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CORPORATE INFORMATION

Board of Directors

YONG TACK KIM
Chairman

MYUNG KI MIN
Managing Director

JEA YEL KIM
Wholetime Director

K.R. GANAPATHY

D.G. RAJAN

Company Secretary

S. MURALIKRISHNA

Registered Office

NO.4/111, MOUNT POONAMALLEE ROAD
MANAPAKKAM, CHENNAI 600 089

Head Office

NO.84, MURUGESAN COMPLEX
SOUTHERN BLOCK, SECOND FLOOR
GREAMS ROAD
CHENNAI 600 006

Factory

NELLIKUPPAM, TAMILNADU

Auditors

LOVELOCK & LEWES
CHARTERED ACCOUNTANTS
CHENNAI

Bankers

STATE BANK OF INDIA
HDFC BANK LTD.
MIZUHO CORPORATE BANK LTD.
SHINHAN BANK

NOTICE TO SHAREHOLDERS

NOTICE is hereby given that the Fifty-Fourth Annual General Meeting of the Company will be held on Friday, the 18th September, 2009 at 11.00 a.m. at the Head Office of the Company at Murugesan Complex, Second Floor, No. 84, Greams Road, Thousand Lights, Chennai 600 006 to transact the following:

ORDINARY BUSINESS

1. To receive, consider and adopt the Directors' Report and the audited Profit and Loss Account for the financial year ended 31st March, 2009 and the Balance Sheet as at that date and the Auditors' Report thereon.
2. To appoint a Director in the place of Dr. Yong Tack Kim who retires by rotation and is eligible for reappointment.
3. To appoint a Director in the place of Mr K R Ganapathy who retires by rotation and is eligible for re-appointment. Mr. K R Ganapathy has expressed his desire to retire and he is not to be considered for re-appointment.
4. To consider the re-appointment of M/s Lovelock & Lewes, Chartered Accountants, Chennai, as auditors of the Company to hold office from the conclusion of the 54th Annual General Meeting till the conclusion of the 55th Annual General Meeting and to fix their remuneration.

By Order of the Board
for Lotte India Corporation Limited

Chennai
May 19, 2009

S MURALIKRISHNA
Company Secretary

NOTES

1. A member entitled to attend and vote at the above meeting may appoint one or more Proxies to attend and vote instead of himself / herself. The Proxy need not be a Member of the Company. Proxy to be valid, shall be deposited with the Company not later than forty eight hours before the time for holding the meeting.
2. The Register of Members and the Share Transfer Books of the Company shall remain closed from 15th September, 2009 to 18th September, 2009 (both days inclusive).
3. Members are requested to intimate change in their addresses, if any, immediately to the Company at its Head Office quoting their folio number / Client ID number.

ANNEXURE TO THE NOTICE

A. Details of Director seeking appointment / re-appointment pursuant to Clause 40 of the Listing Agreement with Stock Exchanges

PROFILE OF Dr. YONG TACK KIM

Dr. Yong Tack Kim is a Master of Science in Agriculture and did his doctorate from Korea University. He has held various senior level positions in Lotte Confectionery Co. Ltd., Korea and is at present the President of Lotte R & D centre.

He is the Chairman of the Board and a member of Remuneration & Nomination Committee

By Order of the Board
for Lotte India Corporation Limited

Chennai
May 19, 2009

S MURALIKRISHNA
Company Secretary

DIRECTORS' REPORT

Your Directors present the 54th Annual Report of your Company together with the audited financial statements for the year ended 31st March, 2009.

Financial Results

	2008-2009 (Rs.in Lakh)	2007-2008 (Rs.in Lakh)
Sales	18341.68	16815.48
Profit before depreciation and interest & finance charges	611.55	83.25
Less : Depreciation and Interest & finance charges	883.74	852.87
Profit / (Loss) before tax	(272.19)	(769.62)
Less : Provision for Taxes :		
Current	—	—
Deferred	(85.06)	(217.93)
Fringe Benefit	27.00	27.64
Profit / (Loss) after tax	(214.13)	(579.33)
Add : Balance brought forward	(122.87)	456.46
Balance Profit transferred to Balance Sheet	(337.00)	(122.87)

In view of loss, the Board of Directors has decided not to recommend any dividend for the year ended 31st March 2009.

Review of operations

For the year ended 31st March, 2009 the Company achieved 9% growth in gross sales at Rs.18341.68 Lakh as against Rs.16815.48 Lakh in the previous year.

During the year, the Company has achieved profit before interest and finance charges of Rs.81.44 lakh as against

loss of Rs.445.68 lakh in the previous year, despite steep increase in the cost of critical raw materials like Sugar, Liquid Glucose, Milk, etc. This was achieved through various strategic market initiatives and cost management measures taken by the Company.

During the year, the Company incurred a higher interest cost to the extent of Rs.329.49 Lakh as against Rs.295.18 Lakh in the previous year on Term Loans borrowed for investments made during 2006-07.

The Company has entered into a Lease agreement with Lotte Foods India Private Limited, Delhi for leasing the 21.525 acres of land in Nemam Village, Thiruvallur district for a period of five years effective 1st August, 2008 for construction of factory with an interest free lease deposit of Rs.33 crores on a lease rent of Rs.40,000 per month.

The Company has repaid during the year the Short term Loan borrowed from the banks and now the Company is a debt free Company.

A detailed analysis of performance and outlook is given in the Management Discussion and Analysis Report attached herewith.

Investor Education and Protection Fund

Pursuant to the provisions of Section 205C of the Companies Act, 1956, your Company has transferred unpaid matured debenture instalments and interest thereon amounting to Rs.15,136 during the year and Rs.40,940 on 6th May, 2009 to the Investor Education and Protection Fund.

Directors

Dr. Yong Tack Kim is retiring by rotation in the ensuing Annual General Meeting and offers himself for re-appointment.

Mr. K R Ganapathy retires at the forthcoming Annual General Meeting. The Board wishes to place on record its deep appreciation of his valuable contribution to the growth of the Company.

Mr. Dong Bin Shin and Mr. Sang Hoo Kim have resigned from the Board as Directors with effect from 19th May, 2009. The Board wishes to place on record its deep appreciation of their valuable contribution to the growth of the Company.

Directors' Responsibility Statement

As required under Section 217(2AA) of the Companies Act, 1956, Directors' Responsibility Statement is given in Annexure 'C' to this Report.

Auditors

M/s. Lovelock & Lewes, Chartered Accountants, Chennai, Company's Auditors, retire at the conclusion of the ensuing Annual General Meeting and being eligible have expressed their willingness to be reappointed.

Delisting

The Promoter had made a public announcement to the Public Shareholders of the Company on 12th September, 2008 in accordance with Delisting Guidelines. However, the price determined by the Reverse Book Building process i.e. Rs.825/- per share was not acceptable to the Promoter.

The promoter therefore decided to provide another exit opportunity to the Public Shareholders of the Company and made a public announcement on April 13, 2009. The price determined by the Reverse Book Building process i.e. Rs.540/- per share was acceptable to the Promoter and has initiated activities for acquisition of shares.

Corporate Governance

Pursuant to Clause 49 of the Listing Agreement, a report on compliance of Corporate Governance regulations as on 31st March, 2009 duly certified by a Practicing Company Secretary is annexed.

