



Managing Director

Sri T. NARAYAN M. PAI

Registered Office

MANIPAL HOUSE
MANIPAL – 576 104, KARNATAKA

Directors

Sri RAGHAVENDRA NAYAK
Sri CHANDAPPA R. SHERIGAR

Bankers

SYNDICATE BANK
CORPORATION BANK
ICICI BANK LTD.

General Manager

Sri T. SANJAY PAI

Auditors

M/s Pai Nayak & Associates
Chartered Accountants
Raaj Towers
Udupi – 576 101

**Registrar and Share Transfer Agents
(For Physical and Demat Shares)**

Cameo Corporate Services Ltd.
V Floor, Subramanian Building
No. 1, Club House Road
Chennai – 600 002



NOTICE

NOTICE is hereby given that the TWENTY-SEVENTH ANNUAL GENERAL MEETING of the members of MANIPAL FINANCE CORPORATION LTD., will be held on Monday, the 20th September, 2010 at 4.00 p.m. at the Company's Regd. Office: "Manipal House", Manipal – 576 104, Udupi District, Karnataka, to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at March 31, 2010 and Profit and Loss Account for the year ended on that date and the Reports of the Board of Directors and Auditors thereon.
2. To appoint a Director in place of Sri Raghavendra Nayak, who retires by rotation and being eligible offer himself for reappointment.
3. To appoint Statutory Auditors to hold office from the conclusion of this meeting until the conclusion of next Annual General Meeting and to fix their remuneration.

Registered Office:
"Manipal House"
Manipal – 576 104
12th August, 2010

By order of the Board

Sd/-
T. NARAYAN M. PAI
Managing Director

Notes:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF. A PROXY NEED NOT BE A MEMBER OF THE COMPANY.
2. The instrument of proxy in order to be effective must be deposited with the Company at its registered office not less than 48 hours before the time of holding the meeting.
3. The Register of Members and Share Transfer Books of the Company will remain closed from 16th September, 2010 to 20th September, 2010 (both days inclusive).
4. Members are requested to address all their future correspondence including change of address, Transfer of Shares, consolidation of multiple ledger folios and Dematerialisation etc., to the Company's Registrar & Share Transfer Agent, Cameo Corporate Services Ltd., Subramanian Building, No.1, Club House Road, Chennai – 600 002, Tel. No. 044 28460390 Fax: 044 28460129.
5. The Company transferred unclaimed dividend declared upto the financial year ended 31st March, 1995 to the General Account of the Central Government as required by the Companies Unpaid Dividend (Transfer to General Revenue Account of the Central Government) Rules 1978. Those shareholders who have so far not claimed or collected their dividend upto the aforesaid financial year may claim their dividend from Registrar of Companies, Karnataka, Bangalore.

The Company has transferred the unclaimed dividend for the financial year ended 31.03.1996 and 31.03.1997 to Investor Education and Protection Fund set up by the Central Govt. and no claims shall be lie against the Fund or the Company in respect of the amounts so transferred.

6. As prescribed under the Listing Agreement, additional information on Directors retiring by rotation and seeking reappointment at the Annual General Meeting is furnished below:

Name	: Sri Raghavendra Nayak
Date of Birth	: 06-04-1973
Date of appointment	: 26-02-2007
Expertise in specific functional areas	: Associated with NBFCs for over 10 years
List of other Directorships	: NIL
Chairman/Member of the committees of the Board	: Member : Shareholders Grievance Committee Member : Audit Committee Member : Remuneration Committee Member : Working Committee

Chairman/Member of the committees of the Board of other Companies in which he is member : NIL

DIRECTORS' REPORT TO THE SHAREHOLDERS

The Directors have pleasure in presenting the 27th Annual Report of your company together with Audited Balance Sheet and Profit & Loss Account for the financial year ended 31st March, 2010.

FINANCIAL RESULTS :

	<i>(Rs. in '000)</i>	
	31st March, 2010	31 st March, 2009
Gross Income	4094	2179
Interest	–	–
Administrative and other Expenses	4932	3405
Net Profit /(Loss) before Depreciation, Lease Equalisation, provision for doubtful debts and bad debts written off	(838)	(1226)
Less: Depreciation	7088	7623
Add: Lease Adjustment (Credit)	(6022)	(4860)
Less: Provisions & write offs of debts	6626	258
Loss before Tax and extra-ordinary items	(8530)	(4247)
Extra-ordinary Items	7127	6691
Profit (Loss) before provision for taxation	(1403)	2444
Provision for Taxation including Fringe Benefit Tax	–	9
Profit/(Loss) after provision for taxation	(1403)	2435
Add: Balance of Loss b/f from previous year	(666655)	(6,69,090)
Net Loss carried forward	(668058)	(6,66,655)

OPERATING RESULTS :

The company has earned a gross income of Rs.4094 thousands as compared to the income of Rs.2179 thousands earned during previous year ended 31-03-2009.

The Company has suffered net loss of Rs.1403 thousands for the year under report as against net profit of Rs.2435 thousands earned in the previous year.

RECOVERY :

The Company has been making serious efforts to recover from NPA Accounts. The trend of recovery from such accounts is encouraging. The Company has recovered a sum of Rs. 31152 thousands from NPA Accounts during the financial year ended 31st March, 2010.

COST REDUCTION AND ECONOMY MEASURES:

Steps have been initiated for drastic reduction of costs in various fronts. Overheads under various expenditure heads such as telephone, postage, rent, wages and salary have been minimised to a great extent. Cost reduction measures are being initiated from time to time for implementation on a time bound programme.

SCHEME OF COMPROMISE/ARRANGEMENT WITH THE CREDITORS:

During the year ending 31st March, 2005 the Scheme of Compromise and Arrangement under Section 391 of the Companies Act, 1956 to effect the restructure of Company's debts particularly Debentures and subordinated debts of the Company was framed and presented before the Honorable High Court of Karnataka Accordingly the meeting of the Shareholders, Debentures Holders and Subordinated Debt holders were held on 20th April, 2005. The scheme as proposed had provided for payment of principal in a phased manner over 60 months from the effective date and payment of interest accrued till 30th June, 2002, within 72 months from the effective date. The scheme as proposed, do not provide for accrual of interest after 30th June, 2002. (For the above purpose the effective date means the date on which the Order of the High Court of Karnataka sanctioning the Scheme of Arrangement is filed with the Registrar of Companies in Karnataka.)



On 10th July, 2009, Honorable High Court of Karnataka has directed the Company to submit the details of payments made to Non Convertible Debenture holders and subordinated debt holders from 1st April, 2005. Accordingly the details were furnished to Honorable Court. It was submitted before the Honorable Court that the Company has settled substantial portion of Non Convertible Debentures and Subordinated Debts and it was therefore felt that the scheme requires to be changed having regard to the settlements already made and quantum of non convertible debentures and subordinated debts remaining to be settled. Therefore the Company had proposed to withdraw the scheme of arrangement from the Honorable High Court of Karnataka, with an option to present a new scheme of arrangement. The Honorable High Court of Karnataka has permitted the Company to withdraw the petition, with liberty to file a fresh petition, vide its order dated 28th October, 2009. Accordingly the Company is exploring the possibility of proposing a fresh petition to be filed before the Honorable High Court of Karnataka.

PUBLIC DEPOSITS:

Fixed Deposits from public outstanding as at 31st March, 2010 were Rs. 50.44 thousands consisting of 349 deposits. They are due for repayment on or before 31st March, 2010. 8 deposits matured on or before 31st March, 2010 amounting to Rs.153 thousands have been claimed and paid after 31st March, 2010.

AUDIT OBSERVATIONS:

In respect of the comments made by the Auditors vide Para Nos. 2, 3, 4 in Auditors Report and Para No.1, 6, 7, 9, 10 & 11 of Annexure to the Auditors Report, the clarifications given in Note Nos. 1 to 9, 11, 18(b), 19, 22 and 23 of Para II of Schedule 'K' is self explanatory.

DIRECTORS' RESPONSIBILITY STATEMENT:

The Directors' report that :

- In the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- The Directors had selected such accounting policies and applied them consistently and made judgments 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;
- That the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- That the Directors had prepared the annual accounts on a going concern basis.

DIRECTORS:

Sri Raghavendra Nayak, Director retires by rotation at the ensuing Annual General Meeting and being eligible offers himself for re-appointment.

In view of the fact that the company is exploring the possibility of presenting a new Scheme of Arrangement before the Hon'ble High Court of Karnataka for rescheduling of payment to creditors and other matters, management feels that Sri T. Narayan M. Pai, Managing Director and other Directors will not be disqualified for being a Director of a public company.

AUDITORS:

M/s. Pai Nayak & Associates, the Statutory Auditors of the Company, retire at the conclusion of the ensuing Annual General Meeting and being eligible, offer themselves for reappointment and have furnished a certificate to the effect that the proposed reappointment if made, will be in accordance with Section 224(1-B) of the Companies Act, 1956.

LISTING OF SHARES:

The Equity Shares of the Company are listed on The Stock Exchange, Mumbai. The annual listing fees up to the year 2010-2011 has been paid to this Exchange.

CORPORATE GOVERNANCE:

The Company had followed sound Corporate Governance practices right from its inception and have taken efforts to implement the same wherever possible in the present circumstances. However, during the year compliance with the



code of Corporate Governance prescribed by Clause 49 of the Listing Agreement could not be met by the company in view of Board having two non-executive Directors and a Managing Director.

Particulars of Employees as prescribed under Section 217 (2A) of the Companies Act, 1956: NIL.

Particulars regarding conservation of energy and technology absorption: NIL.

ACKNOWLEDGEMENT:

The Directors take this opportunity to express their gratitude for the continued patronage and support extended by the Company's customers and Bankers.

Your Directors gratefully acknowledge the continued faith and confidence reposed by the shareholders, investors and agents.

Your Directors wish to place on record their deep sense of appreciation of the valuable contribution made by the team of Employees at all levels in the organisation.

For and on behalf of the Board

Place : Manipal
Date : 12-08-2010

Sd/-
T. Narayan M. Pai
Managing Director

Sd/-
Chandappa R. Sherigar
Director

CORPORATE GOVERNANCE

1. INTRODUCTION:

COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE:

The Company has been following sound Corporate Governance practices right from its inception. The Company has all along believed in fair business and corporate practices with all its stakeholders. The Board of Directors has always had adequate competent independent Directors. For effective discharge of its functions and proper deliberations, the Board has constituted committees from time to time. Adequate disclosure and information are provided to the Board as well as its Committees. Active participation of the independent Directors at the Board and Committee Meetings has always been the norm.

The Securities and Exchange Board of India has introduced a code of Corporate Governance for implementation by all the listed companies vide an amendment to the Listing Agreement. As per this requirement, the compliance of this code is required to be disclosed in the Directors' Report.

Given below is the report of Directors on the practices prevalent on Corporate Governance in the Company.

2. BOARD OF DIRECTORS:

2.1 Composition:

The Board of Directors comprised of following Directors :

Name of the Director	Category	Committee Membership
Sri T. Narayan M. Pai	Managing Director	3 as Chairman
Sri Raghavendra Nayak	Non-Executive Director	3 as Member
Sri Chandappa R. Sherigar	Non-Executive Director	3 as Member

2.2 Meetings and attendance record of each Director:

(i) During the year ended 31st March, 2010, the Board of Directors had 7 meetings. These were held on:-

- 29th June, 2009 (2)
- 31st July, 2009 (2)
- 10th August, 2009 (2)
- 17th September, 2009 (2)
- 30th October, 2009 (2)
- 29th January, 2010 (2)
- 15th February, 2010 (2)

Figures in brackets denote the number of Directors present in the meeting.

