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76th ANNUAL REPORT 2002-2003

The Lakshmi Vilas Bank Ltd

The Lakshmi Vilas Bank Ltd**BOARD OF DIRECTORS****A. KRISHNAMOORTHY**

Chairman & Chief Executive Officer

C. Krishnakumar
N. Malayala Ramamirtham
S.G. Prabhakaran
D.L. Suresh Babu
K.B. Krishnan
M.P. Shyam
V.N. Krishnamurthy
R. Dhandapani

GENERAL MANAGERS

N. Ramalingam (Credit)
N. Giridharan (Operations)

DEPUTY GENERAL MANAGERS

S.R. Narayanamurthy
M.R. Subramanian
Naganna Prabakaran

ASSISTANT GENERAL MANAGERS

R. Sridharan
S. Ravishankar
S. Manoharan
S. Jeyaraman
L. Sadanandam
P. Venkatesan
G. Regunathan
B. Kalyana Venkataraman
R.V. Raman
S. Sundar
V. Sekar
Y. Jairaj

COMPANY SECRETARY

S. Venkateswaran

AUDITORS

Suri & Co,
Chartered Accountants, Chennai
Abarna & Ananthan
Chartered Accountants, Bangalore

REGD. & ADMN. OFFICE

Salem Road, Kathapara, Karur – 639 006. Tamilnadu
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Registrar and Share Transfer Agent

M/s Integrated Enterprises (India) Limited
II floor, "Kences Towers" No.1 Ramakrishna Street
North Usman Road, T.Nagar, Chennai - 600 017
Ph: 044-28140801/2/3 Fax: 28142479/28143378
Email: lvb@iepinidia.com

The Lakshmi Vilas Bank Ltd



"NOTICE TO THE MEMBERS"

Notice is hereby given that the Seventy Sixth Annual General Meeting of The Lakshmi Vilas Bank Ltd will be held at Registered office of the Bank on 7th August, 2003, Thursday at 10.30 a.m. to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Directors' Report and the Audited Profit and Loss Account for the year ended 31st March 2003 and the Balance Sheet at that date and the Auditors' Report thereon.
2. To declare dividend.
3. To appoint a Director in place of Mr.D.L.Suresh Babu who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr.K.B.Krishnan who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint auditors and if thought fit, to pass with or without modification, the following resolution as an ordinary resolution. Resolved that M/s. S.Viswanathan, Chartered Accountants, Chennai in respect of whom the Bank has received a special notice pursuant to Section 225 of the Companies Act, 1956 and M/s Abarna & Ananthan, chartered Accountants, Bangalore be and are hereby appointed as Auditors of the Bank, subject to approval of RBI to hold office from the conclusion of this meeting to the conclusion of the next Annual General Meeting on a remuneration & out of pocket expenses, if any, to be fixed by the Board of Directors.

SPECIAL BUSINESS

6. To consider and if thought fit, to pass with or without modification following as an ordinary resolution.
"Resolved that the Board of Directors be and is hereby authorised to apply to the Central Government under the Companies (Branch Audit Exemption) Rules, 1961 for exemption from audit of the accounts for the year ending 31.3.2004 of such branch offices of the Bank and in the event of such exemption being not granted in respect of any such branch offices, then the Board of Directors be and is hereby authorized to arrange for audit of such branches as are not exempted.
7. To consider and if thought fit, to pass with or without modification, the following as an ordinary resolution.
"Resolved that Mr. R.Dhandapani, B.sc (Agri) who was appointed as an additional director of the Bank by the Board of Directors under Article 17(b) and who ceases to hold office under section 260 of the Companies Act, 1956, and in terms of Article 17(c) of the Articles of Association of the Bank and in respect of whom the bank has received a notice in writing proposing his candidature for the office of director, be and is hereby appointed as a director of the bank, who will be liable to retire by rotation".
8. To consider and if thought fit, to pass with or without modification, the following as an ordinary resolution.
Resolved that in supersession of the resolution passed at the Annual General Meeting held on 29th August, 2000, the consent of the Bank, be and is hereby accorded u/s 293(1)(d) and other applicable provisions of the Companies Act, 1956, to the Board of Directors of the Bank for borrowing, from time

to time, sum or sums of money for the purpose of the business of the Bank, notwithstanding that the monies to be borrowed which together with the monies already borrowed may exceed, the aggregate for the time being of the paid up capital and its free reserves, that is to say, reserves not set apart for specific purpose, provided however, the aggregate amount of monies which may be borrowed shall not at any time exceed the limit of "Rupees Five Hundred Crores"