Disclosures

A statement concerning particulars of employees as required under Section 217(2A) of the Companies Act, 1956 is given in Annexure 'B' to this Report .

Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo

During the year 2008-09, the Company had initiated a number of measures for Conservation of Energy and Water at its manufacturing facility at Nellikuppam. Through these measures, the Company has achieved significant reduction in Consumption of power and usage of water, and is expected to reap the resultant benefits in the coming years.

As required under Section 217 (1) (e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, the particulars relating to conservation of energy, technology absorption and foreign exchange earnings and outgo, wherever applicable, are given in Annexure 'A' to this Report.

Acknowledgement

The Board wishes to place on record, its appreciation for the cooperation and support received from the Bankers, suppliers, converters and the Shareholders. The Board also wishes to place on record the whole hearted co-operation given by employees, at all levels, during the year.

On behalf of the Board

Chennai	JEA YEL KIM	MYUNG KI MIN
May 19, 2009	Wholetime Director	Managing Director

ANNEXURE 'A' TO DIRECTORS' REPORT

Information under Section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 and forming part of Directors' Report.

	Current Year (2008-09)	Previous Year (2007-08)
A. (I) POWER AND FUEL CONSUMPTION		
1. Electricity		
(a) Purchases		
Units	2396539	3007971
Total amount (Rs.lakh)	107.19	133.43
Rate/unit (Rs.)	4.47	4.44
(b) Own generation:		
Through Diesel generator		
Units	609796	77699
Total amount (Rs.lakh)	78.68	10.21
Units per litre of diesel oil	2.79	2.60
Cost/unit (Rs.)	12.90	13.14
2. Furnace oil quantity (K.litre)	805.18	894.05
Total amount (Rs.lakh)	199.89	181.70
Average rate per K.Litre(Rs.)	24825.82	20323.75
(II) CONSUMPTION OF ELECTRICITY PER QUINTAL OF PRODUCTION (UNITS)		
	40.21	37.36

B. TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

- (i) The Company's R&D activity is directed towards development of new formulations & flavours, material substitution and indigenising machineries. These activities have resulted in improved quality, cost reduction, improved hygiene and new products.
- (ii) Recognition has been accorded for Company's R&D unit by Dept. of Scientific & Industrial Research, New Delhi.

C. FOREIGN EXCHANGE

Earning : Rs.116.42 lakh

Outgo : Rs.684.48 lakh

On behalf of the Board

Chennai
May 19, 2009

JEA YEL KIM
Wholetime Director

MYUNG KI MIN
Managing Director

ANNEXURE 'B' TO DIRECTORS' REPORT

Information as per Section 217(2A) read with the Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report - Details of remuneration paid for the twelve months period ended 31st March, 2009

[A] EMPLOYED THROUGHOUT THE PERIOD AND WERE IN RECEIPT OF REMUNERATION AGGREGATING NOT LESS THAN Rs.24,00,000 FOR THE YEAR ENDED 31ST MARCH, 2009

NAME (AGE)	DESIGNATION/ NATURE OF DUTIES	REMUNERATION Rs.	QUALIFICATION/ EXPERIENCE (YEARS)	DATE OF COMMENCEMENT OF EMPLOYMENT	PREVIOUS EMPLOYMENT
NIL					

[B] EMPLOYED FOR PART OF THE YEAR AND WERE IN RECEIPT OF REMUNERATION AGGREGATING NOT LESS THAN Rs.2,00,000 p.m.

NAME (AGE)	DESIGNATION/ NATURE OF DUTIES	REMUNERATION Rs.	QUALIFICATION/ EXPERIENCE (YEARS)	DATE OF COMMENCEMENT OF EMPLOYMENT	PREVIOUS EMPLOYMENT
K. V Ramachandra (46 Yrs)	Managing Director	1,275,212	B.Com, M.M.S (24 Years)	23.10.2006	Pepsico India Holdings Ltd., Director - Sales Operations

- Note :
- The nature of employment of the employee mentioned above is contractual.
 - Remuneration as shown above includes salary, allowances, leave travel assistance, Company's contribution to Provident Fund, Superannuation Fund and Gratuity Fund, Medical facilities and perquisites valued in terms of actual expenditure incurred by the company in providing the benefits to the employee excepting in cases of certain expenses where the actual amount of expenditure cannot be ascertained with reasonable accuracy and in such cases, notional amount as per the Income-Tax Rules has been adopted.
 - The employee is not related to any Director of the Company.

On behalf of the Board

Chennai
May 19, 2009

JEA YEL KIM
Wholetime Director

MYUNG KI MIN
Managing Director

ANNEXURE 'C' TO DIRECTORS' REPORT

DIRECTORS' RESPONSIBILITY STATEMENT

The Board of Directors of Lotte India Corporation Limited confirm that in the preparation of the Profit and Loss account for the year ended 31st March, 2009 and the Balance Sheet as at that date (financial statement) :

- The applicable Accounting Standards issued by the Institute of Chartered Accountants of India have been followed.
- Appropriate accounting policies have been selected and applied consistently and judgements and estimates that are reasonable and prudent have been made so as to give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the loss incurred by the Company during that period.
- Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities. To ensure this, the Company has established internal control systems, consistent with its size and nature of operations, subject to the inherent limitations that should be recognized in weighing the assurance provided by any such system of internal controls. These systems are reviewed and updated on an ongoing basis. Periodic internal audits are conducted to provide reasonable assurance of compliance with these systems. The Audit Committee meets at regular intervals to review the internal audit function.
- The financial statements have been prepared on a going concern basis.
- The financial statements have been audited by M/s. Lovelock & Lewes, the Statutory Auditors and their report is appended thereto.

On behalf of the Board

Chennai
May 19, 2009

JEA YEL KIM
Wholetime Director

MYUNG KI MIN
Managing Director

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Lotte India Corporation Limited is one of the pioneer and one of the market leaders in the Indian Confectionery business market. It is engaged in the manufacture and marketing of Toffees, Hard Boiled Confectionery, Chewing Gum and Bubble Gum. Lotte India Corporation Limited is a subsidiary of Lotte Confectionery Co. Ltd., Korea, which is a US \$ 1.5 Billion company.

Lotte India Corporation Limited products are well established across the Indian market. Some of our leading brands are Coffy Bite, Lacto King, Caramilk, Chocopie, 'Spout' Chewing Gum and 'Booproo' Bubble Gum. The Company launched Booproo Cola, Coffy Bite Cappuccino, Thanda Mint, Spout Cinnamon and Caramilk Eclairs during the year 2008-09 across the country and has received a very positive response. The Company aims to be a dominant player in fun food business in the long run.

The Company caters to the market through its own manufacturing facility located in Tamil Nadu with an all India distribution network and also through outsourcing units located across India.

INDUSTRY TRENDS

GDP for the year 2008-09 is 7.1 per cent and the advance estimates of the Central Statistical Organisation (CSO) expects the economy to grow by 8.7 per cent in 2009-10.

The confectionery industry in India is approximately divided into chocolates, hard boiled candies, Eclairs and toffees, chewing gums, lollipops, bubble gum, mints and lozenges.

The biggest change in the confectionery industry in India over the past 10-12 years has been in terms of packaging and promotions. Today's confectionery

products are far superior in terms of packaging. Even in terms of promoting and marketing the products, every company is spending much more on brand building initiatives, which was almost negligible a decade ago. There is always an increasing awareness among the consumers and the public in general about the confectionery products and the markets today are demanding superior quality branded products.

