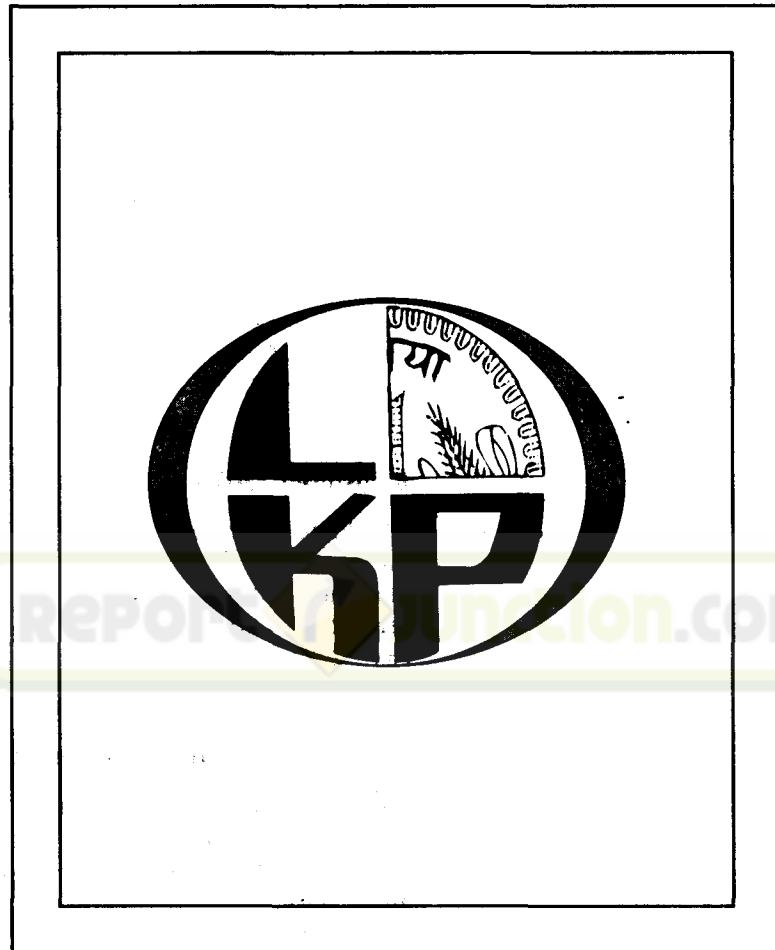


# **.KP Merchant Financing Ltd.**



**ANNUAL REPORT 2002-2003**

## **LKP MERCHANT FINANCING LT**

### **Board of Directors :**

Mr. M. V. Doshi *Executive Chair,*

Mr. M. S. Bhise *Director*

Mr. V. N. Suchanti *Director*

Mr. G. B. Innani *Company Secretary*

### **Auditors :**

Ford, Rhodes, Parks & Co.,  
Bank of Baroda Building,  
3rd Floor, Mumbai Samachar Marg,  
Mumbai - 400 023.

### **Registered Office :**

103, Bhabha Centre,  
Marine Drive,  
Mumbai - 400 021.  
Tel. : 2287 4785 / 2287 4786  
Fax : 2287 4787

### **Registrar & Shares Transfer Agents :**

Adroit Corporate Services Limited,  
19, Jaferbhoy Industrial Estate,  
1st Floor, Makavana Road,  
Marol Naka,  
Andheri (East),  
Mumbai - 400 059  
Tel. : 28590942 / 28503743

**Annual General Meeting on 12th July, 2003 at 10.00 a.m.  
at M. C. Ghia Hall, Hargovindas Building,  
18/20, Kaikhushru Dubash Marg, Mumbai - 400 001.**



## NOTICE

Notice is hereby given that the Nineteenth Annual General Meeting of the members of LKP Merchant Financing Limited will be held at M. C. Ghia Hall, Bhogilal Hargovindas Building, 18/20, K. Dubash Marg, Mumbai 400 001 on Saturday, 12<sup>th</sup> July 2003 at 10.00 a.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 31<sup>st</sup> March 2003 and Report of Directors and Auditors thereon.
2. To appoint a Director in place of Mr. M. S. Bhise, who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint the Auditors and to fix their remuneration.

### 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 of the Company.
- (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 4<sup>th</sup> July 2003 to 12<sup>th</sup> July 2003 ( both days inclusive)
- (4) Any change in the address of the members may be intimated to the Company's Share Transfer Agents.