BY ORDER OF THE BOARD
S.VENKATESWARAN
COMPANY SECRETARY

Place: Karur

Date: 26-06-2003

Notes:

1. An Explanatory Statement as required under Section-173(2) of the Companies Act, 1956, pertaining to the special business contained in Item No.6 to 8 above is annexed herewith.
2. The Additional information pursuant to clause 49 of the listing Agreement with the Stock Exchanges in respect of the Directors seeking re-election vide Item No.3 & 4 is detailed in the Explanatory Statement.
3. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT A MEMBER OF THE BANK. A PROXY IN ORDER TO BE EFFECTIVE MUST BE RECEIVED AT THE REGISTERED OFFICE OF THE BANK NOT LESS THAN FORTY-EIGHT HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
4. The Register of members and the Share Transfer Books of the Bank will remain closed from **29.07.2003 to 07.08.2003 (both days inclusive)**.
5. Dividend, if declared, will be paid to those members holding physical shares whose names stand on the Register of Members of the Bank as at **07.08.2003** and in case of dematerialised shareholding, to those Beneficial owners whose names stand on the records of the Depositories as at the close of working hours on **28.07.2003**, subject to the provisions of Section 206A of the Companies Act, 1956.
6. In compliance of SEBI direction to all listed companies to maintain all works relating to share registry - both physical and electronic at single point i.e. either in house or by SEBI Registered "Registrar & Transfer Agent (RTA)", Bank appointed M/s Integrated Enterprises (India) Limited, Chennai 600 017 as Share Transfer Agent for both physical and demat segments with effect from 30.01.2003
7. Members are requested to notify any change in their address immediately to Share Transfer Agent and in case their shares are held in demat form, this information should be sent to the concerned Depository Participant.
8. Consequent upon the introduction of Section 109A in the Companies Act, 1956, members are entitled to make nomination in respect of share held by them. Members desirous of making nominations are requested to submit Form 2B (which may be downloaded from the Bank's Web Site www.lvbank.com.) duly filled in and signed by them to the Share Transfer Agent M/s Integrated Enterprises (India) Limited, Chennai 600 017 in case the shares are held in physical form and to the Depository Participants in case the shares are held in electronic form.



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9. With a view to provide protection against fraudulent encashment of dividend warrants, members holding shares in physical form are requested to provide, if not already provided earlier, their bank account numbers, name and address of the bank and branch, to Share Transfer Agent M/s Integrated Enterprises (India) Limited, Chennai 600 017 to incorporate the said details on the dividend warrants. Members will appreciate that the bank will not be responsible for any loss arising out of fraudulent encashment of the dividend warrants.
- 10 Pursuant to section 205A of the Companies Act, 1956, out of dividend remaining Unclaimed for more than seven years shall be transferred to Investor Education Protection Fund and no claims shall lie against the fund.

Dividend declared in the year 1996 for the financial year 1995-96 and remaining unclaimed will be transferred to Investor Education Protection Fund after conclusion of this Annual General Meeting.

Hence, Share holders and Beneficial owners who have not so far claimed the dividend warrants issued from 1996 to 2002 hereby advised to submit the dividend warrants to the Share Transfer Agent M/s Integrated Enterprises (India) Limited, Chennai 600 017, for receiving the proceeds. If the warrant is lost, shareholders may make application in the format, which can be downloaded from the Bank's Web site www.lvbank.com, for receiving the proceeds.