(ii) The attendance record of the Directors at the Board Meetings during the year ended 31st March, 2010 and the last Annual General Meeting (AGM) is as under: -

Name of the Director	No. of Board Meetings Attended	Attendance at the Last AGM	No. of other Directorship
Sri T. Narayan M. Pai	4	Yes	1
Sri Raghavendra Nayak	3	Yes	-
Sri Chandappa R. Sherigar	7	No	1

2.3 Remuneration of Directors:

a) Remuneration to non-executive Directors:

The Company has not paid any remuneration to non-executive Directors.

The Company has not paid sitting fees to the Directors for attending Board/Committee Meetings during the year.

b) Remuneration to Managing Director:

The Managing Director has not drawn any remuneration during the financial year 2009-2010.

3. AUDIT COMMITTEE:

- (i) The Audit Committee comprised Sri T. Narayan M. Pai, Managing Director, Sri Raghavendra Nayak, Sri Chandappa R. Sherigar, non-executive members of the Board.

The role and terms of reference of the Audit Committee cover the areas mentioned under Clause 49 of the Listing Agreement and Section 292A of the Companies Act, 1956, besides other terms referred to by the Board of Directors from time to time.

- (ii) Total No. of Audit Committee Meetings held during the year:

During the year four meetings of Audit Committee were held on 29-06-2009, 31-07-2009, 30-10-2009 and 29-01-2010. The Company has not appointed Company Secretary during the year.

4. SHAREHOLDERS/INVESTORS GRIEVANCE COMMITTEE:

The Committee comprising the three members of the Board attends to redressal of Shareholders grievance/complaint on matters relating to transfer of shares, non-receipt of Balance Sheet, non-receipt of declared dividend warrants etc. During the year there were no complaints pending for redressal by the Company.

5. OTHER COMMITTEES OF DIRECTORS:

In addition to the above referred mandatory Committees of Directors under the Corporate Governance code, the Board of Directors have constituted the following more Committees of Directors to look into various business matters:-

Sr. No.	Name of the Committee	Business
1.	Working Committee	Allotment of Shares, Debentures, Debts etc. Transfer and Transmission of Shares, Debentures, Debts etc. and issue of Duplicate Share/Debentures/Debt certificates and sub-division of shares and allied matters. Sanctioning of hire purchase and loan proposals, if any.
2.	Remuneration Committee	To fix the remuneration of the Managing Director*.

* Managing Director is the only whole-time Director of the Company and he does not draw any remuneration and none of the other Directors draw any remuneration. Therefore this Committee though constituted is not in active operation.

The Member of Working Committee meeting as on date are Sri T. Narayan M. Pai, Sri Raghavendra Nayak and Sri Chandappa R. Sherigar. Managing Director is the compliance officer.

6. GENERAL BODY MEETINGS:

The last three Annual General Meetings were held as under:

Financial Year	Date	Time	Venue
2008-2009	17-09-2009	4.00 p.m.	Manipal House, Manipal
2007-2008	22-09-2008	4.00 p.m.	Manipal House, Manipal
2006-2007	26-10-2007	4.00 p.m.	Manipal House, Manipal

All the resolutions as set out in the respective notices were passed by the shareholders. **No special resolution was put through postal ballot at the last Annual General Meeting.**

7. DISCLOSURES:

There were no transactions of material nature with the Directors or the Management or their relatives during the year.

There were no instances of non-compliance on any matter related to the capital markets during the last three years.

8. MEANS OF COMMUNICATION:

Quarterly / Half Yearly financial results are sent to the Stock Exchange, Mumbai where the shares of the Company are listed. The Company is not having its own web-site.

9. MANAGEMENT DISCUSSION AND ANALYSIS REPORT:

The Company is engaged in the business of Hire Purchase and Lease finance and has completed 26 years of operation in this field. During the year 2009-2010, the Company has suffered loss of Rs. 14.03 Lakhs as against the profit of Rs. 24.35 Lakhs in the previous year 2008-2009.

Hire Purchase and Lease finance business is facing severe competition and margins are under great pressure. In the aftermath of stringent Prudential Norms promulgated by the RBI, the NBFCs all across the country suffered a severe set back. Their borrowing capacity is drastically curtailed. With no avenues for further growth, together with ever increasing defaulters in the list of corporate clients, triggered the downfall in the performance of the NBFCs. The situation that has arisen in your Company is in no way different. In spite of these hurdles, the Company has tried its best to salvage the situation by reducing its operational cost on all fronts.

The Company is putting in serious efforts to recover NPA accounts. Criminal complaints under Section 138 of Negotiable Instrument Act are also lodged simultaneously against such defaulters whose cheques were dishonoured. The Company is making good progress on the Recovery Front.

The Company has not carried on any non banking business other than repayment of liability out of recoveries. All the payments have been centralized in head office. Power are not given to the branches to incur any expenditure. In the prevailing circumstances there is no need for internal audit at the either at the H O level or at the branch level. Therefore, internal audit is not found necessary.

The discussion on financial performance of the Company is covered in the Director's Report. There has been no material development on the human resource front during the year. The number of employees employed as on 31st March, 2010 was 7.

During the year ending 31st March, 2005 the Scheme of Compromise and Arrangement under Section 391 of the Companies Act, 1956 to effect the restructure of Company's debts particularly Debentures and subordinated debts of the Company was framed and presented before the Honorable High Court of Karnataka Accordingly the meeting of the Shareholders, Debentures Holders and Subordinated Debt holders were held on 20th April, 2005. The scheme as proposed had provided for payment of principal in a phased manner over 60 months from the effective date and payment of interest accrued till 30th June, 2002, within 72 months from the effective date. The scheme as proposed, do not provide for accrual of interest after 30th June, 2002. (For the above purpose the effective date means the date on which the Order of the High Court of Karnataka sanctioning the Scheme of Arrangement is filed with the Registrar of Companies in Karnataka.)

On 10th July, 2009, Honorable High Court of Karnataka has directed the Company to submit the details of payments made to Non Convertible Debenture holders and subordinated debt holders from 1st April, 2005. Accordingly the details were furnished to Honorable Court. It was submitted before the Honorable Court that the Company has settled substantial portion of Non Convertible Debentures and Subordinated Debts and it was therefore felt that the scheme requires to be changed having regard to the settlements already made and quantum of Non Convertible Debentures and subordinated debts remaining to be settled. Therefore the Company had proposed to withdraw the scheme of arrangement from the Honorable High Court of Karnataka, with an option to present a new scheme of arrangement. The Honorable High Court of Karnataka has permitted the Company to withdraw the petition, with liberty to file a fresh petition, vide its order dated 28th October, 2009. Accordingly the Company is exploring the possibility of proposing a fresh petition to be filed before the Honorable High Court of Karnataka.

10. GENERAL SHAREHOLDERS INFORMATION:

10.1 Annual General Meeting:

Date and Time : Monday, 20th September, 2010 at 4.00 p.m. at Manipal.
Venue : Regd. Office: "Manipal House", Manipal – 576 104

10.2 Dematerialisation of Shares : ISIN No. INE798E01013 (CDSL)
Security Code: 7938 (BSE)

As on date 19912 Equity Shares forming 0.23% of share capital of the Company stands dematerialised.

10.3 Financial Calendar:

The Company follows April-March as its financial year. The un-audited financial results for the first three quarters beginning from June (April to June) is declared in the subsequent months with some delay. The Audited results for the fourth quarter has been declared in time, as permitted under the listing agreement.

The Company's financial year is divided into 4 quarters, viz.

FIRST quarter	1 st April to 30 th June
SECOND quarter	1 st July to 30 th September
THIRD quarter	1 st October to 31 st December
FOURTH quarter	1 st January to 31 st March

10.4 Registered Office:

"Manipal House", Manipal
(Udupi) Karnataka – 576 104.

10.5 Registrar and Share Transfer Agents for Physical and Demat Shares:

Cameo Corporate Services Ltd,
5th Floor, Subramanyan Building
No.1, Club House Road,
Chennai – 600 002.
Phone No. (044) 2846039

10.6 Date of Book Closure:

The share transfer books would remain closed during the period from 16th September, 2010 to 20th September, 2010 (both days inclusive).

10.7 Listing of Shares & Other Securities:

At present, the Company's shares are listed at The Stock Exchange, Mumbai. The listing fees for the year 2010-2011 has been paid. The Company has not declared dividend during the year.

10.8 Stock Market Price Data for the Year 2009-2010:

There were no trading in the Companies shares during the financial year 2009-2010.

10.9 Address for Shareholders' Correspondence

The Share Department
Manipal Finance Corporation Ltd.
Regd. Office : "Manipal House"
MANIPAL – 576 104

10.10 Distribution of Shareholding:

The shareholding distribution of equity shares as on 31-03-2010 is given below:

Sr. No.	Shareholding of Nominal Value (Rs.)	No. of Shareholders	Share Amount (Rs.)	Percentage of Shareholding
1.	Up to 5,000	8423	22779060.00	27.180
2.	5,001 to 10,000	1587	13482960.00	16.088
3.	10,001 to 20,000	570	8308450.00	9.913
4.	20,001 to 30,000	166	4161880.00	4.966
5.	30,001 to 40,000	52	1893740.00	2.260
6.	40,001 to 50,000	32	1548680.00	1.848
7.	50,001 to 1,00,000	37	2528370.00	3.017
8.	1,00,000 & above	20	29106470.00	34.729
TOTAL		10887	83809610.00	100.000

10.11 Shareholding Pattern:

Category	No. of Shareholders	No. of Shares held	% to paid-up capital
Nationalised Banks	1	300	0.004
Bodies Corporate – Domestic	54	1685187	20.110
Promoters/Relatives	44	2873831	34.289
Individuals – Domestic	10781	3815343	45.523
Non-resident Indians	7	6300	0.074
TOTAL	10887	8380961	100.000

DECLARATION

As provided under Clause 49 of the Listing Agreement with the Stock Exchange, Mumbai, all Board Members and Senior Management Personnel affirmed compliance with Manipal Finance Corporation Ltd. Code of Conduct and Ethics for the year ended March 31, 2010.

For and on behalf of the Board

Place : Manipal
Date : 12-08-2010

Sd/-
T. Narayan M. Pai
(Managing Director)



CERTIFICATE

**To The Members of
Manipal Finance Corporation Limited
Manipal – 576 104**

We have examined the compliance of conditions of Corporate Governance by Manipal Finance Corporation Ltd. for the year ended 31-03-2010, as stipulated in Clause 49 of the listing agreement of the said Company with the stock Exchanges.