By Order of the Board of Directors

Mumbai

Date: 23<sup>rd</sup> May, 2003

(M. V. DOSHI)

Executive Chairman

Report  junction.com



## DIRECTORS' REPORT

The Directors present the Nineteenth Annual Report and Audited Accounts of the Company for the year ended March 31, 2003.

### FINANCIAL RESULTS

	2002 - 2003 (Rs. in lacs)	2001 - 2002 (Rs. in lacs)
Profit / (Loss) subject to Depreciation & Tax	(112.34)	28.02
Depreciation	22.55	92.67
(Less)/Add: Provision for diminution in value of Investments	(17.56)	28.70
(less)/Add: Provision for Non performing Assets	-	45.85
Profit / (Loss) before tax	(117.33)	(139.20)
Provision for taxation	-	-
Profit / (Loss) after tax	(117.33)	(139.20)
Investment Allowance	-	-
Reserve Written Back	8.24	-
Profit / (Loss) brought forward from Previous year	(3610.06)	(3470.86)
Balance carried to Balance Sheet	(3719.15)	(3610.06)

### DIVIDEND

In view of the Company having made losses for the above period, the Board regrets its inability to recommend any dividend for the year.

### PERFORMANCE REVIEW

Your Company has registered significant fall in its earning during the year under review. This is due to the transfer of the money changing business to the wholly owned subsidiary "LKP Forex Ltd" with effect from 1<sup>st</sup> March 2002. Thus the last year results had reflected 11 months income of that business. Therefore to that extent the results of the said periods are not comparable.

The Company's income from service activities has marginally increased from Rs. 64.14 lacs to Rs. 76.80 lacs. The Company continues its efforts to generate non fund based business. Also your Company continues to make all funds to recover overdues from the clients by negotiations or by resorting to legal recourse.

### PUBLIC DEPOSITS

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

### SUBSIDIARY COMPANIES

The Company is holding Company for the two wholly owned subsidiaries viz. LKP Forex Ltd. & LKP Securities Ltd. Pursuant to section 212 of the Companies Act, 1956, the relevant Statement along with the Directors Report and, the Audited Statement of Accounts are appended to this report.

### STATUTORY DISCLOSURE

The Company did not have any employee falling within the scope of Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975.

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. There is no foreign exchange earnings and outgo during the year under report.

### DIRECTORS

Mr. Milan S. Bhise retires by rotation and being eligible offers himself for reappointment.

As regards to the observation 3e) of Auditors in their report, the Company is negotiating with UTI for settlement.

### AUDITORS' REPORT

The Auditors' comments in their report dated 23<sup>rd</sup> May 2003, are dealt with by Note No. A (ii) of Schedule 3 and Note 2&3 of Schedule 17 annexed to the Balance Sheet and Profit & Loss Account, which are self explanatory.

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. Members are requested to consider their reappointment at a remuneration to be decided by the Board.

### DIRECTORS' RESPONSIBILITY STATEMENT

As required under Section 217(2AA) of the Companies Act, 1956, the Directors hereby confirm that :

- in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- the Directors have selected such accounting policies and applied them consistently and made judgement 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 loss of the Company for that period ;
- the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities to the best of their knowledge and ability;
- the Directors have prepared the annual accounts on a going concern basis.

### ADDITIONAL DISCLOSURES

In line with the requirements of the Listing Agreements and the Accounting Standards of the Institute of Chartered Accountants of India, your Company has made additional disclosures in respect of Consolidated Financial Statements.

### CORPORATE GOVERNANCE

The Report on Corporate Governance along with a Certificate of compliance from the Auditors and Management Discussion and Analysis Report forms part of this Report.

### ACKNOWLEDGEMENT

Your Directors would like to place on record their sincere appreciation to the Company's Bankers, Shareholders and Employees for their co-operation and support.

For and on behalf of the Board of Directors

Mumbai  
Date: 23<sup>rd</sup> May, 2003

(M. V. DOSHI)  
Executive Chairman



## MANAGEMENT DISCUSSION AND ANALYSIS

### A) Industry structure and developments :

Investment Company is impacted by the volatility of the Stock Markets. The last year has seen an increasing integration of the Indian economy with global markets. The year also witnessed several measures taken by the market regulators to bring structural changes in the financial market. These changes have strengthened the system and have improved the operations in the financial market.