Additional information pursuant to Clause 49 of the listing agreement with Stock Exchanges in respect of the Directors seeking re-election

Item No.3

Mr.D.L.Suresh Babu B.com.B.L.F.C.A, Chartered Accountant, represents Accountancy, Finance and Law. He is occupying the position of Director over a period of 3 years and presides the Audit Committee as Chairman since 1.3.2000. He has been practising as Chartered Accountant spanning over 33 years with special interest in tax planning. He was elected as Member of Central Council of Institute of Chartered Accountants of India in 1982 and held upto 1985.

Item No.4

Mr.K.B.Krishnan, B.E (Mech), represents SSI and Management Consultancy. He had worked with Lakshmi Machine Works Limited as Vice president and had 33 years chequered career in Research and Development wing of Asia's Biggest Textile Machinery Manufacturer and also widely travelled all over the world.

Item No.5

M/s Suri & Co have been Statutory auditors of the Bank since 1999. As per the regulation of RBI, the same auditors can not be re-appointed for a period beyond four years. Accordingly it is proposed to appoint M/s S.Viswanathan, Chartered Accountants, Chennai along with M/s Abarna & Ananthan, chartered Accountants, Bangalore retiring auditors, as the Statutory auditors of the Bank. Necessary approval of the RBI under the Banking Regulation Act, 1949 is being sought for.

The Bank recommends the appointment of M/s Abarna & Ananthan, Chartered Accountants, Bangalore and M/s S.Viswanathan,

Chartered Accountants, Chennai as the Bank's Statutory auditors. The remuneration and out of pocket expenses, if any payable to M/s Abarna & Ananthan, Chartered Accountants, Bangalore and M/s S.Viswanathan, Chartered Accountants, Chennai shall be fixed by Board of Directors of the Bank.

None of the Directors is concerned or interested in this resolution.

Explanatory Statement as required under Section 173(2) of the Companies Act, 1956.

Item No.6

The passing of this resolution is necessary in order to meet the requirement of 228(4) of the Companies Act, 1956, under which the accounts of every branch office is required to be audited either by Bank's Auditors or by a person qualified to act as Auditors.

The Bank has made satisfactory arrangement for their inspection by responsible and competent officers of the bank.

This resolution is proposed to enable the Directors to seek exemption of such of the branches as are not to be audited. None of the Directors is interested in this resolution.

Item No.7

Mr.R.Dhandapani, a bachelor degree in Agriculture from Agricultural College having rich experience in Research (Agri), Marketing, Human Resource Development, Teaching, Sports and having worked in Agricultural College, Coimbatore and Madras Fertilizers Limited, Chennai as Chief Manager (Southern States), was appointed as Additional Director effect from 11th March, 2002 pursuant to Section 260 of the Companies Act, 1956, and Article 17(b). In terms of Section 260 of the Companies Act, 1956, and Article 17(c) of the Articles of Association of the Bank, he vacates his office at this meeting. In terms of Section 257 of the Companies Act, 1956, the bank has received from a member, notice of his intention to propose Mr.R.Dhandapani, for the office of director of the bank, along with prescribed deposit.

None of the Directors except Mr.R.Dhandapani is concerned or interested in this resolution.

Item No.8

At present the Bank is empowered to borrow monies for the Bank's business upto Rs.300.00 Crores (Rupees Three hundred crores). Considering the existing refinance facilities from IDBI, SIDBI, NABARD, NHB and also refinance from Reserve Bank of India for export credits and for borrowings from State Bank of India through TT Discounting / Clearing House, OD limit and from other banks in respect of agency arrangements apart from privately placed bonds for Tier II capital of the Bank and mobilisation of overseas funds at softer interest rates in the liberalised exchange control regime, the Board consider it desirable to enhance the borrowing powers of the Bank from the present limit of Rs.300 Crores to Rs.500 Crores (Rupees Five hundred crores). This requires an ordinary resolution u/s 293 (1) (d) of the Companies Act, 1956.

None of the Directors of the Bank is concerned or interested in this resolution.