The majority of the consumers of confectionery products, especially the sugar boiled confectionery products, are the younger generation. The majority of the retail sales in this industry take place in single units and not in packs or in quantities and thus the majority of the consumption is at the "Point of Sale" and there is also an inadequate consumption "in home".

Overall, this sector itself has become more organized and the players in this business are concentrating on ways to improvise their packaging, merchandising and product promotion schemes. There is a uphill trend in the confectionery trade as more companies showing interest in the segment, so this industry is expected to grow in the future.

COMPANY PERFORMANCE

Despite a steep increase in the price of critical raw materials like Sugar, Liquid Glucose, Milk etc, the Company has sustained its margins through various strategic measures and the very focused cost reduction initiatives. The Company has also launched a number of new products viz. Coffy Bite Cappuccino, Thanda Mint and Caramilk Éclairs for which the market response has been quite encouraging. To enhance the product image, the Company has also improved the packaging for majority of its key products. With support from its parent Company, Lotte Confectionery

MANAGEMENT DISCUSSION AND ANALYSIS REPORT (Contd)

Co. Ltd., Korea and access to their wider product portfolio, the Company is confident of achieving its growth targets, while sustaining its profit margins.

The Company has documented procedures and controls in respect of critical operations which are reviewed by the internal audit function and audit Committee periodically.

A number of HR development initiatives in the form of training programmes and focussed skill development programmes have been implemented during the year. As on 31st March, 2009, the total number of employees in the organization was 563.

RISK FACTORS

The main risk for the Company has been its single sector dependence, price point sensitivity, volatile raw material prices and stiff competition from other organized players. During the course of this year, the Company has launched a series of measures to broaden its product portfolio varied price point offerings and has put into place a series of measures including alternate sourcing for critical commodities and raw material substitution in few cases. These, we believe, will strengthen the Company to weather any unforeseen volatility in raw material prices.

OUTLOOK

With the Indian economy stagnant the FMCG industry is expected to grow at a decent pace in the coming years particularly in respect of high value niche products for which the demand is growing substantially. There has been a great change in people's mindset and this will lead to increased confectionery consumption. With Indian consumers becoming more health conscious and the government waiving the restriction on using artificial sweeteners,

the sugar-free segment will drive growth in the confectionery business.

There is substantial increase in demand for branded high quality products for which the consumer is willing to pay an additional premium. With retailing through modern format stores becoming the order of the day, the Company is poised to capture a significant share of such markets for both its present and future products. The Company has also laid focus on the increasing its market share in the modern format stores. Intense competition is expected to prevail in the industry in the coming years resulting in consolidation in the market place with only established players with quality products expected to reap gains. Our Company has always believed in innovation and by planning to bring in new products and new offers to its strategy and by introducing innovative products in the gum category, be it sugar-free gums or gums with functional benefits such as protection against tooth decay and cavity protection, our Company is poised for significant growth in the coming years.

The Company plans to invest significantly in brand building and expand its distribution network substantially in the coming years.

All these measures backed up by cost management initiatives will help the Company to achieve its revenue and profit targets in the competitive market in the years ahead.

On behalf of the Board

Chennai
May 19, 2009

JEA YEL KIM
Wholetime Director

MYUNG KI MIN
Managing Director

REPORT ON CORPORATE GOVERNANCE

1. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

Lotte India Corporation Limited (LICL) is committed to the highest standards of corporate governance in all its activities and processes.

Corporate Governance refers to the manner in which a Company is directed, and laws and customs affecting that direction. It includes the manner in which a Company operates under the laws governing Companies, the bylaws established by the Company itself, and the structure of the Company. The corporate governance structure specifies the relationship, and the distribution of rights and responsibilities, among primarily three groups of participants viz. the Board of Directors, Managers and Shareholders. It spells out the rules and procedures for making decisions on corporate affairs; it also provides the structure through which the company objectives are set, as well as the means of attaining and monitoring the performance of those objectives.

The fundamental concern of corporate governance is to ensure conditions whereby a Company's directors and managers act in the interests of the Company and its various stakeholders.

The following is a report on the status and progress on major aspects of Corporate Governance.

2. BOARD OF DIRECTORS

(a) Composition

The present strength of the Board as on the date of this report is six Directors of which two Directors are Executive Directors. The remaining four Directors are Non-Executive Directors of which three are Independent Directors.

Name of the Directors	Category	No. of Directorships held in other Indian Companies #	Number of membership on other Board/Committees	Number of Shares held
Dr. Yong Tack Kim Chairman	Non Executive Director	Nil	Nil	—
Mr. Myung Ki Min * Managing Director	Executive Director	Nil	Nil	—
Mr. Jea Yel Kim Wholetime Director	Executive Director	Nil	Nil	—
Mr. K R Ganapathy	Independent Director	1	Nil	202
Mr. Sang Man Shim	Independent Director	Nil	Nil	—
Mr. D G Rajan	Independent Director	3	2	—
Mr. Dong Bin Shin**	Non-Executive Director	Nil	Nil	—
Mr. Sang Hoo Kim**	Non-Executive Director	Nil	Nil	—

* Appointed as Managing Director with effect from 22nd April, 2008

** Resigned with effect from 19th May, 2009

Directorships held by Directors as mentioned above, do not include Alternative Directorships and Directorships of Foreign Companies, Section 25 Companies and Private Limited Companies.

(b) Attendance of each director at the Board Meetings and the last AGM

During the financial year ended 31st March, 2009, ten Board Meetings were held on the following dates :

02.04.2008, 22.04.2008, 27.05.2008, 03.06.2008, 21.06.2008, 22.07.2008, 21.10.2008, 28.01.2009, 25.02.2009 & 13.03.2009.

REPORT ON CORPORATE GOVERNANCE (Contd.)

Name of the Directors	No. of Board Meetings attended	Attendance at last AGM held on 22.07.2008
Dr. Yong Tack Kim	4	Yes
Mr. Myung Ki Min	9	Yes
Mr. Jea Yel Kim	10	Yes
Mr. K R Ganapathy	10	Yes
Mr. D G Rajan	10	Yes
Mr. Sang Man Shim	6	Yes
Mr. Dong Bin Shin*	-	No
Mr. Sang Hoo Kim*	-	No

* Mr. Dong Bin Shin and Mr. Sang Hoo Kim were granted leave of absence owing to business exigencies.

3 AUDIT COMMITTEE

(a) Constitution

The Audit Committee comprises of three Directors viz. Mr. K R Ganapathy as Chairman and Mr. Sang Man Shim & Mr. D G Rajan as members. All three are non-executive Independent Directors.

(b) Terms of reference

The Audit Committee has been mandated with the same terms of reference as specified in Clause 49 of the Listing Agreement with Stock Exchanges.

(c) Meetings and Attendance

There were four meetings held during the year 2008-09. The attendance of each member of the Committee is given below :

Name of the Director	Position	No. of Meetings attended
Mr. K R Ganapathy	Chairman	4
Mr. Sang Man Shim	Member	2
Mr. D G Rajan	Member	4

Non-Executive Chairman, Managing Director, Wholetime Director, Senior Management Personnel, Statutory Auditors and Internal Auditors are regularly

invited to the meeting. Mr. S Murali Krishna, Company Secretary acts as Secretary to the Committee.