The Compliance of the conditions of Corporate Governance is the responsibility of the management. Our examination has been limited to a review of the procedures and implementations thereof, adopted by the company for ensuring compliance with the conditions of the 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, and the representations made by the management we certify that the company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement, except that,

- Qualifications in the audit report are not addressed to in the result sent to stock exchanges.
- Results are not put in the website of the company as we are informed that the company does not have any website.
- The Company has not published the quarterly/half yearly results in the news paper.
- The Board of the Company consists of 3 Directors inclusive of Managing Director. Accordingly the Audit Committee constitutes three directors inclusive of Managing Director. All the members of audit committee are non- executive director as the audit Committee consists of one whole time director.
- The Company does not have the internal audit system.
- The Company has not appointed Company Secretary and the Chief Financial Officer.

We state that:

- In respect of shareholder grievances for the year ended March 31, 2010, we are informed no grievances from shareholders have been received by the Company during the year.
- *In respect of Investor grievances as regards repayment of debentures/debts, we are informed that the same was initially addressed by the way of reconstructing liabilities through scheme of arrangements approved by the shareholders, Debenture holders and subordinates Debt holders at their meetings held on 20th April, 2005, but the Company has since withdrawn the scheme and the management of the Company is exploring the possibility of presenting a new scheme of arrangement. The public deposits are matured for repayment, but remained unpaid by the company. However the Company has settled some of the deposits/debts/debentures at discounted rates without interest. The Company has not provided/paid interest on deposits/debts/debentures after 30th June, 2002.*

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

For **PAI NAYAK & ASSOCIATES**
Chartered Accountants
Registration Number: 009090S

Place : Udupi
Date : 12-08-2010

Sd/-
Ammunje Venkatesh Nayak
Partner
(Membership No.: 204685)



AUDITORS' REPORT

To The Members of

Manipal Finance Corporation Limited

We have audited the attached Balance Sheet of MANIPAL FINANCE CORPORATION LIMITED, MANIPAL as at 31st March, 2010, the annexed Profit and Loss Account and Cash Flow Statement for the year ended on that date. These financial statements are the responsibility of the management of the Company. 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 the management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

1. As required by the Companies (Auditors' Report) Order, 2003 issued by the Central Government in terms of Section 227(4A) of the Companies Act, 1956, we give in the annexure statement on the matters specified in Paragraphs 4 and 5 of the said order, to the extent applicable to the Company.
2. Further to our comments in the Annexure referred to in Paragraph (1) above, we report 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.
 - b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books.
 - c) The Balance Sheet, Profit and Loss Account & Cash Flow Statement referred to in this report are in agreement with the books of account.
 - d) In our opinion, the Balance Sheet, Profit and Loss Account & Cash Flow Statement, dealt with by this report, have been prepared 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 as on 31st March, 2010 and taken on record by the Board of Directors and *subject to Note No. II(19) to the Schedule K* we report that none of the directors are disqualified as on 31st March, 2010 from being appointed as Director in terms of Clause (g) of Sub-Section 1 of Section 274 of the Companies Act 1956 .
 - f) In terms of press release issued by Reserve Bank of India dated 27-06-2001, we state that:
 - i) The Certificate of Registration as issued by the Reserve Bank of India is not in force, since same was cancelled during December 2004.
 - ii) The Company has not obtained credit rating.
 - iii) The capital adequacy ratio is negative and accordingly the Companies; Loans, advances and investments are above the credit exposure limits.
 - iv) The public deposits are matured for repayment, but remained unpaid by the Company. However the company has settled some of the deposits at discounted rates without interest. The Company has not provided/paid interest on deposits after 30th June, 2002.
 - v) The Company has not created floating charge in favour of the depositors, on the statutory liquid assets invested.
 - vi) The Company has not strictly adhered RBI guidelines on closure of branches.
3. a) *We draw attention to Note No. II (2) of Schedule "K" in the financial statements. The Company has incurred losses and its majority of funds are blocked in Non performing Assets, raising a doubt about the Company to continue as a going concern. The Company has presented a scheme of arrangement for restructure of liabilities as detailed in Note No. II (1) of Schedule "K" in the financial statements and subsequently withdrawn the same, for reasons given therein. The Company is exploring the possibility of presenting the new scheme*



of arrangement, as detailed in the aforesaid Notes. The account, however have been prepared on a "going concern basis" in view of management perception as detailed in Note No. II (2) of Schedule K. However we are unable to comment on the ultimate reliability of Company's assets including the Fixed Assets under lease.

- b) Provision has not been made for Non-performing Assets amounting to Rs. 170,00 thousands (P.Y. Rs. 5,41,82 thousands) under Reserve Bank of India Prudential Norms. (Refer Note No. II(4) of Schedule K).
- c) The Company has stopped (i) repayment of matured debentures & matured subordinated debts and (ii) payment of interest on debentures and subordinated debts from 1st day of July 2002, in view of the scheme of arrangement proposed before the Hon'ble High Court of Karnataka, as referred to in Note No. II(1) of Schedule K to the financial statement (which is since withdrawn and we are informed that the Company is exploring the possibility presenting a new scheme of arrangement). Accordingly Interest on debentures/ debts are provided up to 30th June, 2002 only. The Company has also not provided for the interest on public deposits from 1st July 2002. However all the public deposits are matured for repayment and remained unpaid as on the date of the Balance Sheet. No provision for interest on such debentures/debts/deposits is being made during the year under audit. The effect on the loss is not ascertainable, since the Company has not quantified such interest. There are also instances of settlement of debentures, debts and public deposits as stated in Note No. II (5) of Schedule K. As per the information given to us various consumer courts (including the Appellate Authorities/Courts acting under the Consumer Protection Act) have passed the orders, for the repayment of certain deposits/debentures/debts with interest and other costs. The detailed information on these orders not made available to us and therefore we are unable to ascertain the ultimate effect on the profit/loss, on account of the aforesaid orders.
- d) We further report that had the observation made in 3 (b) above, been considered loss for the year, would have been Rs.184,03 thousands (P.Y. Rs. 5,17,47 thousands) (as against reported figures of loss Rs.14,03 thousands {P.Y. Profit Rs.24,35 thousands}) and accumulated losses would have been Rs. 68,50,58 thousands (P.Y. Rs. 72,08,37 thousands) (as against the reported figure of Rs.66,80,58 thousands {P.Y. Rs. 66,66,55 thousands}). (without considering the non-provision of interest and other costs as detailed in para (c) above.)
4. Subject to the comments made in paragraph 2(e), 2(f) and paragraph 3 above, in our opinion and to the best of our information and according to the explanations given to us, the said financial statements together with the notes thereon and in particular Note No. II (5) of Schedule K, on write back of deposits/debenture/subordinated debts & treatment of principal write back as capital receipt, Note No. II (6) of Schedule K, on balances of deposits/interest lying in sundry creditors pending reconciliation, Note No. II (7) & II (8) of Schedule K, on adequacy of security of debenture considering the provisions made & agreement to sell the property as detailed therein & disclosing such debentures as Current Liabilities, Note No. 2(11) regarding adjustment of revalued portion of lease hold land to revaluation reserve on termination of lease, Note No. II (20) of Schedule K, on impairment of assets, Note No. II(23) provision for leave encashment on estimated basis, rather than opting for actuarial valuation, give the information required under the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:-
- (i) In so far as it relates to Balance Sheet, of the State of Affairs of the Company as at 31st March, 2010
- (ii) In so far as it relates to the Profit and Loss Account, of the loss for the year ended on that date.
- (iii) In so far as it relates to the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

For PAI NAYAK & ASSOCIATES
Chartered Accountants
Registration Number: 009090S

Place : Udupi
Date : 29-05-2010

Sd/
Ammunje Venkatesh Nayak
Partner
(Membership No.: 204685)



ANNEXURE REFERRED TO IN PARAGRAPH 1 OF THE AUDITORS' REPORT OF EVEN DATE

1. a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- b) According to the information and explanations given to us the fixed assets other than those under lease, have been physically verified by the management during the period and no material discrepancies were noticed on such verification as compared to available records. *In respect of leased assets physical verification has not been done during the year. However the value of depreciated leased assets is insignificant. We are also informed that the Company is in the process of verifying those assets.*
- c) The Company during the year has not disposed substantial part of its fixed assets. Hence making further comments as per Clause (i) (c) of Para 4 of the said order does not arise.
2. a) According to the information and explanation given to us, inventory which consist of the shares and securities, have been physically verified by the management at regular intervals.
- b) In our opinion the procedure of physical verification adopted by the management is reasonable and adequate having regard to the nature and size of the company and nature of its business.
- c) On the basis of our examination of the records of stock of shares and debentures, we are of the opinion that the company is maintaining proper records of stock. During the year no material discrepancies have been noticed on physical verification of stock.
3. As per the information and explanation given to us, the company during the year has neither granted nor taken any loans, secured or unsecured to/from companies, firms or other parties covered in the register maintained under Section 301 of the Act. Hence further commenting on Clause (iii) of Para 4 of the said order does not arise.
4. In our opinion, according to the information and explanation given to us, the company has an adequate internal control procedure in commensurate with its size and nature of business, for the purchase of inventory and fixed assets and for the sale of assets. There is no major continuing failure to correct major weakness in internal control system.
5. In respect of transactions entered in the register maintained in pursuance of Section 301 of the Companies Act, 1956.
 - a) To the best of our knowledge and belief and according to the information and explanations given to us, there are no transactions that needed to be entered into the register, during the year.
 - b) For the reasons given in Sub-clause (a) above, the provisions of Sub-clause (b) of Clause (v) of Para 4 of the Order is not applicable.
6. In our opinion and according to the information and explanation given to us the Company has complied with the directives issued by the Reserve Bank of India, the provision of Section 58A of the Companies Act, 1956, Companies (Acceptance of Deposit) Rules 1975 and Non-Banking Financial Companies (Reserve Bank Directions) *with regard to acceptance of deposit from public subject to the exception of renewal of deposits up to 18-01-2000 with maturity dates falling beyond 31st December, 2003, non-payment principal/interest as and when it became due. Our other observations are being made in Para 2 (f) of main audit report. However no fresh deposits accepted/renewed during the year under audit. We are informed by the management that the company has not received any order by Company Law Board or Reserve Bank of India or any Court or any other Tribunal in respect of deposits, except the orders from various Consumer Courts (including the Appellate Authorities/Courts acting upon under Consumer Protection Act) regarding repayment of proceeds of debentures/debts/deposits with interest and other costs. The detailed information on these are not made available to us. Therefore we are not in a position to comment on the compliance of aforesaid orders. The Company has also received the order from Reserve Bank of India during December 2004, canceling the certificate of registration.*
7. *As per the information received and explanations given to us, there is no internal audit system. Therefore the question of commenting as required under Para 4(vii) of the order does not arise. The management has given the reason for the same vide Note No. II(22) of Schedule K to the financial statements.*