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DIRECTORS' REPORT

TO THE MEMBERS

Your Directors have great pleasure in presenting the Seventy Sixth Annual Report on the business and operations of your Bank together with the Audited Accounts for the year ended 31st March, 2003.

PERFORMANCE

During the year, Bank has registered Gross Income of Rs.355.21 Crores and Gross Profit of Rs. 88.11 Crores. The Operating Profit has increased from Rs.77.36 Crores to Rs. 80.05 Crores. The Bank has made a Net Profit of Rs.34.16 Crores as against Net profit of Rs.30.22 Crores in the previous year, after making necessary provisions.

APPROPRIATIONS

Appropriations from operating profit have been effected as detailed below:

Particulars	(Rupees in Crores)	
	For the year ended 31 st Mar 2003	31 st Mar 2002
Operating Profit	80.05	77.36
Provisions and contingencies	45.89	47.14
Net Profit	34.16	30.22
Profit brought forward	0.07	0.51
Amount available for appropriation	34.23	30.73
Transfer to:		
Statutory Reserve	11.50	10.00
Capital Reserve	3.90	2.66
Investment Fluctuation Reserves	11.00	11.00
Other Reserve	1.25	1.25
	27.65	24.91
Proposed Dividend	5.75	5.75
Corporate Dividend Tax	0.73	-
Balance of Profit carried forward	0.09	0.07

DIVIDEND

Your Directors are pleased to recommend dividend at 50%, as approved by RBI.

NETWORTH AND CAPITAL ADEQUACY

Your Directors have proposed net transfer of Rs. 27.65 Crores to reserve, which would increase the net worth of your bank from Rs.164.42 Crores to Rs.192.09 Crores.

The Bank's total Capital adequacy ratio stood at a healthy 11.35% as on March 31, 2003, well above the regulatory minimum of 9.0%.

The Tier-I and Tier-II components of Capital Adequacy Ratio were at 8.39% and 2.96% respectively as on March 31, 2003.

RESOURCES AND LENDINGS

The overall performance during the financial year 2002-03 remained good as Bank's aggregate deposits reached Rs.2770.50 Crores as at 31st March, 2003 with net accretion of Rs. 293.58 Crores. Bank's credit portfolio, net of provisions, increased to Rs. 1763.70 Crores from Rs.1565.25 Crores in the previous year.

Advances under Priority Sector during the year were at Rs.682.19 Crores, constituted 44.85 % of the adjusted net bank credit, as against the stipulated norm of 40%.

QUALITY OF LOAN ASSETS

Concerted efforts initiated by the Bank for recovery yielded encouraging results. As of 31st March 2003, net NPA (Non Performing Assets) had decreased to 7.15 %. In absolute terms the net NPA was brought down by Rs.17 Crores.

The quality of assets were protected by putting in place ILRM (Internal Loan Review Mechanism), introduction of Credit Risk Assessment System for high-value accounts, Credit Committee for recommending high-value proposals and Post-loan disbursal monitoring.

INVESTMENT OPERATIONS

The Bank's total investments expanded by Rs 132.37 Crores from Rs.904.21 as at 31st March 2002 to Rs.1036.58 Crores as at end-March 2003.

In view of the continued sluggishness in the demand for bank credit and the emerging trend towards very competitive interest rates demanded by highly rated borrowers, the bank is devoting greater attention to efficient funds and investment management as an alternative to shore up declining margins. Thus the investment cell set-up in Mumbai which is active in the trading in Government securities market, generated a profit of Rs. 45.21 Crores during the year under review.

FOREX OPERATIONS

The Bank's merchant reporting as Imports and Exports in foreign exchange transactions were at the level of Rs. 1222 Crores. During the year, International Division was shifted from Chennai to Mumbai to enable integrated treasury management.

NETWORK EXPANSION

The bank added 2 new branches during the year to its branch network and converted 3 Extension Counters into Full fledged branches. One branch was converted into satellite branch during the year. The number of branches rose to 215, spreading across 9 States and the Union Territory of Delhi.

