



## **AUDITORS REPORT TO THE MEMBERS OF LKP FINANCE LIMITED**

We have audited the attached Balance Sheet of LKP Finance Limited (formerly known as LKP Merchant Financing Limited) as at 31<sup>st</sup> March 2010 and the Profit & Loss Account of the Company for the year ended on that date annexed thereto and also the Cash Flow Statement for the year ended on that date. 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. As required by the Companies (Auditors Report) Order, 2003 (as amended), issued by the Central Government of India in terms of section 227 (4A) of the Companies Act, 1956 (the Act) 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.
2. Further to our comments in paragraph 1 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) On the basis of written representations received from the directors of the Company, as on 31<sup>st</sup> March, 2010 and taken on record by the Board of Directors of the Company, none of the directors of the Company is disqualified as on 31<sup>st</sup> March, 2010 from being appointed as a Director in terms of clause (g) of the sub-section (1) of Section 274 of the Companies Act, 1956.
3. 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 2010.
  - (b) In the case of the Profit and Loss Account of the profit 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  
Firm Registration No.102860W

Mumbai  
Date: 28th April, 2010.

**A. D. Shenoy**  
Partner  
Membership No.11549



**ANNEXURE REFERRED TO IN PARAGRAPH 2 OF THE AUDITORS REPORT**

1. (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) The fixed assets have been physically verified by the management during the year. As explained to us no discrepancies were noticed on such verification.
- (c) During the year the company has not disposed off any substantial part of its fixed assets so as to affect the going concern.
2. The company does not have any stock of raw materials, stores, spare parts, finished goods and therefore clause ii (a), (b), (c) (of the Order) are not applicable.
3. The company has neither taken nor granted any loans, secured or unsecured from Companies, firms or any other parties covered in the register maintained under Section 301 of the Companies Act, 1956.
4. 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 for the purchase of fixed assets and for services provided. During the course of our audit, we have neither come across nor have we been informed of any major weaknesses in the aforesaid internal control procedures.
5. (a) On the basis of our examination of the books of account and according to the information and explanations provided by the Management, we are of the opinion that the transactions that need to be entered into the register in pursuance of Section 301 of the Act have been so entered in the said register.
- (b) In our opinion and according to the information and explanations given to us there are no transactions aggregating in value during the year to more than Rs. 5 lacs.
6. The company has not accepted any deposits from the public within the meaning of the provision of Section 58A and 58AA of the Act.
7. The company has no Internal Auditor however the Company's internal control procedures, which, in our opinion, are commensurate with its size and nature of its business.
8. The Company is a Loan and Investment Company hence clause (viii) of the Order is not applicable.
9. (a) According to the information and explanations given to us by the Management and on the basis of the examination of the books of account carried out by us, the Company has been regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees State Insurance, Income Tax, Sales Tax, and other statutory dues with the appropriate authorities. There were no undisputed arrears of statutory dues outstanding as at 31<sup>st</sup> March, 2010 for a period of more than six months from the date they became payable.
- (b) According to the information and explanations given to us by the Management and the records of the company examined by us there were disputes with Income Tax Authorities which are listed below. However there are no demands pending in the said cases:

<u>Nature of dues pending</u>	<u>Amount</u>	<u>Forum where dispute is</u>
Income Tax (Asst year 2003-2004)	Not Quantified	Appellate Tribunal Mumbai.
Income Tax (Asst year 2004-2005)	Not Quantified	Appellate Tribunal Mumbai.
Income Tax (Asst year 2005-2006)	Not Quantified	Appellate Tribunal Mumbai.

10. Based on our audit procedures and the information and explanations given to us by the Management, we are of the opinion that the Company has not defaulted in repayment of its dues to a Financial Institution.
11. As per the books and records of the company examined by us, the Company has granted a loan to two corporates against security of shares against which adequate records have been maintained.
12. Clause (xiii) of the Order is not applicable as the company is not a Chit Fund company or nidhi /mutual benefit fund /society.
13. In our opinion the Company has maintained proper records of transactions and contracts in respect of dealing and trading in shares, securities, debentures and other investments during the year and timely entries have been generally made therein. All shares, debentures and other investments have been held by the company in its own name.
14. The Company has given a guarantee to a Bank for Rs 5.00 crores on behalf of its Subsidiary, where the terms and conditions are not prejudicial to the interests of the company.
15. According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from bank or financial institutions.
16. According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that no funds raised on short term basis have been used for long term investments.
17. The Company has not made any preferential allotment of shares during the year and therefore, paragraph 4 (viii) of the Order is not applicable.
18. During the year the company has issued Compulsory Convertible Debentures (CCD) which have been converted into equity shares.
19. The Company has not raised any money by way of public issue during the year and therefore paragraph 4(xx) of the Order is not applicable.
20. According to the information and explanations given to us, no fraud on or by the company has been noticed or reported during the course of the audit.

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

Chartered Accountants  
Firm Registration No.102860W

Mumbai  
Date: 28th April, 2010.

**A. D. Shenoy**  
Partner  
Membership No.11549

**BALANCE SHEET AS AT 31ST MARCH, 2010**

	Schedule	Rupees	Rupees	As at 31-3-2009 Rupees
<b>I SOURCES OF FUNDS :</b>				
<b>1. Shareholders Funds</b>				
a. Share Capital	1	130,774,890		127,112,630
b. Share Warrants.		-		19,400,000
b. Reserves and Surplus	2	1,255,312,758		1,095,632,321
			1,386,087,648	1,242,144,951
<b>2. Loan Funds</b>				
Secured Loans	3	173,290,744		
			173,290,744	532,363,803
<b>TOTAL</b>			<b>1,559,378,392</b>	<b>1,774,508,753</b>
<b>II APPLICATION OF FUNDS :</b>				
<b>1. Fixed Assets</b>	4			
a. Gross Block		55,354,054		584,712,000
b. Less : Depreciation / Amortisation		44,188,239		569,115,000
c. Net Block			11,165,815	15,597,000
<b>2. Defferred Tax Asset</b>			47,297,000	30,104,000
<b>3. Investments</b>	5		735,219,853	628,872,988
<b>4. Current Assets, Loans &amp; Advances</b>				
a. Stock on hand	6	118,730,949		109,964,982
b. Sundry Debtors	7	984,537		2,748,864
c. Cash & Bank Balances	8	376,905,527		750,211,183
d. Loans & Advances	9	691,609,500		652,976,174
		1,188,230,513		1,515,901,202
<b>Less : Current Liabilities and Provisions</b>				
a. Liabilities	10	84,737,016		116,167,927
b. Provisions	11	337,797,773		299,798,510
		422,534,789		415,966,437
<b>Net Current Assets</b>			765,695,724	1,099,934,766
<b>TOTAL</b>			<b>1,559,378,392</b>	<b>1,774,508,754</b>
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SCHEDULES 1 TO 17 ANNEXED HERETO FORM PART OF THE BALANCE SHEET AND PROFIT & LOSS ACCOUNT				

As per our Report attached.

For FORD, RHODES, PARKS & CO.,  
Chartered Accountants  
Firm Registration No.102860W

**A. D. Shenoy**  
Partner  
Membership No 11549

Mumbai  
Dated : 28th April, 2010

**Executive Chairman** **M. V. Doshi**  
**Director** **V. N. Suchanti**  
**Director** **M. S. Bhise**

Mumbai  
Dated : 28th April, 2010