### B) Opportunities and Threats

As an Investment Company, it has opportunities available in the Capital market. The falling interest rates over the last 3 years have given your Company an opportunity to offer services to Corporates for restructuring their Balance Sheets. This is expected to also give opportunity to syndicate debt from Financial Institutions and Banks. With industrial activities showing signs of recovery, we are hopeful that our borrowers, against whom we have initiated legal actions for recovery of dues, will start making payments.

Investment business per se does not face threats but the various industries in which your Company has invested may face their specific threats.

### C) Segment -wise Performance

The Company being engaged in investment activities and other financial services during the year under review, hence the requirement of segment- wise reporting is considered irrelevant.

### D) Outlook

The outlook for the Company's business, depend on the performance of the Stock Markets, hence is very difficult to comment upon. Your Company is the holding Company for LKP Forex Ltd. and LKP Securities Ltd., both of which are doing reasonably well, in the prevailing circumstances.

### E) Risk & Concerns

As an Investment Company, there are inherent risks and concerns to the business. The Company like any other Company is exposed to specific risks that are particular to its business and the environment within which it operates.

### F) Internal Control Systems and their Adequacy

The Company has satisfactory internal control system, the adequacy of which has been mentioned in the Auditors' Report.

### G) Human Resources

There has been no material development on the Human Resource/ Industrial Relations front during the year. As on 31<sup>st</sup> March 2003 there are 11 people employed by the Company.

## REPORT ON CORPORATE GOVERNANCE

### 1. Company's philosophy on code of Governance

The Company is aiming at efficient conduct of the business in meeting its obligations to the shareholders.

## 2. Board of Directors

### Composition

The composition and category of Directors as on 31<sup>st</sup> March 2003 are as follows:-

Category	Name of Directors	Designation
Promoter	Mr. M. V. Doshi	Executive Chairman
Independent	Mr. Milan S. Bhise	Director
Independent	Mr. Vineet N. Suchanti	Director

The Board has accordingly optimum combination of Executive and Non-Executive Directors and Independent and Non-Independent Directors. Non-Executive Directors of your Company have no pecuniary relationship or any transaction with your Company. Non-Executive Directors are not paid any remuneration.

### Attendance at Board Meetings and last Annual General Meeting.

Director	No. of Board Meeting Attended	Whether Attended last AGM
Mr. M.V. Doshi	6	Yes
Mr. M.S. Bhise	5	Yes
Mr. V.N. Suchanti	5	Yes

### Other Board or Committee in which each Director is a member or chairman

Name of Director	Directorship in other companies	No of committees in which Chairman/Member
Mr. M.V. Doshi	9	4
Mr. M.S. Bhise	3	1
Mr. V.N. Suchanti	13	1

### Profile of Director being appointed/re-appointed:

Name	: Mr. M. S. Bhise
Age	: 41 Years
Qualification	: M. A., LL.B., D.M.S.
Expertise	: Vast experience in the field of Corporate Laws and Legal Matters. He is practicing as an Advocate and proprietor of M/s. Milan Bhise and Co.
Particulars of Appointment/ Re-Appointment	: Mr. M. S. Bhise was appointed as the Director w.e.f. 26 <sup>th</sup> July, 2001. Mr. Bhise retires by rotation at the ensuing Annual General Meeting and is proposed to be re-appointed as the Director
Other Directorships	: 1. Shree Dwarkadish Securities & Finlease Pvt. Ltd. 2. Ethics Securities & Finlease Pvt. Ltd. 3. Foundation Securities & Finlease Pvt. Ltd.

*Chairman/Member of the Committee of the Board of the Companies on which he is a Director as on 31 <sup>st</sup> March 2003	Name of the Company	Type of the Committee	Position held
	LKP Merchant Financing Ltd.	i) Shareholders Grievance Committee	Chairman
		ii) Audit Committee	Member



### Board Meeting

In financial year 2002-2003, the Board met six times. The Board meetings were held on 7<sup>th</sup> May 2002, 31<sup>st</sup> July 2002, 17<sup>th</sup> August 2002, 20<sup>th</sup> August 2002, 26<sup>th</sup> October 2002, and 29<sup>th</sup> January 2003.

### 3. Audit Committee

The Board has set up Audit Committee having two Independent Directors Mr. Milan S. Bhise and Mr. Vineet N. Suchanti are members. Mr. Vineet N. Suchanti is the Chairman of the Audit Committee.