INFORMATION TECHNOLOGY

Branch / office automation activities were in full swing in the year 2002-2003. The bank took the decision to join the elite group of banks offering online banking conveniences to the customers by entering into an agreement with M/s ICICI InfoTech for providing core banking solution. Bank and ICICI InfoTech are jointly developing a core banking solution by integrating the front end of the existing LBS 2001 software with their Newton software. This venture will enable the bank to offer a gamut of new generation online banking convenience to the customers. A Wide Area Network will be established to connect the branches and offices and this network will enable the facility of ANYWHERE ANYTIME BANKING.

During the year 2002-2003 the number of totally automated branches was augmented to 56, by porting the LBS 2001 software in 29 more branches, and the number of partially automated branches was augmented to 126, by porting the legacy software in 40 more branches. The tele-banking facilities were extended to 5 branches.

Bank appointed M/s KPMG as I.T. consultant to offer consultancy services and to chart an I.T. strategy for the bank.

HUMAN RESOURCES

Recognising the value of human resources, Bank continues to focus on training its employees on a continuing basis on-job and through training programs conducted with internal and external faculty. As on 31st March, 2003, the bank had a staff strength of 1983 including 747 officers and Business per Employee increased to Rs. 228 lacs



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from Rs.212.00 lacs as at the previous year. During the year, as a part of continuous efforts of Bank to motivate and reward performing employees, 160 employees, in different cadres, were promoted. Bank also directly recruited the required employees in specific fields and placed in appropriate positions during the year. The relationship with staff has been smooth and cordial.

BANCASSURANCE - CORPORATE AGENCY

Bank obtained license from IRDA (Insurance Regulatory Development Authority of India) on 4.12.2002 to act as Corporate Agent of M/s AVIVA Life Insurance company (India) Limited, formerly known as Dabur CGU Life Insurance Pvt. Limited for marketing their life insurance products through select branches of the bank without risk participation or any underwriting risk. The Bank will concentrate on the insurance marketing initially at Tamilnadu and Andhra Pradesh through its 104 branches. The insurance products were launched at key centers namely Chennai, Karur, Coimbatore, Madurai, Salem, Kallakurichi and Vishakapatinam. The Bank trained 25 of its officers to solicit and procure life insurance business in compliance of mandatory requirement of IRDA.

More customized products are to be launched during 2003-04 with exclusive marketing force. The Bank has plans to enter into Corporate Agency arrangement for Non-life insurance segment also, during the year 2003-04.

RISK MANAGEMENT

Risk is inherent in the banking business, and a sound risk management system is critical to the bank's success. The Bank has been taking proactive steps to set up and strengthen the Risk Management Systems, in consonance with RBI guidelines. The Risk Management Committee (RMC) of the Board has been formed which formulates the policy and strategy for Integrated Risk Management covering Market, Credit and Operational Risk. The RMC of Executives has been reconstituted, by combining the ALCO and RMC of Executives, under the chairmanship of the Chairman & CEO, and comprising the top and senior management personnel as its members.

A new Risk Scoring Model, developed by ICRA who were appointed as consultant is under implementation in large value accounts.

Duration analysis of investments in Government Securities is being worked out on monthly basis. Changes in market value on account of interest rate fluctuations are discussed in RMC meetings.

The statement of Structural Liquidity, Short Term Dynamic Liquidity, and Interest Rate Sensitivity are generated at the stipulated frequency from the centralised ALM system and the analysis put up to the Risk Management Committee on a monthly basis.

The current practices are deemed adequate to manage the operational risk considering the size, complexity of operation and technology development. Internal control by way of inspection policy is available. Fraud Risk Management Policy, and Disaster Recovery Plan have been put in place.

The ALCO committee of Board was re-christenised as Risk Management Committee as per RBI guidelines in January 2003.

DIRECTORS

Mr.R.Mohan resigned from the Board on the 16th April, 2003. The directors place on record their appreciation of the valuable services rendered by Mr.R.Mohan during his tenure as director on the Board of the Bank.

Mr.R.Dhandapani, a bachelor's degree holder in Agriculture, was appointed as additional director on the Board with effect from 16th April 2003 pursuant to Section 260 of the Companies Act, 1956.