Mr. D G Rajan, Director is a Fellow of the Institute of Chartered Accountants in England and Wales and Fellow of the Institute of Chartered Accountants of India. He has vast exposure in financial activities.

4 REMUNERATION TO DIRECTORS

(a) Policy

- Executive Directors

The compensation of the Executive Directors comprises of a fixed component and a performance incentive. The compensation is determined taking into account the industry trend and level of responsibility. Performance incentive is based on certain pre-agreed parameters. The Executive Directors are not paid any sitting fees for any board / committee meetings attended by them.

- Non-Executive Directors

The shareholders have approved payment of commission upto 1% of net profits of the Company to non executive directors as computed under provisions of Companies Act, 1956. The Company has made application to the Central Government and is awaiting its approval. Non-Executive Directors are entitled to a sitting fees for every Board / Committee Meeting attended by them within the statutory limits.

(b) Remuneration and Nomination Committee

- The Company set up a Remuneration & Nomination Committee on 24th May, 2004.

- Remuneration and Nomination Committee consists of Four directors viz. Mr. K R Ganapathy as Chairman, Mr. Sang Man Shim, Mr. D G Rajan and Dr. Yong Tack Kim as members.

REPORT ON CORPORATE GOVERNANCE (Contd.)

- There was one meeting held during the year when all the members were present at the meeting.
- The scope of Remuneration and Nomination Committee is to recommend to the Board the remuneration package to Executive Directors with fixed component and performance linked incentive, terms and conditions of service etc.
- The Company currently does not have any stock option scheme.

Details of the remuneration paid to the Executive Directors for the year :

Name	Salary & Allowances and Performance Incentive Rs.	Contribution to Retiral benefits Rs.	Value of perks Rs.	Total Rs.
Mr. K V Ramachandra *	10,35,678	1,14,894	1,24,640	12,75,212
Mr. Jea Yel Kim	7,20,000	1,14,516	1,19,992	9,54,508
Mr. Myung Ki Min* **	8,47,500	2,70,183	11,64,330	22,82,013

* Prematurely retired from the services on 4th April, 2008

** Appointed on 22nd April, 2008.

The details of sitting fees paid to Non Executive Directors for the financial year ended 31st March, 2009.

Name of the Director	Sitting fees	Commission
Mr. K R Ganapathy	Rs. 1,24,500/-	Nil
Mr. Sang Man Shim	Rs. 75,000/-	Nil
Mr. D G Rajan	Rs. 1,24,500/-	Nil

5 SHAREHOLDERS / INVESTORS GRIEVANCE COMMITTEE

The Committee comprises of Mr. K R Ganapathy as Chairman and Mr. Myung Ki Min & Mr. Jea Yel Kim as members. Mr. S Murali Krishna, Company Secretary is the Compliance Officer.

There was one meeting held during the year and all the members were present at the meeting.

The role of Shareholders / Investors Grievance Committee includes :

- Approval of transfer for shares / debentures above 10,000 shares / debentures.
- Approval of transmission of shares / debentures.
- Issue of duplicate share / debenture certificates.
- Issue of share / debenture certificates by consolidation / sub-division
- Look into specific complaints of investors

6 ANNUAL GENERAL MEETINGS (AGM) / EXTRAORDINARY GENERAL MEETINGS (EGM)

Details of the last four AGMs / EGM held are given below :

Date of Meeting	Time of Meeting	Venue of the Meeting
9 th April, 2009 (EGM)	11.00 A.M.	Kasturi Srinivasan Hall (Mini Hall) Music Academy 168 TTK Road Royapettah Chennai - 600 014
22 nd July, 2008(53 rd AGM)	4.00 P.M.	Kasturi Srinivasan Hall (Mini Hall) Music Academy 168 TTK Road Royapettah Chennai - 600 014
26 th July, 2007(52 nd AGM)	4.00 P.M.	Kasturi Srinivasan Hall (Mini Hall) Music Academy 168 TTK Road Royapettah Chennai - 600 014
27 th July, 2006 (51 st AGM)	12.00 Noon	M. A. Chidambaram Hall Southern India Chamber of Commerce and Industry, Esplanade Chennai - 600 108

REPORT ON CORPORATE GOVERNANCE (Contd.)

Details of Special Resolutions passed during the last 4 AGM / EGM:

Date of AGM/ EGM	Whether any Special Resolution was passed	Particulars
09.04.2009 (EGM)	Yes	Voluntary delisting of shares from all Stock Exchanges
22.07.2008 (AGM)	Yes	i) Appointment of Mr. Myung Ki Min as Managing Director and remuneration payable to him. ii) Approval for payment of Commission to Non-executive Directors from 01.04.2008 to 31.03.2013 iii) Voluntary delisting of shares from all Stock Exchanges
26.07.2007 (AGM)	Yes	i) Appointment of Mr. K.V. Ramachandra as Managing Director and remuneration payable to him. (ii) Re-appointment of Mr. In Do Hwang as Joint Managing Director and remuneration payable to him. iii) Appointment of Mr. Jea Yel Kim as Wholetime Director and remuneration payable to him. iv) To keep registers, returns, documents etc. at a place other than the Registered Office v) Rights issue
27.07.2006 (AGM)	Yes	i) Payment of revised minimum remuneration to Mr. In Do Hwang, Joint Managing Director w.e.f. 1 st February, 2005.

No special resolution was passed by postal ballot in the last financial year and the Company does not propose to pass any special resolution by postal ballot process at the ensuing Annual General Meeting.

7 DISCLOSURES

- (i) Related Party Transactions: There were no materially significant related party transactions with Directors/promoters/

management which had potential conflict with the interest of the Company at large.

Transactions with the Related Parties are disclosed in Note 20.2 of Schedule 19 to the accounts in the Annual Report.

- (ii) Risk Management: The Board of Directors were presented the risk assessment and minimization of the same which is subject to periodical review.
- (iii) Code of Conduct: Code of Conduct for the Board members and Senior Management personnel has been adopted by the Board and posted on the website of the Company. Annual declaration regarding compliance with the Code is obtained from every person covered by the Code of Conduct. A declaration to this effect signed by the Managing Director is forming part of this report.
- (iv) Compliance by the Company: The Company has complied with the requirements of the Stock Exchanges, SEBI and other Statutory Authorities on all matters related to capital markets during the last three years and there were no strictures or penalties imposed on the Company by either Stock Exchanges or SEBI or any statutory authority for non-compliance on any matter related to capital markets during the said period.
- (v) Whistle Blower Policy: The Company is yet to establish a mechanism for Whistle Blower Policy which is a non-mandatory requirement.
- (vi) Adoption of Non-Mandatory requirements: The Company is in the process of adopting other non-mandatory requirements in future as mentioned in Clause 49 (VII) (ii) of the Listing Agreement.
- (vii) We affirm that no personnel have been denied access to the Audit Committee (in respect of matters involving misconduct, if any).

REPORT ON CORPORATE GOVERNANCE (Contd.)

(viii) Internal Control System Your Company has in place adequate systems of internal control commensurate with its size and the nature of its operations. These have been designed to provide reasonable assurance with regard to recording and providing reliable financial and operational information, complying with applicable statutes, safeguarding assets from unauthorized use or losses, executing transactions with proper authorization and ensuring compliance of internal policies. The Company has a well defined delegation of power with authority limits for approving revenue as well as capital expenditure. Processes for formulating and reviewing annual and long term business plans have been laid down to ensure adequacy of the control system, adherence to the management instructions and legal compliances.