8. The Central Government has not prescribed maintenance of cost records under Clause (d) of Sub-section (1) of Section 209 of the Companies Act, 1956. Therefore the question of making further comments therein does not arise.
9. a) According to the information and explanation given to us, the company is regular in depositing with appropriate authorities undisputed statutory dues as detailed in Para 4(ix) (a) of the Order (i.e. provident fund employees' state insurance, income tax, sales tax, wealth tax, service tax, customs duty, excise duty, cess and other statutory dues), by remitting them within 6 months from the date they became payable. *The Company has disclosed the matured debentures/subordinated debts as current liabilities, which are not due to be transferred to Investor Education and Protection Fund, for the reasons given in Note II (1) of the Schedule K of the Accounts. We are informed by the management that, there are no unclaimed matured deposits and interest thereon and therefore the same are not required to be remitted to the credit of Investor Education and Protection Fund. Accordingly we are not expressing our opinion on the contribution to the aforesaid fund.*
b) According to the records of the company there are no dues of Sales Tax, Income Tax, Custom Duty, Wealth Tax, Service Tax, Excise Duty, Cess which have not been deposited due to any dispute.
10. *The net worth of the company has been fully eroded. The company has not incurred cash losses during the current year and also in the immediately preceding financial year. Had the Company provided for the Non-Performing Assets fully (as detailed in Note No. II (4) of Schedule K, the Company would have incurred the Cash Losses.*
11. *Based on our audit and according to the information and the explanations given to us, we are of the opinion that the company has during the year defaulted in payment of dues to the debenture holders amounting Rs. 868 Lakhs (P.Y. Rs.1046 Lakhs). Interest on debentures not paid since 1st day of July, 2002. However a scheme of arrangement was submitted before the Hon'ble High Court of Karnataka to repay the debenture with interest thereon in the manner mentioned in the Note No. II(1) of Schedule K to the financial statements. But the scheme is since withdrawn and the Company is exploring the possibility of presenting a new scheme of arrangement, as detailed in Note No. II(1) of the Schedule K to the Accounts.*
12. In our opinion and according to the information and the explanations given to us, adequate documents and records have been maintained by the Company in respect of Loans and Advances granted on the basis of security by way of pledge of shares, debentures and other securities if any.
13. The company is not a chit fund or a Nidhi or a mutual benefit fund/society. Therefore Clause (xiii) of Para 4 the Companies Auditor's Report Order 2003 is not applicable to the Company.
14. The Company has maintained proper records of transactions and contracts in respect of trading in shares, debentures and other investments and timely entries have been made therein. On the basis of records produced before us, we also report that the shares, securities, debentures and other securities are held by the Company in its own name, except for the cases if any, covered u/s 49(5) of the Companies Act, 1956.
15. According to the information and explanation given to us the company has not given any guarantee for loans taken by others from bank or financial institution, hence further commenting on this aspect does not arise.
16. The company has not taken any term loans from banks or financial institutions during the year. Therefore the question of making comments as required under Para 4(xvi) does not arise.
17. In our opinion and according to the information and explanation given to us and on an overall view of the Balance Sheet of the Company, we report that as the accumulated losses are much more than the own funds and as majority of the long-term funds are overdue and as a result there are no long term funds, except for Share Capital & Share Premium. *Therefore, we are of the opinion that short-term funds amounting to Rs. 3,94,516 thousands (P.Y. Rs. 4,31,531 thousands) have been utilized for long-term investments, acquisition of fixed assets, loans & advances, Hire Purchase etc. and accumulated losses.*
18. During the year the company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Companies Act, 1956.



19. As per our verification and according to the information and explanation given to us the company has created securities or charge in respect of debentures issued.
20. The Company has not raised any money by public issue during the year. Therefore the question of making further comments therein does not arise.
21. Based on our audit, which we have conducted in accordance with the Generally Accepted Auditing Practices in India and according to the information and explanation given to us we report that no fraud on or by the company has been noticed or reported during the year.

For **PAI NAYAK & ASSOCIATES**

Chartered Accountants

Registration Number: 009090S

Sd/-

Ammunje Venkatesh Nayak

Partner

(Membership No.: 204685)

Place : Udupi

Date : 29-05-2010

BALANCE SHEET AS AT 31ST MARCH, 2010

(Rs. in '000)

Description	Schedules	As at 31-03-2010		As at 31-03-2009	
		Rs.	Rs.	Rs.	Rs.
SOURCES OF FUNDS					
Shareholders' Funds:					
Share Capital	A	113,310		113,310	
Reserves & Surplus	B	<u>223,957</u>	<u>337,267</u>	186,225	299,535
TOTAL			<u><u>337,267</u></u>		<u><u>299,535</u></u>
APPLICATION OF FUNDS					
Fixed Assets:					
Gross Block	C	252,497		252,838	
Less: Depreciation upto date		<u>160,404</u>		153,434	
Net Block		<u>92,093</u>		99,404	
Less: Lease Adjustment		<u>37,089</u>	<u>55,004</u>	43,111	56,293
Investments	D		<u>10,363</u>		9,760
CURRENT ASSETS, LOANS & ADVANCES:					
Current Assets					
a) Inventories	E	9,219		9,223	
b) Sundry Debtors		546		457	
c) Cash and Bank Balances		1,259		5,240	
d) Other Current Assets		<u>322</u>		1,317	
		<u>11,346</u>		16,237	
Loans & Advances	F	<u>19,420</u>		57,292	
Total of Schedule E and F		<u>30,766</u>		73,529	
Less: Current Liabilities & Provisions					
Current Liabilities	G	425,282		505,060	
Provisions		-		-	
		<u>425,282</u>		505,060	
Net Current Assets (Schedule E + Schedule F – Schedule G)			(394,516)		(431,531)
Profit And Loss Account	H		<u>666,416</u>		665,013
TOTAL			<u><u>337,267</u></u>		<u><u>299,535</u></u>
Accounting policy & notes on the accounts	K				

Refer our Report of even Date
For PAI NAYAK & ASSOCIATES
Chartered Accountants
Registration Number: 009090S
Sd/-
Ammunje Venkatesh Nayak
Partner
 Membership No.: 204685

Sd/-
(T. Narayan M. Pai)
Managing Director

Sd/-
(Chandappa Sherigar)
Director

Sd/-
(T. Sanjay Pai)
General Manager
 Place: Manipal
 Date : 29-05-2010

Place : Udupi
 Date : 29-05-2010

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2010

(Rs. in '000)

Description	Schedules	Current Year 31-03-2010		Previous Year 31-03-2009	
		Rs.	Rs.	Rs.	Rs.
INCOME					
Income on Hire Purchase and Lease			51		290
Other income	I		<u>4,043</u>		<u>1,889</u>
TOTAL			<u><u>4,094</u></u>		<u><u>2,179</u></u>
EXPENDITURE					
Administrative & other expenses	J		<u>4,932</u>		<u>3,405</u>
			<u><u>4,932</u></u>		<u><u>3,405</u></u>
Profit/(Loss) before Depreciation, lease equalisation, Provision & write off of debts & extra ordinary items			(838)		(1,226)
Less: Depreciation	C	7,267		7,803	
Less: Transferred from Revaluation Reserve		<u>179</u>		<u>180</u>	
		<u>7,088</u>		<u>7,623</u>	
Lease Adjustment (Credit)	C	(6,022)		(4,860)	
Write-offs of debts		<u>6,626</u>	<u>7,692</u>	258	3,021
Profit/(Loss) before tax and Extraordinary items			(8,530)		(4,247)
Extraordinary Items:					
Add: Deposit/Debentures/Subordinated Debt Settlement Credit			<u>7,127</u>		<u>6,691</u>
Profit/(Loss) before provision for taxation			(1,403)		2,444
Less: Provision for Fringe Benefit Tax		-		8	
Provision for Fringe Benefit Tax (earlier years)		-	-	1	9
Profit/(Loss) after provision for taxation			(1,403)		2,435
Add: Balance brought forward from previous year			<u>(666,655)</u>		<u>(669,090)</u>
Deficit carried to Schedule 'H'			<u><u>(668,058)</u></u>		<u><u>(666,655)</u></u>
Earning Per Share (basic/diluted) before Extraordinary Income			(1.02)		(0.51)
Earning Per Share (basic/diluted) after Extraordinary Income			(0.17)		0.29
(Refer: Note No. II(17) of Schedule K)					
Accounting policy & notes on the accounts:	K				

Refer our Report of even Date
For PAI NAYAK & ASSOCIATES
Chartered Accountants
Registration Number: 009090S
Sd/-
Ammunje Venkatesh Nayak
Partner
 Membership No.: 204685

Sd/-
(T. Narayan M. Pai)
Managing Director

Sd/-
(Chandappa Sherigar)
Director

Sd/-
(T. Sanjay Pai)
General Manager

Place: Manipal
 Date : 29-05-2010

Place : Udupi
 Date : 29-05-2010

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2010

(Rs. in '000)

Description	As at 31-03-2010		As at 31-03-2009	
	Rs.	Rs.	Rs.	Rs.
Schedule 'A': SHARE CAPITAL				
Authorised:				
1,00,00,000 Equity Shares of Rs.10 each		100,000		100,000
20,00,000 Cumulative Redeemable Preference Shares of Rs.10 each		20,000		20,000
30,00,000 Non-Cumulative Redeemable Preference Shares of Rs.10 each		30,000		30,000
		150,000		150,000
Issued, Subscribed and Paid up:				
83,80,961 Equity Shares of Rs.10 each fully paid (Previous year 83,80,961 Equity Shares of Rs.10 each fully paid)		83,810		83,810
29,50,000 11% Non-Cumulative Redeemable Preference Shares of Rs.10 each fully paid Non-Cumulative Redeemable Preference Shares shall be redeemable at par after the expiry of 12 months but not later than 20 years from the respective dates of allotment at the option of the holders of such Shares by giving 3 months notice or at the discretion of the Board of Directors. (29,50,000 Non-Cumulative Redeemable Preference shares are issued to Preference Share Holders of 17% Redeemable Cumulative Preference Share Holders in consideration of their redemption on the following dates: 20,00,000 Shares on 16 th Jan., 2001 & 9,50,000 Shares on 6 th Sept., 2001)		29,500		29,500
TOTAL		113,310		113,310
Schedule 'B': RESERVES AND SURPLUS				
Capital Reserve No.1		1,503		1,503
Capital Reserve No. 2: As per last Balance Sheet	117,122		82,260	
Add: Transferred during the year	37,911	155,033	34,862	117,122
Share Premium account		28,995		28,995
Revaluation Reserve				
As per last Balance Sheet	34,605		34,785	
Less: Transferred to P & L Account	179	34,426	180	34,605
Special Reserve *		4,000		4,000
General Reserve				
As per last Balance Sheet (Refer Schedule H)	1,642		1,642	
Debit Balance in Profit & Loss Account (Refer Schedule H)	(668,058)	-	(666,655)	-
TOTAL		223,957		186,225

* pursuant to RBI (Amendment) Act, 1997

**SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2010**

(Rs. in '000)

Schedule 'C' : FIXED ASSETS

ASSETS	GROSS BLOCK			DEPRECIATION			NET BLOCK		
	As at 31-03-2009	Additions	Sale/ Deduction	As at 31-03-2010	Up to 31-03-2009	For the year	Sale/ Deduction	As at 31-03-2010	As at 31-03-2009
Land – Freehold	6,089	-	-	6,089	-	-	-	6,089	6,089
Land – Leasehold	22,620	-	-	22,620	-	-	-	22,620	22,620
Buildings – Freehold	22,194	-	-	22,194	5,581	362	-	16,251	16,613
Buildings – Leasehold	11,648	-	-	11,648	6,460	369	-	4,819	5,188
Office Furniture & Fixtures	8,342	-	114	8,228	4,850	337	87	5,100	3,492
Computers	1,545	-	136	1,409	1,433	26	136	86	112
Motor Vehicle	140	-	36	104	140	-	36	104	-
Office Equipments	3,228	-	55	3,173	2,390	151	39	2,502	838
Leased Machineries & Equip.	175,895	-	-	175,895	131,804	5,984	-	137,788	44,091
Leased Vehicles & Furnitures	1,137	-	-	1,137	777	38	-	322	360
TOTAL	252,838	-	341	252,497	153,434	7,267	298	160,404	99,404
Previous Year	257,329	-	4,491	252,838	149,104	7,803	3,473	99,404	108,225
Lease Adjustment					43,111	(6,022)	-	37,089	
Previous Year					47,971	(4,860)	-	43,111	