AUDITORS

The statutory auditors M/s.Suri & Co, Chartered Accountants, Chennai and M/s.Abarna & Ananthan, Chartered Accountants, Bangalore are retiring at this Annual General Meeting. M/s Suri & Co, Chartered Accountants, Chennai had been the joint Statutory Auditors of your Bank since 1999. As per the regulations of RBI the same auditor cannot be re - appointed for a period beyond 4 years. Accordingly it is proposed to appoint M/s S.Viswanathan, Chartered Accountants, Chennai and proposed to re-appoint M/s.Abarna & Ananthan, Chartered Accountants, Bangalore as the joint Statutory Auditors of the Bank at the forthcoming Annual General Meeting of the Bank subject to the approval of Reserve Bank of India under Section 30 (1A) of the Banking Regulation Act, 1949.

Your directors place on record their appreciation for the professional services rendered by M/s Suri & Co as the Statutory auditor of the Bank.

STATUTORY DISCLOSURE

Given the nature of the Bank's operations, the requirement of disclosure of steps taken for conservation of energy and technology absorption does not apply to the Bank. The Bank is fully cognizant of the need to step up the country's exports and accordingly endeavours to enlarge its export financing. None of the employees falls within the purview of section 217(2A) of the Companies Act, 1956.

CORPORATE GOVERNANCE

The basic philosophy of Corporate Governance in the Bank is to enhance shareholder value keeping in view the needs and interests of other stakeholders. The Bank has fully complied with the code of corporate governance as enumerated in Clause 49 of the Listing Agreement. Pursuant to Clause 49 of the Listing Agreement, a Management Discussion and Analysis is presented in Annexure-A, Report on Board Committees is furnished in Annexure-B. Composition of the Board of Directors together with the attendance of Directors at various meetings of the Board, its Committees and Annual General Meeting and the number of directorships held by them alongwith the details of Audit Committee and Share Transfer and investors' Grievances Committee are furnished in Annexure-C. General Shareholders' information is furnished in Annexure-D.

DIRECTORS' RESPONSIBILITIES STATEMENT

The Directors confirm that in the preparation of the annual accounts for the year ended March 31, 2003:

- ★ the applicable accounting standards have been followed along with proper explanation relating to material departures, if any;
- ★ the accounting policies, framed in accordance with the guidelines of the Reserve Bank of India, were applied consistently;
- ★ reasonable and prudent judgement and estimates were made wherever required so as to present a true and fair view of the state of affairs of the Bank as at the end of the financial year and the profit of the Bank for the year ended on March 31, 2003;
- ★ proper and sufficient care was taken for the maintenance of adequate accounting records in accordance with the provisions of applicable laws governing banks in India ; and
- ★ the accounts have been prepared on a 'going concern' basis.

ACKNOWLEDGEMENT

The Board places on record its sincere thanks to the shareholders, depositors and other clientele for their continued support. The Board also expresses its thanks to a host of institutions.

Your Directors express their appreciation for the commendable contributions made by staff at all levels.

For and on behalf of the Board of Directors

A.KRISHNAMOORTHY

Chairman

Place: KARUR

Date : 26-06-2003

The Lakshmi Vilas Bank Ltd**AUDITORS' REPORT**

SURI & CO
CHARTERED ACCOUNTANTS
CHENNAI-600 034.

ABARNA & ANANTHAN
CHARTERED ACCOUNTANTS
BANGALORE - 560 019.

We have audited the attached Balance Sheet of **THE LAKSHMI VILAS BANK LIMITED, KARUR** as at 31st March 2003 the annexed Profit and Loss Account and also the Cash Flow Statement for the year ended on that date in which are incorporated the returns of 47 Branches, 8 Divisional Offices, 6 Service Branches, audited by us and 172 Branches audited by Branch auditors appointed u/s. 228(4) of the Companies Act, 1956.

These financial statements are the responsibility of the Bank's management. Our responsibility is to express our 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 mis-statements. 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.