8 COMPLIANCE WITH CORPORATE GOVERNANCE NORMS

The Company has complied with all the mandatory requirements of Corporate Governance norms as enumerated in the Revised Clause 49 of the Listing Agreement with the Stock Exchange.

The Company has constituted Remuneration and Nomination Committee, a non-mandatory requirement under Clause 49 of the Listing Agreement.

9 MEANS OF COMMUNICATION

The quarterly / half yearly unaudited financial results and the annual audited financial results are published in 'The Financial Express' and 'Makkal Kural' (Tamil). These information are also available in Company's Web site at www.lotteindia.com. No presentations were made to institutional investors or equity analysts.

10 MANAGEMENT DISCUSSION AND ANALYSIS REPORT

The Management Discussion and Analysis Report forms part of the Annual Report.

On behalf of the Board

Chennai
May 19, 2009

JEA YEL KIM
Wholetime Director

MYUNG KI MIN
Managing Director

CERTIFICATE OF COMPLIANCE FROM PRACTISING COMPANY SECRETARY UNDER CLAUSE 49 OF THE LISTING AGREEMENT

To

The Members

Lotte India Corporation Limited

We have examined all relevant records of M/s. Lotte India Corporation Limited for the purpose of certifying compliance of the conditions of corporate governance under Clause 49 of the Listing Agreement entered into with National Stock Exchange of India Limited, Mumbai and Madras Stock Exchange Limited, Chennai for the financial year ended 31st March, 2009. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of certification.

The compliance of the conditions of corporate governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof. This certificate is neither an assurance as to the future viability of the Company nor

of the efficacy or effectiveness with which the management has conducted the affairs of the Company.

We state that no investor grievance is pending for a period exceeding one month against the Company as per records maintained by the Shareholders/ Investors' Grievance Committee.

On the basis of our examination of the records produced, explanations and information furnished, we certify that the company has complied with all the mandatory conditions of the said Clause 49 of the Listing Agreement.

**For Parimala Natarajan
Company Secretary in practice**

Chennai
May 19,2009

**Parimala Natarajan
C.P. No.5239**

CONFIRMATION ON CODE OF CONDUCT

To

The Members of Lotte India Corporation Limited

Pursuant to Clause 49 (I) (D) (iii), I hereby confirm that, for the financial year ended 31st March, 2009, all the Board Members and the Senior management Personnel have affirmed compliance with the code of conduct framed by the Company.

Chennai
May 19, 2009

MYUNG KI MIN
Managing Director

CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER CERTIFICATION

In relation to the Audited Financial Accounts of the Company as at 31st March, 2009, we hereby certify that

- a. We have reviewed financial statements and the cash flow statement for the year and that to the best of their knowledge and belief :
 - i. these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - ii. these statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- b. There are, to the best of their knowledge and belief, no transactions entered into by the company during the year which are fraudulent, illegal or volatile of the Company's code of conduct.
- c. We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which are aware and the steps have taken or propose to take to rectify these deficiencies.
- d. We have indicated to the auditors and the Audit Committee
 - i. significant changes if any, in the internal control over financial reporting during the year.
 - ii. significant changes, if any, in the accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
 - iii. instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the company's internal control system over financial reporting.

For Lotte India Corporation Limited

Place : Chennai
Date : May 19, 2009

Jea Yel Kim
Wholetime Director

Myung Ki Min
Managing Director

GENERAL SHAREHOLDER INFORMATION

1. **Registered Office** : No. 4/111, Mount Poonamallee Road,
Manapakkam, Chennai 600 089
2. **Date and venue of the forthcoming Annual General Meeting** : 18th September, 2009
Friday, at 11.00 a.m. at the
Head Office of the Company at
Murugesan Complex, Second Floor,
No.84, Greams Road,
Thousand Lights, Chennai 600 006
3. **Book Closure Dates** : 15th September, 2009 to 18th September 2009
(both days inclusive).
4. **Plant Location** : Nellikuppam – 607 105
(Cuddalore Dist.) Tamil Nadu
5. **Financial Calendar, April 2009- March 2010** : First Quarter results (Unaudited) – July 2009
Second Qtr. & Half Yearly results (Unaudited)– Oct. 2009
Third Quarter results (Unaudited) – Jan. 2010
Results for the year ending 31st March, 2010
(Audited) – May 2010
6. **Share Capital** : 37,71,289 equity shares of Rs.10/- each
36,49,898 (96.78 %) equity shares have been
dematerialized as on 31st March, 2009.

7. **Share Transfer System**

As per SEBI Directive, the Company has appointed Cameo Corporate Services Ltd., ‘Subramanian Building’, No.1, Club House Road, Chennai- 600 002 as the Registrar and Transfer Agent (R&TA) of the Company for all aspects of investor servicing relating to shares.

The Board has delegated the power to approve the transfer to a committee of Directors and also to the Senior Executives of the Company, with limits.

Share transfers are completed within a period of 15 days from the date of receipt of the documents, if the documents are clear in all respects.

There are no pending complaints from investors.

Requests for dematerialisation of shares are processed and confirmation is given to the respective depositories i.e. National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) within 15 days.

8. **Address for Correspondence :**

- i) To contact R&TA for all matters relating to shares : K.Ranganathan, Asst.Manager (Shares)
Cameo Corporate Services Limited
‘Subramanian Building’, No.1, Club House Road
Chennai- 600 002
Tel : 91-44-2846 0390-394; Fax: 91-44-28460129
E-mail: rangak@cameoindia.com
- ii) To the Company : S Murali Krishna, Company Secretary
Lotte India Corporation Limited
Head Office: 84, Murugesan Complex, Southern Block,
Second Floor, Greams Road, Chennai – 600 006
Tel: 91-44-28298600; Fax: 91-44-28298700

- iii) The Company designated Email
Id for Investor Complaints is : compsecy@lotteindia.com
- iv) Compliance Officer : S. Muralikrishna, Company Secretary

9. Listing on Stock Exchanges and Stock Code

Stock Exchange	Stock Code
Madras Stock Exchange Ltd. Exchange Building, Post Box No.183 Second Line Beach, Chennai – 600 001	PARRYSCON
National Stock Exchange of India Ltd. Exchange Plaza, Bandra-Kurla Complex Bandra (E), Mumbai – 400 051	LOTTEINDIA BE
Bombay Stock Exchange Ltd. Phiroze Jeejeebhoy Towers Dalal Street, Mumbai – 400 001 (Under “Permitted Securities” Category)	590004

The listing fees for the above stock exchanges has been paid for the year 2009-2010.

10. Depositories Connectivity

National Securities Depository Ltd. (NSDL)
Central Depository Services (India) Ltd. (CDSL)
ISIN: INE185A01011

11. Dematerialisation of shares

The Company has signed agreements with both National Securities Depository Limited (NSDL) and with Central Depository Services (India) Limited (CDSL) to provide the facility of holding equity shares in dematerialized form. As on 31st March 2009, 36,49,898 equity shares constituting 96.78 % of the total paid up capital of the Company have been dematerialized.