Audit Committee meetings were held on 26<sup>th</sup> October 2002, 29<sup>th</sup> January 2003 and on 23<sup>rd</sup> May 2003. All the members have attended the aforesaid meetings. The Chairman and Statutory Auditors were the invitees to the above meetings

### 4. Remuneration of Directors

The Board has not set up a Remuneration Committee. The Executive Chairman has opted not to draw any remuneration from the Company. At present, Independent Directors are not paid any remuneration.

### Sitting Fees

Directors	Board Meeting
1. Mr. Milan S. Bhise	Rs. 10000/-
2. Mr. Vineet N. Suchanti	Rs. 10000/-
3. Mr. M. V. Doshi	Nil

### 5. Shareholders Grievance Committee

The Board has set up Shareholders Grievance Committee having two Independent Directors Mr. Milan S. Bhise and Mr. Vineet N. Suchanti as members. Mr. Milan S. Bhise is the chairman of the Shareholders' Committee. Mr. Girish Innani, Company Secretary of the Company is compliance officer w.e.f. 20<sup>th</sup> November 2002. There is no complaint which has remained unredressed. No transfer of shares is pending as on date.

In terms of SEBI Circular dated 31<sup>st</sup> December 2002, M/s. V. Sunderam & Co., Practicing Company Secretaries is conducting Secretarial Audit for the Company.

### 6. General Body Meetings

The Particulars of last three years annual general meetings are as under:

Financial Year	Day	Date	Time
2001-2002	Saturday	15/6/2002	10.00 a.m.
2000-2001	Monday	17/9/2001	10.00 a.m.
1999-2000	Tuesday	27/6/2000	4.30 p.m.

### Location:

Last 18<sup>th</sup> Annual General Meeting for the year 2001-2002 was held at North Mini-Hall, Arcadia, Nariman Point, Mumbai 400 021. Annual General Meetings for the years 2000-2001 and 1999-2000 were held at M.C. Ghia Hall, Bhogilal Hargovindas Building, 18/20, K. Dubash Marge, Mumbai 400 001.

### Business

During the last year, there was no business which had to be conducted through a postal ballot. At present, the Company does not have any resolution to be decided by the members by postal ballot.

Special Resolution pursuant to Section 163(7) of the Companies Act, 1956, was passed to shift register of members, index of members, share transfer registers etc., at the place of Company's Registrar and Transfer Agent. The resolution was passed Unanimously.

### 7. Disclosure

1. There are no related party transactions made by the Company with its promoters, Directors or Management, their subsidiaries or relatives other than that mentioned in notes to the accounts. The Register of Contracts containing the transactions in which Directors are interested is regularly placed before the Board for its approval.

2. During the last three years, there were no strictures or penalties imposed either by Securities and Exchange Board of India or the Stock Exchanges or any regulatory authority for non-compliance of any matter related to the capital market.

### 8. Means of Communication

1. The quarterly and half-yearly results are published in Free Press Journal and Nav-shakti dailies. These are not sent individually to the shareholders.

2. The Company's results or official news are not displayed on the Company's web site. There were no presentations made to the institutional investors or to the analysts.

3. The Management, Discussion and Analysis Report forms a part of this Annual Report.

### 9. General Shareholder Information

AGM Date, Saturday, 12<sup>th</sup> July 2003  
Time and Venue at 10.00 a.m.

at M.C. Ghia Hall,  
Bhogilal Hargovindas  
Building,  
18/20, K. Dubash Marge,  
Mumbai 400 001.

Financial Calendar April to March  
Announcement of Audited/  
Unaudited Results (tentative)

1<sup>st</sup> Quarter - Last week of July  
2<sup>nd</sup> Quarter - Last week of October  
3<sup>rd</sup> Quarter - Last week of January  
4<sup>th</sup> Quarter - Last week of May

Book Closure 4<sup>th</sup> July to 12<sup>th</sup> July 2003  
(Both days inclusive)

Dividend payment date Not applicable

Listing on Stock Exchange The Stock Exchange, Mumbai (Code-507912). The company has paid the listing fees for the period from 1<sup>st</sup> April 2003 to 31<sup>st</sup> March 2004. An appeal has been pending with Securities and Exchange Board of India against the Stock Exchange, Ahmedabad subsequent to their refusal of accepting voluntary delisting application.