The Balance Sheet and the Profit & Loss account have been drawn-up in accordance with the provisions of Section 29 of Banking Regulation Act, 1949 read with Section 211 of the Companies Act, 1956.

The reports on the accounts of the branches audited by Branch auditors have been dealt with in preparing our report in the manner considered necessary by us.

We report subject to :

- (i) The effect of adjustments arising from reconciliation of various accounts / balances in inter branch reconciliation and subsidiary ledgers as indicated in Note No. 1 of Schedule 17 of the accounts, quantum of which is not ascertained.*

For SURI & CO

Sd/-

(S.VENKATARAMANI)
PARTNER
CHARTERED ACCOUNTANTS

that:

- (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 and have found them to be satisfactory.
- (b) The transactions of the Bank, which have come to our notice, have been within the powers of the Bank.
- (c) In our opinion proper books of accounts as required by law have been kept by the Bank in so far as appears from our examination of those books and proper returns adequate for the purpose of our audit have been received from the branches of the Bank.
- (d) The Bank's Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account and audited returns from the branches of the Bank.
- (e) In our opinion, the Balance Sheet and Profit and Loss Account dealt with by this report comply with Accounting Standards referred to in sub-section (3C) of the Section 211 of the Companies Act, 1956 **subject to Note 8 (b) regarding foreign exchange transactions accounted for in terms of guidelines from FEDAI as against Accounting Standard 11 prescribed by Institute of Chartered Accountants of India.**
- (f) On the basis of written representations received from the Directors and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2003 from being appointed as a Director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.
- (g) In our opinion and to the best of our information and according to the explanations given to us, the said accounts together with NOTES thereon give the information required by the Companies Act, 1956 in the manner so required for Banking Companies and on such basis;
 - (i) The said Balance Sheet gives a true and fair view of the state of affairs of the Bank as at 31st March, 2003;
 - (ii) The Profit & Loss Account shows true balance of PROFIT for the year ended on that date;
and
 - (iii) The Cash Flow Statement shows a true and fair view of the cash flows for the period then ended.

For ABARNA & ANANTHAN

Sd/-

(S. SUBRAMANIAM)
PARTNER
CHARTERED ACCOUNTANTS

Place : Karur,
 Date : May 14, 2003.

The Lakshmi Vilas Bank Ltd**BALANCE SHEET AS AT 31-MAR-2003**

(Rs. in 000s)

I. CAPITAL & LIABILITIES	SCHEDULE	AS AT 31/03/2003	AS AT 31/03/2002
a. Capital	1	115089	115088
b. Reserves & Surplus	2	1805772	1529057
c. Deposits	3	27705016	24769223
d. Borrowings	4	641143	333498
e. Other Liabilities & Provisions	5	1700376	1740056
TOTAL ...		31967396	28486922
II. ASSETS			
a. Cash & Balances with Reserve Bank of India	6	1660558*	1589592
b. Balances with Banks and Money at Call & Short Notice	7	669193	756774
c. Investments	8	10365752	9042057
d. Advances	9	17636982	15652519
e. Fixed Assets	10	298975	289500
f. Other Assets	11	1335936	1156480
TOTAL ...		31967396	28486922
Contingent Liabilities	12	7338779	8363105
Bills for collection		1157184	1255526
Significant accounting Policies and Notes on accounts	17		

Schedules 1 to 12 and 17 form part of this Balance Sheet.

As per our report of date annexed
For **M/S. Suri & Co.,**
S. Venkataramani
Partner
Chartered Accountants

For **Abarna & Ananthan**
S. Subramaniam
Partner
Chartered Accountants

S. Sundar
Chief Manager

N. Giridharan
General Manager
(Operations)

N. Ramalinkgam
General Manager
(Credit)

A. Krishnamoorthy
Chairman

DIRECTORS

C. Krishnakumar
N. Malayala Ramamirtham
S.G. Prabhakaran
D.L. Suresh Babu
K.B. Krishnan
M.P. Shyam
V.N. Krishnamurthy
R. Dhandapani

Karur
14-May-2003