12. Outstanding GDRs/ ADRs etc.

The Company has not issued any GDR, ADR or any convertible instruments pending conversion or any other instrument likely to impact the equity share capital of the Company.

13. Shareholding pattern as on 31st March, 2009

Sl. No.	Category	Total no. of Shares held	% to total Shareholding
1	Promoters - foreign	3031647	80.39
2	Mutual Funds and UTI	—	—
3	Banks/ Financial Institutions/ Insurance Companies	1567	0.04
4	Foreign Institutional Investors	73900	1.96
5	Private Corporate Bodies	79236	2.10
6	Indian Public	557508	14.78
7	NRIs / OCBs	13909	0.37
8	Any other		
	- Clearing Members	1201	0.03
	- Trusts	6521	0.17
	- Foreign Nationals	5800	0.15
	TOTAL	3771289	100.00

14. Distribution of shareholding as on 31st March, 2009

Number of Shares	Number of Shareholders	% to total Shareholders	No.of Shares	% to total Shares
1 - 500	3681	94.90	209538	5.56
501 - 1000	99	2.55	72433	1.92
1001 - 2000	56	1.45	83355	2.21
2001 - 3000	14	0.36	32893	0.87
3001 - 4000	3	0.08	11420	0.30
4001 - 5000	4	0.10	18446	0.49
5001 - 10000	11	0.28	80619	2.14
10001 & Above	11	0.28	3262585	86.51
TOTAL	3879	100.00	3771289	100.00

15. Other Disclosures :

- I. Location and date of Annual General Meetings (AGM) / Extraordinary General Meetings (EGM) held in last 3 years

Year	Date & Time of AGM / EGM	Venue
2008-2009 (EGM)	9 th April, 2009 at 11.00 a.m.	Kasturi Srinivasan Hall (Mini Hall), Music Academy, 168 TTK Road, Royapettah Chennai - 600 014
2007-2008 (AGM)	22 nd July, 2008 at 4.00 p.m.	Kasturi Srinivasan Hall (Mini Hall), Music Academy, 168 TTK Road, Royapettah Chennai - 600 014
2006-2007 (AGM)	26 th July, 2007 at 4.00 p.m.	Kasturi Srinivasan Hall (Mini Hall), Music Academy, 168 TTK Road, Royapettah Chennai - 600 014
2005-2006 (AGM)	27 th July, 2006 at 12.00 noon	M.A. Chidambaram Hall, Southern India Chamber of Commerce and Industry, Esplanade, Chennai - 600 108

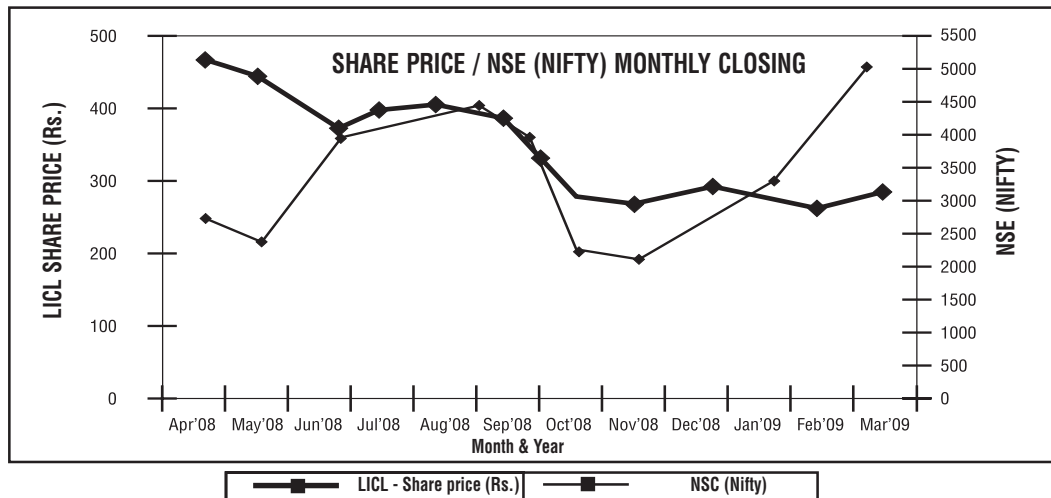
- II. The unaudited financial results on a quarterly basis and the audited annual financial results are published in the leading newspapers.
- III. Our web-site address – www.lotteindia.com
- IV. The Company is also filing the specified documents / statements/ information through “Electronic Data Information Filing and Retrieval (EDIFAR)” Scheme as per SEBI directive within the stipulated time.

16. LICL - Share Price Movement *

MONTH	RUPEES		NO. OF SHARES VOLUME
	HIGH	LOW	
APRIL 2008	250.00	190.10	1141
MAY 2008	250.00	226.25	655
JUNE 2008	386.50	224.00	52953
JULY 2008	409.90	325.10	11558
AUGUST 2008	394.80	352.00	2552
SEPTEMBER 2008	416.95	330.00	21297
OCTOBER 2008	399.30	194.50	19094
NOVEMBER 2008	229.50	190.00	1499
DECEMBER 2008	253.20	200.00	4209
JANUARY 2009	310.70	242.20	1557
FEBRUARY 2009	366.00	305.00	2787
MARCH 2009	465.00	355.00	69656

*Source: www.nseindia.com

17. Stock Movement



Period	Closing share price	Closing Nifty
APRIL 2008	245.00	5165.90
MAY 2008	226.30	4870.10
JUNE 2008	349.80	4040.55
JULY 2008	372.00	4332.95
AUGUST 2008	394.50	4360.00
SEPTEMBER 2008	363.00	3921.20
OCTOBER 2008	210.50	2885.60
NOVEMBER 2008	190.00	2755.10
DECEMBER 2008	251.40	2959.15
JANUARY 2009	290.85	2874.80
FEBRUARY 2009	366.00	2763.65
MARCH 2009	448.00	3020.95

AUDITORS' REPORT TO THE MEMBERS OF LOTTE INDIA CORPORATION LIMITED

1. We have audited the attached Balance Sheet of Lotte India Corporation Limited as at March 31, 2009 and the related Profit and Loss Account and Cash Flow Statement for the year ended on that date annexed thereto, which we have signed under reference to this report. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
 2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
 3. As required by the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004, issued by the Central Government of India in terms of sub-section (4A) of Section 227 of The Companies Act, 1956 of India (the 'Act') and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
 4. *Attention is invited to the following:*
Note 9.3 on Schedule 19 regarding remuneration paid / payable to Managing Director amounting to Rs.22.82 lakhs requiring the approval of Central Government.
 5. Further to our comments in the Annexure referred to in paragraph 3 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 purposes 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 and Cash Flow Statement dealt with by this report are in agreement with the books of account.
 - (d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Act.
 - (e) On the basis of written representations received from the directors, as on March 31, 2009 and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2009 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act.
 - (f) 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 attached thereto give in the prescribed manner the information required by the Act, and subject to our remarks in paragraph 4 above, also give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (i) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2009
 - (ii) in the case of the Profit and Loss Account, of the Loss for the year ended on that date and
 - (iii) in the case of the Cash Flow Statement, of the Cash Flows for the year ended on that date.

