and other securities have been held by the Company in its own name.
19. As per the information and explanations given to us and taking into consideration the nature of the business of the company, Clauses (xvi) & (xx) of paragraph 4(A) and Clauses (ii) & (iv) of the paragraph 4(B) of the Manufacturing and Other Companies (Auditor's Report) Order, 1988 are not applicable.

For **FORD, RHODES, PARKS & CO.**
Chartered Accountants

Mumbai
Date : 27th April, 2000

A.D.SHENOY
Partner

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