Demat ISIN No. INE724A01017  
for Depositories

**Market Price Data**

High/Low of market price of the Company's shares traded in the Stock Exchange, Mumbai, during the financial year 2001-2002 is furnished as below :

Month & Year		Company's Share Price	
		High	Low
April	2002	4.15	2.80
May	2002	4.90	3.05
June	2002	6.95	3.75
July	2002	7.30	4.50
August	2002	9.15	4.25
September	2002	5.40	3.80
October	2002	3.80	2.10
November	2002	3.45	2.25
December	2002	4.05	2.90
January	2003	3.55	2.25
February	2003	2.95	1.90
March	2003	2.70	1.60

**Registrar and Share Transfer Agents**

M/s. Adroit Corporate Services Private Limited  
19, Jafarbhoy Industrial Estate, 1<sup>st</sup> Floor,  
Makawana Road, Marol Naka,  
Andheri ( East) Mumbai 400 059.

**Share Transfer System**

All the transfer received are processed by the Registrar and Transfer Agents and are approved by Share Transfer Committee which normally meets twice in a month. The Share Transfers are registered and returned within period of 22 days from the date of lodgment, if documents are complete in all respect.

**Distribution of shareholding as on 15<sup>th</sup> June 2002**

No of Shares	No of Holders	% to total	No of Share	% to total
1 to 500	9055	87.22	1350531	10.55
501 to 1000	651	6.27	502877	3.93
1001 to 2000	353	3.40	515547	4.03
2001 to 3000	92	0.89	231212	1.81
3001 to 4000	53	0.51	183480	1.43
4001 to 5000	34	0.33	155740	1.22
5001 to 10000	77	0.74	527123	4.12
10001 and above	67	0.64	9333490	72.91
	<u>10382</u>	<u>100</u>	<u>12800000</u>	<u>100</u>

**Dematerialization of equity Shares and liquidity**

As on 31<sup>st</sup> March 2003, 84.87 percent of the Company's total shares representing 1,08,63,253, shares were held in dematerialized form.

**Shareholding Pattern as at 31<sup>st</sup> March 2003**

Category	No. of Shares Held	% of Share Holding
A. Promoter's Holding (Including Indian, NRI and Group Companies)	7227583	56.46

**B Institutional Investors**

a	Mutual Funds And UTI	251600	01.97
b	Banks, Financial Institutions, Central-State Govt., Institutions, Non-Govt. Institutions	321104	02.51
C	Corporate Bodies (Other than Group Companies)	410704	03.21
D	Indian Public	4288902	33.51
E	NRI's / OCBs	300107	02.34
	<b>Grand Total</b>	<b>12800000</b>	<b>100.00</b>

**Address for correspondence**

LKP Merchant Financing Limited  
12A/203, Embassy Centre,  
Nariman Point, Mumbai 400 021.

For and on behalf of the Board of Directors

Mumbai

Date: 23<sup>rd</sup> May, 2003

(M. V. DOSHI)

Executive Chairman

**AUDITORS' CERTIFICATE**

We have examined the compliance of the conditions of Corporate Governance by LKP Merchant Financing Limited for the year ended 31<sup>st</sup> March 2003 as stipulated in clause 49 of the Listing Agreement of the said Company had with Stock Exchange, Mumbai.

The Compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to the procedure 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 the opinion on the financial statements of the Company.

In our opinion and to the best of our information and 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, except that number of minimum Non-Executive Director ( with majority of them being independent) in constitution of Audit Committee is lower than three members required under sub-clause (a) of the Item at paragraph II of Clause 49 of the Listing Agreement.

We state that in respect of investor grievances received during the year ended 31<sup>st</sup> March 2003, no investor grievances are pending against the Company as on 23<sup>rd</sup> May 2003 as per the records maintained by the Company and presented to the Shareholders' Grievance committee.

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

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

Place : Mumbai

Date : 23<sup>rd</sup> May, 2003

( A.D. Shenoy)

Partner



## Auditors' Report

We have audited the attached Balance Sheet of LKP Merchant Financing Limited as at 31<sup>st</sup> March 2003 and also the Profit & Loss Account of the Company 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.

1. *The Company's accumulated losses as on 31<sup>st</sup> March, 2003, have eroded the entire share capital and major portion of the reserves. As the Company is in the process of restructuring business activities, the accounts are continued to be prepared on "going concern" basis (refer note no. 7).*
2. As required by the Manufacturing and Other Companies (Auditors Report) Order, 1988, and on the basis of such checks as we considered appropriate, we give in annexure, a statement on the matters specified in paragraphs 4 and 5 of the said Order.
3. Further to our comments in paragraph 1 and 2 above:
  - a) 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.
  - b) 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.
  - c) The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account.
  - d) In our opinion, the Balance Sheet and the Profit and 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.