A.J. Shaikh

Partner

Membership Number 203637

Chennai
May 19, 2009

For and on behalf of
LOVELOCK & LEWES
Chartered Accountants

ANNEXURE TO AUDITORS' REPORT

[Referred to in paragraph 3 of the Auditors' Report of even date to the members of **Lotte India Corporation Limited** on the financial statements for the year ended March 31, 2009]

1. (a) The Company is maintaining proper records showing full particulars including quantitative details and situation of fixed assets.
 - (b) The fixed assets are physically verified by the management according to a phased programme designed to cover all the items over a period of three years, which in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. Pursuant to the programme, a portion of the fixed assets has been physically verified by the management during the year and no material discrepancies between the book records and the physical inventory have been noticed.
 - (c) In our opinion and according to the information and explanations given to us, a substantial part of fixed assets has not been disposed of by the Company during the year.
2. (a) The inventory (excluding stocks lying with third parties) has been physically verified by the management during the year. In respect of inventory lying with third parties, these have substantially been confirmed by them. In our opinion, the frequency of verification is reasonable.
 - (b) In our opinion, the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
 - (c) On the basis of our examination of the inventory records, in our opinion, the Company is maintaining proper records of inventory. The discrepancies noticed on physical verification of inventory as compared to book records were not material and have been properly dealt with in the books of account.
3. (a) The Company has not taken any loans, secured or unsecured, from companies, firms or other parties covered in the register maintained under Section 301 of the Act.
 - (b) The Company has not granted any loan, secured or unsecured, to companies, firms or other parties covered in the register maintained under Section 301 of the Act.
4. In our opinion and according to the information and explanations given to us, having regard to the explanation that certain items purchased are of special nature for which suitable alternative sources do not exist for obtaining comparative quotations, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of inventory, fixed assets and for the sale of goods. Further, on the basis of our examination of the books and records of the Company, and according to the information and explanations given to us, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the aforesaid internal control system.
5. (a) In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements referred to in Section 301 of the Act have been entered in the register required to be maintained under that section.
 - (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements and exceeding the value of Rupees Five Lakhs in respect of any party during the year have, read with our comments in paragraph 4 above, been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
6. The Company has not accepted any deposits from the public within the meaning of Sections 58A and 58AA of the Act and the rules framed there under.

ANNEXURE TO AUDITORS' REPORT (Contd.)

7. In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.
8. The Central Government of India has not prescribed the maintenance of cost records under clause (d) of sub-section(1) of section 209 of the Act for any of the products of the Company.
9. (a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is regular in depositing the undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income- tax, sales-tax / value added tax, wealth tax, service tax, customs duty, excise duty, cess and other material statutory dues as applicable with the appropriate authorities.
(b) According to the information and explanations given to us and the records of the Company examined by us, there are no dues of income-tax, sales-tax, wealth tax, service tax, customs duty, excise duty and cess as at March 31, 2009 which have not been deposited on account of disputes except as stated in Note 22 on schedule 19.
10. The Company has accumulated losses amounting to Rs.337 Lakhs as at March 31,2009 and while it has not incurred cash losses in the financial year ended on that date but has incurred cash losses in the immediately preceding financial year.
11. According to the records of the Company examined by us and the information and explanations given to us, the Company has not defaulted in repayment of dues to any financial institution or bank or debenture holders as at the balance sheet date.
12. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. The provisions of any special statute applicable to Chit fund / Nidhi / Mutual benefit fund/Societies are not applicable to the Company.
14. In our opinion, the Company is not a dealer or trader in shares, securities, debentures and other investments.
15. In our opinion, and according to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions during the year.
16. In our opinion, and according to the information and explanations given to us, on an overall basis, the term loans have been applied for the purposes for which they were obtained.
17. On the basis of an overall examination of the balance sheet of the Company, in our opinion and according to the information and explanations given to us, funds raised on a short-term basis have been used for long-term investment.
18. The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Act during the year.
19. The Company has not issued any debentures.
20. The Company has not raised any money by public issues during the year.
21. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by the management.

A.J. Shaikh

Partner

Membership Number 203637

Chennai
May 19, 2009

For and on behalf of
LOVELOCK & LEWES
Chartered Accountants

BALANCE SHEET AS AT MARCH 31, 2009

	SCHEDULE	As at March 31, 2009 Rs. Lakh		As at March 31, 2008 Rs. Lakh	
I. SOURCES OF FUNDS					
Shareholders' Funds					
Capital	1	377.13		377.13	
Reserves and Surplus	2	<u>3633.31</u>	4010.44	<u>3847.44</u>	4224.57
Loan Funds					
Secured Loans	3		-		500.00
Unsecured Loans	4		<u>34.10</u>		<u>3043.07</u>
Total			<u><u>4044.54</u></u>		<u><u>7767.64</u></u>
II. APPLICATION OF FUNDS					
Fixed Assets					
Gross Block	5	12746.43		12615.94	
Less : Depreciation		<u>6968.48</u>		<u>6473.24</u>	
Net Block		<u>5777.95</u>		<u>6142.70</u>	
Capital work-in- progress		<u>77.03</u>	5854.98	<u>85.10</u>	6227.80
Deferred Tax Asset (Net) (Refer Note 8 on Schedule 19)			823.58		738.52
Current Assets, Loans and Advances					
Inventories	6	2009.89		1930.63	
Sundry Debtors	7	372.63		315.41	
Cash and Bank balances	8	624.87		528.47	
Other Current Assets	9	1.41		1.04	
Loans and Advances	10	<u>492.59</u>		<u>543.57</u>	
		<u>3501.39</u>		<u>3319.12</u>	
Less:					
Current Liabilities and Provisions					
Liabilities	11	6045.47		2434.51	
Provisions	12	<u>89.94</u>		<u>83.29</u>	
		<u>6135.41</u>		<u>2517.80</u>	
Net Current Assets			(2634.02)		801.32
Total			<u><u>4044.54</u></u>		<u><u>7767.64</u></u>
Statement on significant accounting policies	18				
Notes on Accounts	19				

Schedules referred above form an integral part of these accounts

This is the Balance Sheet referred to
in our report of even date

A J SHAIKH
Partner

Membership No: 203637

For and on behalf of
LOVELOCK & LEWES
Chartered Accountants

Chennai
May 19, 2009

On behalf of the Board

JEA YEL KIM
Wholtime Director

MYUNG KI MIN
Managing Director

S. MURALIKRISHNA
Secretary

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2009

	SCHEDULE	Year Ended March 31, 2009 Rs. Lakh	Year Ended March 31, 2008 Rs. Lakh
INCOME			
Sales		18341.68	16815.48
Less : Excise Duty		<u>1285.68</u>	<u>1411.53</u>
		17056.00	15403.95
Other Income	13	44.88	77.79
		<u>17100.88</u>	<u>15481.74</u>
EXPENDITURE			
Materials	14	10629.78	9418.59
Employee Costs	15	1446.73	1408.02
Other Expenses	16	4412.82	4571.88
Depreciation		530.11	528.93
Interest and Finance Charges	17	353.63	323.94
		<u>17373.07</u>	<u>16251.36</u>
(Loss) Before Tax		(272.19)	(769.62)
Tax Expenses			
Current		—	—
Deferred		(85.06)	(217.93)
Fringe Benefits		<u>27.00</u>	<u>27.64</u>
		(58.06)	(190.29)
(Loss) After Tax		(214.13)	(579.33)
Balance Brought Forward		(122.87)	456.46
Balance Carried To Balance Sheet		<u>(337.00)</u>	<u>(122.87)</u>
Number of equity shares outstanding during the year		3771289	3771289
Earnings Per Share - Basic (In Rupees)		(5.68)	(15.36)
Statement of Significant Accounting Policies	18		
Notes on Accounts	19		