(Rs. in '000)

Description	As at 31-03-2010	As at 31-03-2009
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Schedule 'D' : INVESTMENTS (Unquoted)

a) Long Term Investments:

Fixed Deposit with Nationalised Banks (SLR as per RBI Directives):

National Savings Certificates (pledged with Sales Tax Authority)

6.35% Karnataka State Development Loan 2013 (Face Value Rs.17,00,000/-) (SLR as per RBI Directives)

b) Other Investments

11.5% I.D.B.i. Bonds (100 Bonds {P.Y. 100 Bonds} of Rs. 1,000/- each) (SLR as per RBI Directives)

TOTAL

	8,603	8,000
	10	10
	1,608	1,608
	142	142
TOTAL	10,363	9,760

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2010
(Rs. in '000)

Description	As at 31-03-2010	As at 31-03-2009
Schedule 'E': CURRENT ASSETS		
a) Inventories:		
Stock-in-trade (certified & valued by the Management)	9,147	9,147
Stock of Stationary	72	76
	<u>9,219</u>	<u>9,223</u>
b) Sundry Debtors:		
Over six months (unsecured)		
Considered Good	546	457
Considered Doubtful	10,134	10,134
Others (unsecured and considered good)	-	-
	<u>10,680</u>	<u>10,591</u>
Less: Provision made	10,134	10,134
	<u>546</u>	<u>457</u>
c) Cash and Bank Balances:		
Cash in hand	15	25
Balance in Current Account and Cash Credit Account		
with Scheduled Banks	1,178	865
with Non-scheduled Banks (Refer Note No. 11 (10) Schedule K)	-	-
Balances in Fixed Deposit Account **		
with Scheduled Banks	66	4,350
	<u>1,259</u>	<u>5,240</u>
d) Other Current Assets:		
Interest accrued on Investments	322	703
Stock on Hire		
Considered Good	-	613
Considered Doubtful	173,225	195,419
	<u>173,225</u>	<u>196,032</u>
Less: Provision made	173,225	195,419
(At agreement value less amount realised and unexpired hire charges)		
Lease rent receivable: Unsecured		
Over six months		
Considered Good	-	-
Considered Doubtful	35,309	38,209
Others	-	-
	<u>35,309</u>	<u>38,209</u>
Less: Provision made	35,309	38,209
	<u>-</u>	<u>-</u>
Stamps in hand	-	1
	<u>322</u>	<u>1,317</u>
TOTAL CURRENT ASSETS	<u><u>11,346</u></u>	<u><u>16,237</u></u>

** Pledged with sales tax authorities Rs. 66 thousands (P.Y. Rs. 66 thousand)

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2010
(Rs. in '000)

Description	As at 31-03-2010	As at 31-03-2009
Schedule 'F': LOANS AND ADVANCES		
Secured loans		
Considered Good	-	432
Considered Doubtful	1,932	1,500
	1,932	1,932
Less: Provision made	1,932	1,500
	-	432
Unsecured loans		
Considered Good	16,405	53,137
Considered Doubtful	220,357	195,695
	236,762	248,832
Less: Provision made	220,357	195,695
	16,405	53,137
Unsecured Time Bills Discounted		
Considered Good	-	-
Considered Doubtful	7,812	7,812
	7,812	7,812
Less: Provision made	7,812	7,812
	-	-
Advances recoverable in cash or in kind or for value to be received		
Considered Good	452	454
Considered Doubtful	6	6
	458	460
Less: Provision made	6	6
	452	454
Other Advances (unsecured and considered good)		
Advance Fringe Benefit Tax paid (net of provisions)	178	178
Advance Income Tax and Tax deducted at source (net of provisions)	22	22
	2,363	3,069
TOTAL	19,420	57,292
Schedule 'G': CURRENT LIABILITIES AND PROVISIONS		
<i>Current Liabilities:</i>		
Sundry Creditors - to Micro Enterprises & Small Enterprises	-	-
Sundry Creditors - Others	4,331	4,342
Advance for Sale of Property	26,600	26,600
Liabilities for Expenses	723	714
Lease Security Deposits - Premises	10,500	10,500
Lease Security Deposits - Leasing	1,340	1,340
Liability to Investors Education and Protection Fund		
Matured Deposits, Debentures & Subordinated Debts with Interest thereon: (*)		
(a) Deposits	5,044	5,712
(b) Non-convertible Debentures	67,043	81,092
(c) Subordinated Debts	270,897	328,782
(d) Unpaid Interest on (a), (b) & (c) shown above	38,804	45,978
	425,282	505,060
Provisions :	-	-
TOTAL	425,282	505,060

(*) Not due to be transferred to Investor Education and Protection Fund.

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2010
(Rs. in '000)

Description	As at 31-03-2010	As at 31-03-2009
Schedule 'H' : PROFIT AND LOSS ACCOUNT		
Balance from Profit and Loss Account	668,058	666,655
Less: General Reserve credit balance (as per contra)	1,642	1,642
TOTAL	666,416	665,013

SCHEDULES TO PROFIT & LOSS A/C FOR THE YEAR ENDED 31ST MARCH, 2010
(Rs. in '000)

Description	Current Year 31-03-2010	Previous Year 31-03-2009
Schedule 'I': OTHER INCOME		
Dividends on shares held as stock in trade (TDS Rs. Nil, P. Y. Rs. Nil)	283	353
Interest on: a) Long term investment (Income tax deducted at source Rs. 109 thousands {P. Y. Rs. 154 thousands})	888	902
b) Others (on term deposit held as current asset & Income tax refund) (Income tax deducted at source Rs. Nil thousands {P. Y. Rs. 75 thousands})	421	372
Miscellaneous Income	451	83
Bad debts recovered	2,000	179
TOTAL	4,043	1,889
Schedule 'J': ADMINISTRATIVE EXPENSES		
Salaries & Bonus	799	1,076
Contribution to PF, ESI, Gratuity Fund etc.	141	710
Rent	-	15
Printing & stationery	42	66
Postage & telephones	32	107
Staff welfare expenses	5	8
Travelling expenses	87	111
Legal & consultation charges	3,212	281
Advertisement & subscriptions	3	5
Bank charges	28	23
Power & lighting	2	40
Repairs & maintenance:		
Buildings	-	17
Others	40	3
<i>Remuneration to Auditors:</i>		
i) Audit fees	40	40
ii) Certification work	10	10
iii) Service Tax	6	6
Commission paid	109	-
Registration, license & filing fees	94	102
Miscellaneous expenses	259	322
Insurance	-	2
Loss on sale of fixed assets (net)	23	461
TOTAL	4,932	3,405

SCHEDULE – K

ACCOUNTING POLICY AND NOTES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31st MARCH, 2010

I. Accounting Policies:

- a) 1) The Financial statements are prepared to comply in all material aspects with applicable accounting principles in India, the relevant provisions of Companies Act, 1956 and mandatory Accounting Standards notified by the Companies (Accounting Standard) Rule 2006 (hereinafter referred to as “Accounting Standard” in this Schedule). The financial statements are prepared under the historic cost convention in accordance with the provisions of the Companies Act, 1956 as adopted consistently by the Company.
- 2) The company has followed the Prudential Norms for Income Recognition as prescribed by Reserve Bank of India for Non-Banking Financial Companies. Lease Equalization is computed as per the Guidance Note on Accounting for Leases issued by the Institute of Chartered Accountants of India, since the Company has not entered into any new lease transactions, after the date on which the Accounting Standard 19 became applicable.
- 3) “Interest” is recognised on the time proportionate method. “Dividend income” is recognised when the unconditional right to receive the income is established.
Interest on Income Tax refund and miscellaneous income are accounted as and when received.
- b) The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting period end. Although these estimates are based upon management’s best knowledge of current events and actions, actual results could differ from these estimates. Difference between the actual results and estimates are recognized in the period in which the results are known/materialized.
- c) Investments are held as longterm and are valued at cost. Provision for diminution in the value of the investments is made wherever the management is of the opinion that such decline is other than temporary.
- d) Investments held as other than longterm investments are valued at cost or net realizable value whichever is lower.
- e) Stock in trade is valued at cost or net realizable value whichever is lower except for unquoted shares, which are valued at cost or breakup value, whichever is lower.
- f) Fixed Assets are shown at cost or revalued amount as the case may be, less Depreciation. The lease hold land shown at revalued amount. The revalued amount has not been amortized to revaluation reserve. The Company has framed the policy of amortizing such value, on termination of lease.
- g) Depreciation:
 - 1) In respect of assets acquired prior to 1st October, 1987 depreciation is charged at the rates already arrived at after taking into consideration the effective life of the asset.
 - 2) In respect of assets acquired on or after 1st October, 1987, other than those given on lease, the depreciation is charged under straight-line method at the rates specified in Schedule XIV to the Companies Act, 1956.
 - 3) Depreciation on leased assets is accounted on straight-line method at the rates and in the manner specified in Schedule XIV to the Companies Act, 1956. Lease Equalization represents the excess of Principal balance recovery over statutory depreciation.
 - 4) Depreciation on buildings constructed on leasehold lands, is accounted by a method under which the asset is written off over the lease period.
- h) Employee Benefit:

The Company’s “Retirement Benefit Plan” and “Other Benefit Plans” comprises of Contribution to Provident Fund, Employee State Insurance and Gratuity. Contribution to Provident Fund and Employee State Insurance is being made at pre-determined rates and are charged to the Profit & Loss Account. The Company’s liability towards gratuity to employees is covered by group gratuity policy with LIC of India and accordingly the premium paid, charged to the profit & loss account. Deficit of present value of obligations (under Gratuity policy) over the fair

SCHEDULE – K (Contd.)

value of Gratuity plan assets, duly charged to the profit and loss account, on year to year basis. Provision for leave encashment made on estimated basis.