- e) The Company has failed to redeem its debentures and interest dues thereon. Hence clause (g) of sub-section (1) of section 274 of the Companies Act, 1956 is attracted in connection with the appointment of Directors of the Company.

**f) No provision has been made for the following :**

- (i) *Accrued interest on non-convertible debentures amounting to Rs 720.00 lacs (cumulative non provision Rs 1440.00 lacs) for reasons stated in ( note A (ii) of schedule 3).*
- (ii) *No provision has been made for accrued interest of Rs 136.86 lacs on the intercorporate deposits for reasons stated in note no. 3 of notes to accounts.*

*The loss for the year is thus understated to the extent.*

**g) Reference is invited to :**

- (i) *Note No.2(b) regarding unsecured old loans amounting to Rs 595.94 lacs and there are no repayments / interest recovery. Though the company is making efforts to realise these loans it may face difficulty in realising these loans.*
- (ii) *Note No.2 regarding non-confirmation of balances of loans and advances and deposits.*

4. Subject to matters stated in paragraph 1, 3 (f) and 3(g) 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 by the Companies Act, 1956 in the manner so 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 31<sup>st</sup> March 2003.
  - (b) in the case of the Profit and Loss Account - of the loss 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.

For FORD, RHODES, PARKS & CO.  
Chartered Accountants

Mumbai  
Date : 23rd May, 2003

A. D. SHENOY  
Partner



## ANNEXURE REFERRED TO IN PARAGRAPH 2 OF THE REPORT

1. The Company has maintained proper records to show full particulars including quantitative details and situation of fixed assets. All lease agreements have expired and 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. 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 not 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.595.94 lakhs outstanding for a long period where there are no repayments / interest recovery as explained in note no. 2(b).
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 : 23rd May, 2003

A. D. SHENOY  
Partner



## BALANCE SHEET AS AT 31st MARCH, 2003

	Schedule	Rs in Lacs	Rs in Lacs	As at 31-3-2002 Rs in Lacs
<b>I SOURCES OF FUNDS :</b>				
<b>1. Shareholders Funds</b>				
a. Share Capital	1	1,530.00		1,530.00
b. Reserves and Surplus	2	2,505.16		2,513.40
			<b>4,035.16</b>	<b>4,043.40</b>
<b>2. Loan Funds</b>				
a. Secured Loans	3	6,997.23		7,111.92
b. Unsecured Loans	4	1,004.43		1,010.59
			<b>8,001.66</b>	<b>8,122.51</b>
<b>TOTAL</b>			<b>12,036.82</b>	<b>12,165.91</b>
<b>II APPLICATION OF FUNDS :</b>				
<b>1. Fixed Assets</b>	5			
a. Gross Block		4,281.84		4,286.34
b. Less : Depreciation		3,355.13		3,332.58
c. Net Block			926.71	953.76
d. Capital Work-in -Progress			190.62	190.62
<b>2. Investments</b>	6		1,476.75	1,592.94
<b>3. Current Assets, Loans &amp; Advances</b>				
a. Stock on hand	7	10.39		0.39
b. Sundry Debtors	8	81.65		41.98
c. Cash & Bank Balances	9	2.94		10.22
d. Loans & Advances	10	6,818.48		6,677.40
		6,913.46		6,729.99
<b>Less : Current Liabilities and Provisions</b>				
a. Liabilities	11	1,023.66		757.92
b. Provisions	12	169.49		170.20
		1,193.15		928.12
Net Current Assets			5,720.31	5,801.87
<b>4. Miscellaneous Expenditure</b>	13		3.28	16.66
<b>5. Profit &amp; Loss-Debit Balance</b>			3,719.15	3,610.06
<b>TOTAL</b>			<b>12,036.82</b>	<b>12,165.91</b>
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SCHEDULES 1 TO 19 ANNEXED HERETO FORM PART OF THE BALANCE SHEET AND PROFIT & LOSS ACCOUNT				

As per our Report attached.

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

**A. D. Shenoy**  
Partner

Mumbai  
Dated : 23rd May, 2003.

*Executive Chairman*  
*Director*  
*Director*

**M. V. Doshi**  
**M. S. Bhise**  
**V. N. Suchanti**

Mumbai  
Dated : 23rd May, 2003.