There are no other retirement benefits/other benefits are being provided by the Company.

i) **Taxes on Income**

Tax on Income for the current period is determined on the basis of taxable income computed by the Company. Deferred Tax Liability (Net of Asset) reflects the impact of current year timing differences between the taxable income/losses and accounting income for the year and reversal of timing differences of earlier years. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted as on the Balance Sheet date. Deferred tax asset (if any) is being recognized, subject to the consideration of prudence.

j) The principal write back pertaining to deposits, debentures and Subordinated debts as stated in Note No. II(5) of this Schedule, is in the nature of capital receipt. Therefore the same has been directly taken to the credit of Capital Reserve in the Balance Sheet.

k) Borrowing cost are recognized as an expense in the year in which they are incurred except which are directly attributable to acquisition/construction of qualifying fixed assets, (as defined under Accounting Standard 16), till the time such assets are ready for use, in which case the borrowing costs are capitalized as part of the cost of the asset.

l) Basic earning per share is calculated by dividing the net profit or loss for the year attributable to equity shareholders (after deducting attributable taxes) by the weighted average number of equity shares outstanding during the year. Diluted earning per share, if any is computed using the weighted average number of equity shares and dilutive potential equity share outstanding during the period except when the results would be anti-dilutive.

m) The Company has framed the policy of impairing the asset, when carrying cost of assets exceeds its recoverable amount. Accordingly an impairment loss will be charged to profit and loss account in the year in which an asset is identified as impaired. The impairment loss recognized in prior accounting periods is reversed if there has been a change in the estimate of the recoverable amount.

n) Provisions involving substantial degree of estimation in measurement are recognized when there is a present obligation as a result of past events and it is probable that there will be outflow of resources. Provisions not made in the account (which otherwise should have been made) are disclosed by way of appropriate note. Contingent liabilities are not recognized but are disclosed in the notes. Contingent assets are neither recognized nor disclosed in the financial statements.

o) Cash Flow Statement is being prepared under "Indirect Method" as laid down under Accounting Standard 3 of Companies (Accounting Standards) Rules 2006.

II. Notes on the Accounts:

1. During the year ending 31st March, 2005 the Scheme of Compromise and Arrangement under Section 391 of the Companies Act, 1956 to effect the restructure of Company's debts particularly Debentures and subordinated debts of the Company was framed and presented before the Honorable High Court of Karnataka Accordingly the meeting of the Shareholders, Debentures Holders and Subordinated Debt holders were held on 20th April, 2005. The scheme as proposed had provided for payment of principal in a phased manner over 60 months from the effective date and payment of interest accrued till 30th June, 2002, within 72 months from the effective date. The scheme as proposed, do not provide for accrual of interest after 30th June, 2002. (For the above purpose the effective date means the date on which the Order of the High Court of Karnataka sanctioning the Scheme of Arrangement is filed with the Registrar of Companies in Karnataka.)

On 10th July, 2009, Honorable High Court of Karnataka has directed the Company to submit the details of payments made to Non Convertible Debenture holders and subordinated debt holders from 1st April, 2005. Accordingly the details were furnished to Honorable Court. It was submitted before the Honorable Court that the Company has settled substantial portion of Non Convertible Debentures and Subordinated Debts and it was therefore felt that the scheme requires to be changed having regard to the settlements already made and quantum of non convertible debentures and subordinated debts remaining to be settled. Therefore the Company had proposed to withdraw the scheme of arrangement from the Honorable High Court of Karnataka, with an option to present a new scheme of arrangement. The Honorable High Court of Karnataka has permitted the Company to withdraw the petition, with liberty to file a fresh petition, vide its order dated 28th October, 2009.

Accordingly the Company is exploring the possibility of proposing a fresh petition to be filed before the Honorable High Court of Karnataka.

SCHEDULE – K (Contd.)

Considering the above, the Company has not provided/recognised for interest after 30th June, 2002, on debentures/subordinated debts and interest on advances taken on such instruments. Pending presentation of fresh proposal as aforesaid and final outcome of the new Scheme (to be prepared and presented), the contingent Liability on account of Interest on Deposits/Debentures etc. accruing after 30th June, 2002, is not quantifiable.

The public deposits accepted by the Company are fully matured. The Company has not provided for interest on these deposits after 30th June, 2002. The interest not so provided for is not accurately quantifiable.

In view of the above and also considering the fact that there are no unclaimed liabilities, the matured debentures, matured deposits, matured subordinated debts and interest payable including unencashed interest cheques on such deposits/debentures/debts has been considered as “not due to be transferred to Investor Education and Protection Fund”.

The Company has stopped accepting/renewing deposits, debentures and subordinated debts with effect from 1st day of July, 2002. Therefore and also considering the fact that the public deposits accepted by the Company are fully matured, the Company has not created the floating charge in favour of the depositors, on the statutory liquid assets invested in terms of directives issued by Reserve Bank of India.

2. The company has been incurring substantial losses over the last few years and major portion of its funds are blocked in non-performing assets. In view of the same there is considerable uncertainty that the company will continue as a going concern and meet its commitments to its creditors. The accounts however have been prepared on the going concern basis in view of management's efforts to settle the liabilities with the debenture holders and subordinated debt holders by exploring the possibility of submitting a new scheme as detailed in Note No. 1 above and the management is being hopeful of recovery of dues from borrowers so that dues of creditors can be settled.
3. The Company had assigned under an assignment deed certain debts & recoverable consisting inter alia stock on hire along with equal liabilities of the Company to the extent of Rs. 26,62,92 thousand on 30-09-1998 to Vedachala Electronics & Financial Services Private Limited (VEFSPL). The company had discharged the assigned liabilities of VEFSPL on its failure to service the same in terms of the Assignment deed, which has resulted in Rs. 21,36,03 thousand (P.Y. Rs. 22,26,73 thousands) receivable from VEFSPL. The company based on the estimated recovery has made a provision of Rs.19,71,99 thousand (P.Y. Rs.16,95,36 thousands) against the receivables of VEFSPL.
4. The Company has not made provision for Non Performing Assets to the extent of Rs.1,70,00 thousands (P.Y. Rs. 5,41,82 thousands) including balance due from VEFSPL as required under RBI norms.
5. The Company during the year with a view towards restructuring its liabilities has settled deposits/debentures/subordinated debts at discounted rates without interest. The same has been done with due consent of the parties to deposits, debentures and debts. The interest write back pertaining to deposits/debentures/subordinated debts Rs.71,27 thousands (P.Y. Rs. 66,91 thousands) is treated as Extra-Ordinary Income in the Profit and Loss Account. Principal write back arising out of such settlement Rs.3,79,11 Thousands (P.Y. Rs. 3,48,62 thousands) is considered as capital receipt and taken directly to Capital Reserve in the Balance Sheet. This has been done as per the accounting policy followed by the Company, as stated in Note No. I (j) above.
6. Sundry Creditors include balance lying unpaid after adjusting deposits with loans borrowed against it and unencashed stale interest cheques. Pending reconciliation of the same for which the Company has initiated a process and also for reasons as given in para II (1) of this notes, the same has not been shown under Investor Education Protection Fund.
7. Debentures are secured by mortgage on immovable property and floating charge on receivables and book debts other than those specifically charged. The debentures are redeemable at par. In the opinion of the Management, the Market Value of the security after considering provisions made in the books and also the property agreed to be sold as detailed in Note No. II(8) below, offered to the holders of the Secured Non-Convertible Debenture is sufficient to cover the liability. However the debentures are classified as Current Liabilities, for the reason that all such debentures are matured for repayment.
8. Advance for Sale of Property as disclosed in Schedule G of the Balance Sheet Rs.266 thousands (P.Y. Rs. 266 thousands), represents amount received in advance in respect of the immovable property agreed to be sold. This immovable property is being charged to debentures as detailed in Note No. II (7) above and therefore will be transferred at a future date, after obtaining the necessary approvals from the appropriate authorities.
9. Balances considered good under sundry debtors, unsecured loans, advances include accounts classified as Non Performing Assets and also where suits have been filed in the ordinary course of business. The management is of the opinion that the same are good and recoverable and are of the value stated.

SCHEDULE – K (Contd.)

10. Balances in Non Scheduled Bank comprises of Manipal Co-operative Bank Ltd. Rs. 41 (P.Y. Rs. 341). Maximum balance outstanding during the year Rs. 341 (P.Y. Rs. 341).
11. The Company had revalued its Land and Buildings as at 01-10-1998 by approved valuer and the resultant increase of Rs. 3,93,71 thousand was credited to Revaluation Reserve. Incremental depreciation on revaluation is transferred to Profit and Loss Account. The revalued portion of lease hold land amounting to Rs. 22620 thousands (P.Y. Rs. 22620 thousands) has not been amortized and accordingly the revalued portion of land still stands to the credit of "Revaluation Reserve". The same would be adjusted to the revaluation reserve on termination of the lease.
12. The balances of various parties in Hire purchase, Lease rent receivables, Bills purchased, Loans, Advances, Debtors, Deposits, Debentures, Subordinated Debts and Creditors are subject to confirmation.
13. I) **Quantitative information in respect of Opening Stock, Purchases, Sales and Closing Stock of Stock-in-Trade:**

	As at 31-03-2010		(Value Rs. in '000) As at 31-03-2009	
	Nos.	Value	Nos.	Value
A. Opening Stock				
Equity Shares (Quoted)	64,481	2	64,481	2
Equity Shares (Unquoted)	7,13,534	9,142	7,13,534	9,142
Preference Shares (Unquoted)	30	3	30	3
Total	7,78,045	9,147	7,78,045	9,147
B. Purchase/Conversion*/Split				
Equity Shares (Quoted)	-	-	-	-
Equity Shares (Unquoted)	-	-	-	-
Preference Shares (Unquoted)	-	-	-	-
Total	-	-	-	-
C. Sales/Conversion*/merger*				
Equity Shares (Quoted)	-	-	-	-
Equity Shares (Unquoted)	-	-	-	-
Preference Shares (Unquoted)	-	-	-	-
Total	-	-	-	-
D. Closing Stock				
Equity Shares (Quoted)	64,481	2	64,481	2
Equity Shares (Unquoted)	7,13,534	9,142	7,13,534	9,142
Preference Shares (Unquoted)	30	3	30	3
Total	7,78,045	9,147	7,78,045	9,147

- II) **Details of Shares held in Stock by the Company in other bodies corporate:**

	CURRENT YEAR			PREVIOUS YEAR	
	Fully paid Equity Shares each of Rs.	No. of Shares	Total Value	No. of Shares	Total Value
Equity Shares (Quoted)					
ICDS Limited	10	53,531	-	53,531	-
Praman Capital Market Services Limited	10	10,000	-	10,000	-
Arvind Products Limited	10	100	-	100	-
Modern Threads (I) Limited	10	150	-	150	-
Rajinder Steel Limited	10	100	-	100	-
Lloyds Steel Industries Ltd.	10	100	2	100	2
Sangeetha Granites Limited	10	500	-	500	-
Sub-Total		64,481	2	64,481	2

Market value of quoted investments Rs. 2 Thousands (P.Y. Rs. 2 Thousands)

SCHEDULE – K (Contd.)
Preference Shares (Unquoted)

Triveni Engineering & Industries Ltd.

(12% redeemable cumulative)

10	30	3	30	3
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Sub-Total

30	3	30	3
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Equity Shares (Unquoted)

Manipal Housing Finance Syndicate Limited

10	6,99,100	9,037	6,99,100	9,037
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Karnataka Rubbers Limited

100	50	-	50	-
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Shamrao Vithal Co-operative Bank Limited

25	1,000	25	1,000	25
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Manipal Sowbhagya Nidhi Limited

1	2	-	2	-
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MPL Enterprises Limited

10	13,382	80	13,382	80
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Sub-Total

7,13,534	9,142	7,13,534	9,142
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Grand Total

7,78,045	9,147	7,78,045	9,147
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14. Remuneration paid to the Managing Director during the year: Rs. Nil (P.Y. Rs. Nil).
15. The company has not recognised the net deferred tax asset which constitutes mainly of carry forward losses, excess depreciation claimed in Income Tax and Provisions for doubtful debts, as a matter of prudence.
16. Disclosures in respect of related parties with whom transactions have taken place during the year:
- A. **Key Management Personnel and his relatives**
 Sri T. Narayan M. Pai
 Sri T. Sanjay Pai
- B. **Associate Companies**
 Vedachala Electronics and Financial Services Pvt. Limited
 Manipal Housing Finance Syndicate Limited

Details of transactions are as follow: (Rs. in '000s)

	31-03-2010	(Rs. in '000) 31-03-2009
A. Purchase and other services from related parties	-	-
B. Sale and other services to related parties	-	-
C. Advances, Deposits and loans from related parties	-	-
D. Interest to related parties	-	-
E. Advances, Deposits and loans to related parties	-	-
F. Remuneration/sitting fees		
- Key Management Personnel and relatives	2,02	2,02
Sri Sanjay Pai Rs. 2,02/- (P. Y. Rs. 202)		
G. Outstanding balances as at 31-03-10 (other than included in (C) above		
<i>Due to the Company</i>		
- Associate Companies	21,36,03	22,26,73
(Vedachala Electronics & Financial Services Pvt. Limited		
Rs. 21,36,03 (P. Y. Rs. 22,26,73))		
<i>Payable by the company (Lease Deposit-Premises)</i>		
- Associate Companies	75,00	75,00
Manipal Housing Finance Syndicate Limited Rs. 75,00 (P.Y. Rs. 75,00)		
H. Provisions made on the balances from related parties		
- Associate Companies	19,71,99	16,95,36
Vedachala Electronics & Financial Services Private		
Limited Rs. 19,71,99 P. Y. Rs. 16,95,36		
I. Investment in Associate Companies		
In equity shares		
Manipal Housing Finance Syndicate Limited Rs. 90,37 P. Y. Rs. 90,37	90,37	90,37
(699100 shares of Rs. 10 each)		

SCHEDULE – K (Contd.)

	Current Year	Previous Year
17. Calculation of earnings per share		
a) Net profit (loss) available for equity shareholder (Rs. in '000) Numerator used for calculation	(1403)	2435
b) Net profit (loss) before considering extraordinary item (Rs. in '000s)	(8530)	(4256)
c) Weighted Average No. of equity shares used as Denominator for calculating EPS	83,80,961	83,80,961
Basic/Diluted Earning per share before Extraordinary Income of Rs. 7127 thousands (P. Y. Rs. 6691 thousands)	Re. (1.02)	Re. (0.51)
Basic/Diluted Earnings per share after Extraordinary items.	Re. (0.17)	Re. (0.29)
18. Contingent and other Liabilities and liability towards retirement benefits:		
a) Liability on debentures assigned to Vedachala Electronics and Financial Services Private Limited inclusive of interest accrued is Rs 22,48 thousand. (P.Y. Rs. 22,48 thousand), without considering interest due on or after 1 st day of July, 2002.		
b) Liability in respect of damages and others in respect of suits against the Company before various Courts, Consumer Courts etc. (in respect of repayment of deposits/debentures/debts with interest & other costs) has not been quantified and provided, due to lack of information with the company. The collection of information is under process.		
c) No provision made for disputed income tax liability for various years wherever department has preferred an appeal before the Tribunal, High Court for the reason that the appeal preferred before CIT (Appeals) and Tribunal were allowed in favour of the company. The amounts involved there in are not quantifiable.		
d) In respect of Gratuity, Company's liability is covered by Group Liability Policy of LIC of India. The Company has made the provision of Rs. Nil (P.Y.: Rs. 3,53,465/-), being the deficit in Present Value of Gratuity obligations over the Fair value of the Plan Assets held by LIC. The information as aforesaid has been obtained from M/s Life Insurance Corporation of India.		
e) The liability in respect of leave encashment (if any) are provided on an estimated basis., considering the fact the amount involved therein is not material.		
19. The Management of the Company is of the opinion that the directors of the Company are not disqualified u/s 274(1) (g) of Companies Act, 1956, [in spite of the fact that the Company has stopped repaying matured Debentures/debts/deposits and interest thereon as detailed in Note II(1)], for the reason that the Company is exploring the possibility of presenting a new scheme of arrangement, as detailed in Note No. II(1). The Managing Director of the Company Sri T. Narayan M. Pai & the other director Sri Chandrappa R. Sherigara are the directors of another Company. As evident from the records/documents produced before the Company, the another company has also stopped payment of matured deposits/debentures/debts and interest thereon after 30 th June, 2002. The Company has received a letter from them that they are not disqualified u/s 274(1) (g) of Companies Act, 1956 for the reason that the another Company is exploring the possibility of making an application before the Honourable High Court of Karnataka U/s 391 of Companies Act, 1956 for restructuring of its debts.		
20. The assets of the Company are not valued, considering the cost involved therein. However the management is of the opinion that the carrying cost of the asset (including that of leased assets after considering the Lease equalization Charge) does not exceed its recoverable value. Therefore the assets are not impaired during the year.		
21. The Company has not received information from vendors regarding their status under Micro, Small and Medium Enterprises Development Act, 2006 and hence disclosure relating to amounts unpaid as at the year end together with interest paid/payable under this Act and also as required under Schedule VI to the Companies Act 1956, have not been given.		
22. The Company has not carried on any non-banking business other than repayment of liability out of recoveries. All the payments have been centralized in head office. Powers are not given to the Branches to incur the expenses. In the prevailing circumstances there is no need for internal audit either at the HO level or at the Branch Level. Therefore internal audit is not found necessary.		

SCHEDULE – K (Contd.)

23. Employee Benefits:

Brief description of the Plans:

- a) The Company has two schemes for long-term benefits such as provident fund and gratuity. In case of funded schemes, the funds are recognized by the Income tax authorities and administered through trustees/ appropriate authorities. The Company's defined contribution plan is employees' provident fund (under the provisions of the Employees' Provident Funds and Miscellaneous Provisions Act, 1952) wherein the Company has no further obligation beyond making the contributions.

The Company is also contributing towards Employee State Insurance Plan, as per statutory requirements, wherein the Company has no further obligation beyond making the contributions.

The Company is also providing employee benefit by way of encashment of earned leave. The provision for the same has been made on estimated basis. The amount involved therein is not material, considering the size of the Company. The Company has not opted for actuarial valuation, considering the cost involved and also the concept of materiality.

The Company's defined benefit plan is gratuity.

- b) Charge to the Profit and Loss Account based on contributions: The Company's contribution to Provident Fund charged to Profit and Loss Account during the year is Rs.74 thousands. (P.Y.: Rs. 112 thousands)

The Company's Contribution to Employee State Insurance Plan charged to Profit and Loss Account during the year is Rs. 19. Thousands (P.Y. Rs. 49 thousands).

The Companies liability towards gratuity to employees covered by group gratuity policy with LIC of India. Premium paid on this account is Rs. 47 thousands (P.Y. Rs. 195 thousands) and provisions made in respect of deficit of Present value of obligations over the fair value of Plan Assets Rs. Nil thousands (P.Y. Rs. 353 thousands) charged to profit and loss account during the year.

The detail of provision for leave encashment is as under: Provision as on 1st April, 2009 Rs. 1,09 thousands (P.Y. Rs. 109 thousands). Amount charged to the Profit & Loss Account during the year Rs. Nil (P.Y. Rs. Nil). Actual payment during the year Rs. Nil (P.Y. Rs. Nil). Provision as on 31st March, 2010 Rs. 1,09 thousands (P.Y. Rs. 1,09 thousands).

- c) Disclosures for defined gratuity benefit plans based on actuarial reports obtained from Life Insurance Corporation of India as on 31st March, 2010:

Valuation Method: Projected Unit Credit Method.

	Amount in Rs.	
	Current Year	Previous Year
Changes in present value		
Opening value of obligations	398890	93145
Current service cost	24495	26309
Interest cost	31911	7452
Actuarial loss / (gain)	(100593)	515682
Benefits paid	–	(243707)
Closing value of obligations (# see note below)	354703	398890
Change in Fair Value of Assets		
Opening fair value of plan assets	45425	99271
Expected return on plan assets	5827	2379
Contributions by employer	38746	187482
Benefits paid	–	(243707)
Closing fair value of plan assets (# see note below)	89998	45425
Funded Status	(264705)	(353465)
Amount recognised in the Balance Sheet		
Present value of obligations as at year end	354703	398890
Fair value of plan assets as at year end	89998	45425
Amount not recognised as an asset	–	–
Funded Status	(264705)	(353465)
Net (asset) / liability recognised as on 31 st March, 2010	264705	353465



SCHEDULE – K (Contd.)

Expenses recognised in the Profit and Loss Account

Current service cost	24495	26309
Interest on defined benefit obligation	31911	7452
Expected return on plan assets	(5827)	(2379)
Net actuarial loss / (gain) recognised in the current year	(100593)	515682
Effect of the limit in Para 59(b) of AS 15	*	*
Total expense	(50014)	547064

Asset information (as per para 120 (h) of AS 15)

Principal actuarial assumptions used

Discount rate (p.a.)	8%	8%
Expected rate of return on plan assets (p.a.)		*
Salary Escalation	3.5%	3.5%
Withdrawal Rate:	*	*
Rate of increase in compensation levels	*	*
Expected average remaining working lives of employees in number of years	*	*

Experience adjustments (as per para 120(n) of AS 15)

Expected employer's contribution for the next year	*	*
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(*) The Life Insurance Corporation of India has not given these informations.

The Company has written to Life Insurance Corporation of India to furnish information of the Defined Gratuity Benefit Plan, in the manner required under Accounting 15. Accordingly the Life Insurance Corporation of India has given the information as given above, which has been relied by the Auditors.

(#) The Company has made the provision of Rs.353 thousands in respect of deficit of Present value of obligations over the fair value of Plan Assets, during the year ending 31st March, 2009 and therefore the question of making further provision does not arise.

24. In the opinion of Board of Directors, Current Assets and Loans and Advances unless stated otherwise are of the value stated, if realized in the ordinary course of business, provisions for all known liabilities are adequate.
25. The Company is operating under one Geographical and Business segment. Therefore the question of making disclosures as required under Accounting Standard 17 does not arise.
26. Figures for the previous year are regrouped, rearranged and reclassified wherever necessary.

Sd/-

T. Narayan M. Pai
Managing Director

Sd/-

Chandappa R. Sherigar
Director

Sd/-

T. Sanjay Pai
General Manager

Refer our Report of Even Date
For **PAI NAYAK & ASSOCIATES**
Chartered Accountants
Registration Number: 009090S

Sd/-

Ammunje Venkatesh Nayak
Partner

Membership No.: 0204685

Place : Manipal
Date : 29-05-2010

Place: Udupi
Date: 29-05-2010

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2010

(Rs. in '000)

Description	As at 31-3-2010		As at 31-3-2009	
	Rs.	Rs.	Rs.	Rs.
A. CASH FLOW FROM OPERATING ACTIVITIES:				
Net Loss before tax and extraordinary items:	(8,530)		(4,247)	
Adjustments for:				
Depreciation	7,088		7,623	
Debit/(Credit) of lease Adjustments	(6,022)		(4,860)	
Interest Income from Investments	(888)		(902)	
Dividend received	(283)		-	
(Profit)/Loss on sale of Assets	23		461	
Provisions and write off of Debts	6,626		258	
Operating profit before working capital changes	1,986		(1,667)	
Adjustments for changes in Working Capital :				
(Increase)/Decrease in Trade and other receivables	35,348		33,329	
(Increase)/Decrease in Inventories	5		4	
Increase/(Decrease) in trade payables	(2)		(5,628)	
Cash Generated from operations	33,365		26,038	
Interest Paid	(47)		(515)	
Direct taxes (paid)/refund (including FBT)	706		(244)	
NET CASH (USED IN)/FROM OPERATING ACTIVITIES		34,024		25,279
B. CASH FLOW FROM INVESTING ACTIVITIES				
Sale of Fixed & Leased Assets	20		557	
Advance for Sale of Fixed Assets	-		26,600	
Sale proceeds of Investments	-		700	
Interest Received	666		996	
Dividend Received	283		-	
NET CASH (USED IN)/FROM INVESTING ACTIVITIES		969		28,853
C. CASH FLOW FROM FINANCING ACTIVITIES				
Increase/(Decrease) in Public Deposits	(236)		(1,168)	
Increase/(Decrease) in Subordinated Debts	(26,637)		(49,396)	
Increase/(Decrease) in N.C.D's	(7,817)		(3,385)	
NET CASH (USED IN)/FROM FINANCING ACTIVITIES		(34,690)		(53,949)
Net Increase in Cash and Cash Equivalents		303		183
Opening Balance of Cash & Cash Equivalents		890		707
Closing Balance of Cash & Cash Equivalents		1,193		890

Previous Year's figures are regrouped, rearranged and reclassified wherever necessary.

Cash Flow Statement is being prepared under "Indirect Method" as laid down under Accounting Standard 3 of Companies (Accounting Standards) Rules, 2006.

Cash & Cash Equivalents does not include term deposit kept with Banks, since the same are kept for long term.

Sd/-
(T. NARAYAN M. PAI)
Managing Director

Sd/-
(CHANDAPPA R. SHERIGAR)
Director

Refer our Report of Even Date
For **PAI NAYAK & ASSOCIATES**
Chartered Accountants
Registration Number: 009090S

Sd/-
(T. SANJAY PAI)
General Manager

Sd/-
(AMMUNJE VENKATESH NAYAK)
Partner
Membership No.: 204685

Place : Manipal
Date : 29-05-2010

Place : Udupi
Date : 29-05-2010

SCHEDULE TO THE BALANCE SHEET OF A NON-BANKING FINANCIAL COMPANY
(as required in terms of Paragraph 9BB of Non-Banking Financial Companies Prudential Norms
(Reserve Bank) Directions, 1998
As on 31st March, 2010

(Rs. in lakhs)

Particulars		
Liabilities side:	Amount Outstanding	Amount Overdue
(1) Loans and advances availed by the NBFCs inclusive of interest accrued thereon but not paid		
(a) Debentures: Secured	868	868
Unsecured (other than falling within the meaning of public deposits)	0	0
(b) Deferred Credits	0	0
(c) Term Loans	0	0
(d) Inter-corporate loans and borrowing	0	0
(e) Commercial Paper		
(f) Public Deposits	65	65
(g) Other Loans (subordinated debts, working capital loans)	2,884	2,884
(2) Break-up of (1)(f) above (Outstanding public deposits inclusive of interest accrued thereon but not paid):		
(a) In the form of Unsecured debentures	0	0
(b) In the form of partly secured debentures i.e. debentures where there is a shortfall in the value of security	0	0
(c) Other Public Deposits	65	65
Assets side:		Amount outstanding (before provisions)
(3) Break-up of Loans and Advances including bills receivables (other than those included in (4) below):		
(a) Secured		19
(b) Unsecured (including debtors)		2,553
(4) Break-up of Leased Assets and stock on hire and hypothecation loans counting towards EL/HP activities		
(i) Lease assets including lease rentals under sundry debtors:		
(a) Financial lease		366
(b) Operating lease		0
(ii) Stock on hire including hire charges under sundry debtors:		
(a) Assets on hire		1,732
(b) Repossessed Assets		0
(iii) Hypothecation loans counting towards EL/HP activities		
(a) Loans where assets have been repossessed		0
(b) Loans other than (a) above		0
(5) Break-up of Investments:		
Current Investments: (Stock in trade considered)		
1. Quoted:		
(i) Shares: (a) Equity (Rs. 1,000)		0
(b) Preference		0
(ii) Debentures and Bonds		0
(iii) Units of Mutual Bonds – ICICI Prudential Plan		0
(iv) Government Securities		0
(v) Others (please specify)		0

2. Unquoted (Stock in trade considered)			
(i) Shares: (a) Equity			91
(b) Preference			0
(ii) Debentures and Bonds			0
(iii) Units of Mutual Bonds			0
(iv) Government Securities			0
(v) Others (please specify)			0
Long Term Investments:			
1. Quoted:			
(i) Shares: (a) Equity			0
(b) Preference			0
(ii) Debentures and Bonds			0
(iii) Units of Mutual Bonds			0
(iv) Government Securities			0
(v) Others (please specify)			0
2. Unquoted:			
(i) Shares: (a) Equity			0
(b) Preference			0
(ii) Debentures and Bonds			0
(iii) Units of Mutual Bonds			0
(iv) Government Securities			16
(v) Others (please specify) – IDBI Bonds			1
Interest accrued on Investments			3
Fixed deposit with Nationalised Banks			86
(6) Borrower group-wise classification of all leased assets, stock on hire and loans and advances:			
Category	Secured	Amount net of provisions Unsecured	Total
1. Related Parties			
(a) Subsidiaries	0	0	0
(b) Companies in the same group	0	0	0
(c) Other related parties	0	0	0
2. Other than related parties (*)	0	527	527
Total	0	527	527
(7) Securities (both quoted and unquoted):			
Category	Market Value/ Break-up or fair value of NAV	Book Value (net of provision)	
1. Related Parties			
(a) Subsidiaries	0	0	
(b) Companies in the same group	0	90	
(c) Other related parties	0	0	
2. Other than related parties	1	1	
Total	1	91	
(8) Other Information			
Particulars		Amount	
(i) Gross Non-Performing Assets	NIL	0	
(a) Related Parties	NIL	0	
(b) Other than related parties (*)	NIL	4,654	
(ii) Net Non-Performing Assets	NIL	0	
(a) Related Parties	NIL	0	
(b) Other than related parties	NIL	166	
(iii) Assets acquired in satisfaction of debt	NIL	0	

Note (*) Due from VEFSL is not considered as related party due to the reason that such due has arisen on account repayment of debenture liability assigned to VEFSL, as detailed in Note No. II(3) of Schedule K to notes to the account.

Disclosure:

Sl. No.	In the Accounts of	Disclosure of Loans and Advances and Investments in its own shares by their Subsidiaries, Associates (as certified by the Management) as required by Clause 32 of Listing Agreement.	As at 31-03-2010
1.	Parent (Manipal Finance Corporation Limited)	<p>Loans and advances in the nature of loans to subsidiaries by name and amount</p> <p>Loans and advances in the nature of loans to associates by name and amount</p> <p>Loans and advances in the nature of loans where there is</p> <p>i) no repayment schedule or repayment beyond seven years or</p> <p>ii) no interest or interest below Section 372A of Companies Act by name and amount.</p> <p>Loans and advances in the nature of loans to firms/companies in which directors are interested by name and amount</p>	<p>N A</p> <p>Nil</p> <p>Nil</p> <p>Nil</p> <p>Nil</p>
2.	Subsidiary (No such subsidiary Company)	<p>Loans and advances in the nature of loans to parent by name and amount</p> <p>Loans and advances in the nature of loans to associates by name and amount</p> <p>Loans and advances in the nature of loans where there is</p> <p>(i) no repayment schedule or repayment beyond seven years or</p> <p>(ii) no interest or interest below Section 372A of Companies Act by name and amount.</p> <p>Loans and advances in the nature of loans to firms/companies in which directors are interested by name and amount</p>	<p>N A</p> <p>N A</p> <p>N A</p> <p>N A</p> <p>N A</p>
3.	Parent (Manipal Finance Corporation Limited)	Investments by the loanee in the shares of parent company and subsidiary company, when the company has made a loan or advance in the nature of loan	Nil

Note: a. There are no subsidiary Companies and therefore the particulars as per Sl.No. 2 are stated as Not Applicable.

b. Due from Vedachala Electronics & Financial Services Pvt. Ltd. (VEFSL) is not considered as related party due to the reason that such due has arisen on account repayment of debenture liability assigned to VEFSL, as detailed in Note No. II(3) of Schedule K to notes to accounts.

INFORMATION PURSUANT TO PART IV OF THE SCHEDULE VI OF THE COMPANIES ACT, 1956. BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. Registration Details

Registration No.	005988	State Code	08
Balance Sheet Date	31-Mar. 2010		

II. Capital raised during the year (Amount in Rs. thousands)

Public Issue	NIL	Right Issue	NIL
Bonus Issue	NIL	Private Placement	NIL

III. Position of Mobilisation and Deployment of Funds (Amount in Rs. thousands)

Total Liabilities	337,267	Total Assets	337,267
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Source of Funds:

Paid-Up Capital	113,310	Reserves & Surplus	223,957
Secured Loans	NIL	Unsecured Loans	NIL

Application of Funds:

Net Fixed Assets	55,004	Investments	10,363
Net Current Assets	(394,516)	Misc. Expenditure	NIL
Accumulated Losses	666,416		

IV. Performance of Company (Amount in Rs. thousands)

Turnover	11,221	Total Expenditure	12,624
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[Including extraordinary income of Rs. 7,127 thousand]

Profit/(Loss) Before Tax	(1,403)	Profit (Loss) After Tax	(1,403)
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Earning per Share (Basic & Diluted)	Rs. (0.17) P.Y. Rs. 0.29	Dividend Rate %	NIL
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(after extra ordinary items)

Earning per Share (Basic & Diluted)	Rs. (1.02) P.Y. Rs. (0.51)
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(before extraordinary income)

V. Generic Names of three Principal Products/Services of the Company (as per monetary terms)

Product/service in Description	Item Code No.
i) Hire Purchase Financing	Not Applicable
ii) Bill Discounting	Not Applicable
iii) Lease Financing	Not Applicable



MANIPAL FINANCE CORPORATION LIMITED

Registered Office: Manipal House, MANIPAL-576 104

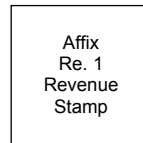
PROXY FORM

I/We Shareholder(s) of
Manipal Finance Corporation Ltd., hereby appoint
..... of
in the district of or failing him
of
in the district of as my/our Proxy
to vote for me/us on my/our behalf at the 27th Annual General Meeting of the Company to be held on
Monday, 20th September, 2010 and at any adjournment thereof.

Signed this day of 2010

Regd. Folio No.

No. of Equity Shares



(Signature of Shareholder/s)

Note : A shareholder unable to attend personally is entitled to appoint another person (whether a member or not) as his Proxy to attend and vote instead of himself subject to the provisions of Section 176 of the Companies Act, 1956. The Proxies must reach the Registered Office of the Company at least 48 hours before the time fixed for the meeting.

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**27th
ANNUAL REPORT, 2009-2010**

If undelivered, please return to :

**Manipal Finance Corporation Ltd.
Registered Office: Manipal House
Manipal – 576 104**