Schedules referred above form an integral part of these accounts

This is the Profit and Loss Account referred to
in our report of even date

A J SHAIKH
Partner

Membership No: 203637

For and on behalf of
LOVELOCK & LEWES
Chartered Accountants

Chennai
May 19, 2009

On behalf of the Board

JEA YEL KIM
Wholetime Director

S. MURALIKRISHNA
Secretary

MYUNG KI MIN
Managing Director

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2009

	Year ended March 31, 2009 (Rs. Lakh)	Year ended March 31, 2008 (Rs. Lakh)
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net (Loss) before Tax	(272.19)	(769.62)
Add : Depreciation	530.11	528.93
Interest and Finance Charges	336.30	306.64
(Profit) / Loss on sale of fixed assets	5.74	(38.80)
Interest Income	(3.43)	(1.67)
	<u>868.72</u>	<u>795.10</u>
Operating profit before Working Capital Adjustments	596.53	25.48
Adjustment for Changes in Working capital		
Inventories	(79.26)	268.17
Sundry Debtors	(57.22)	(36.40)
Loans and Advances	(54.35)	(42.39)
Current Liabilities and provisions	3,615.36	195.00
	<u>3,424.53</u>	<u>384.38</u>
Cash generated from operating activities	4,021.06	409.86
Taxes paid	80.58	(44.14)
Net Cash from Operating Activities	4,101.64	365.72
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(178.29)	(531.29)
Sale Proceeds of Fixed Assets	15.26	52.97
Interest received	3.06	1.12
	<u>3.06</u>	<u>1.12</u>
Net Cash used in Investing Activities	(159.97)	(477.20)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Short Term loans received	-	543.07
Short Term loans repaid	(3,508.97)	-
Interest and finance charges	(336.30)	(306.64)
	<u>(3,845.27)</u>	<u>236.43</u>
Net Cash used in Financing Activities	(3,845.27)	236.43
Net Increase in Cash and Cash Equivalents (A + B + C)	96.40	124.95
Cash and Cash Equivalents At the Beginning of the Year	528.47	403.52
Cash and Cash Equivalents At the End of the Year	624.87	528.47

This is the Cash Flow Statement referred to in our report of even date

A J SHAIKH
Partner
Membership No: 203637
For and on behalf of
LOVELOCK & LEWES
Chartered Accountants
Chennai
May 19,2009

On behalf of the Board

JEA YEL KIM
Wholetime Director
S. MURALIKRISHNA
Secretary

MYUNG KI MIN
Managing Director

SCHEDULES FORMING PART OF ACCOUNTS

	As At March 31, 2009 Rs.Lakh	As At March 31, 2008 Rs.Lakh
Schedule 1		
Capital		
Authorised:		
1,00,00,000 Equity Shares of Rs.10 each	<u>1000.00</u>	<u>1000.00</u>
Issued and Subscribed		
37,71,289 Equity Shares of Rs.10 each fully paid up	<u>377.13</u>	<u>377.13</u>
Notes : Of the above		
1. 20,000 (2008 - 20,000) Equity Shares have been allotted as fully paid up pursuant to a contract without payment being received in cash.		
2. 1,55,000 (2008 - 1,55,000) equity shares have been allotted as fully paid up Bonus Shares by way of capitalisation of General Reserve (Rs.8.00 Lakh) and Securities Premium Account (Rs.7.50 Lakh).		
3. 30,31,647 (2008 - 30,31,647) equity shares are held by the holding company Lotte Confectionery Co., Limited, Korea.		
Schedule 2		
Reserves and Surplus		
Capital Reserve	464.47	464.47
Securities Premium Account	966.18	966.18
General Reserve	2539.66	2539.66
Less : Debit Balance in Profit and Loss account	<u>(337.00)</u>	<u>(122.87)</u>
	<u>3633.31</u>	<u>3847.44</u>
SCHEDULE 3		
Secured Loans		
Working Capital Demand Loan	-	500.00
	-	500.00
Repayable within one year	-	500.00
SCHEDULE 4		
Unsecured Loans		
Term Loans from banks	-	3000.00
Temporary Book Overdraft	34.10	43.07
	<u>34.10</u>	<u>3043.07</u>
Repayable within one year	34.10	3043.07

SCHEDULES FORMING PART OF ACCOUNTS

SCHEDULE 5

Fixed Assets

Rs.Lakh

	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	Cost As At March 31, 2008	Additions	Deductions	Cost As At March 31, 2009	Upto March 31, 2008	For The Year	Withdrawn	Upto March 31, 2009	As At March 31, 2009	As At March 31, 2008
Tangible										
Free hold Land	3731.19	0.70	-	3731.89	-	-	-	-	3731.89	3731.19
Buildings	455.42	-	-	455.42	146.68	14.01	-	160.69	294.73	308.74
Buildings on Lease Hold Land	140.91	-	-	140.91	67.62	3.97	-	71.59	69.32	73.29
Lease Hold Improvements	45.00	-	-	45.00	11.87	14.25	-	26.12	18.88	33.13
Plant and Machinery	7607.24	104.89	-	7712.13	5778.22	436.94	-	6215.16	1496.97	1829.02
Furniture, Fixtures and Office Equipment	438.81	30.23	27.01	442.03	329.66	41.18	22.88	347.96	94.07	109.15
Vehicles	67.89	13.90	28.86	52.93	27.82	11.00	11.99	26.83	26.10	40.07
Intangible										
Computer Software	129.48	36.64	-	166.12	111.37	8.76	-	120.13	45.99	18.11
	12615.94	186.36	55.87	12746.43	6473.24	530.11	34.87	6968.48	5777.95	6142.70
Previous Year	9233.27	3545.01	162.34	12615.94	6092.48	528.93	148.17	6473.24	77.03	85.10
Capital Work in Progress									5854.98	6227.80

SCHEDULES FORMING PART OF ACCOUNTS

	As At March 31, 2009 Rs.Lakh	As At March 31, 2008 Rs.Lakh
SCHEDULE 6		
Inventories		
Consumable stores and spares	85.11	75.54
Raw materials including packing materials	687.34	467.27
Work-in-progress	41.26	52.71
Finished goods and Trading stocks	1196.18	1335.11
	<u>2009.89</u>	<u>1930.63</u>
SCHEDULE 7		
Sundry Debtors		
Unsecured		
Debts outstanding for a period - exceeding six months :		
Considered Good	13.02	10.81
Considered Doubtful	147.82	147.82
	<u>160.84</u>	<u>158.63</u>
Less : Provision for Doubtful Debts	147.82	147.82
	<u>13.02</u>	<u>10.81</u>
Other Debts - Considered Good	359.61	304.60
	<u>372.63</u>	<u>315.41</u>
SCHEDULE 8		
Cash and Bank Balances		
Cash on hand	0.76	0.58
Cheques on Hand	448.63	180.84
Balances With Scheduled Banks :		
On Current Account	168.04	339.61
On Deposit Account	7.44	7.44
	<u>624.87</u>	<u>528.47</u>
SCHEDULE 9		
Other Current Assets		
(Unsecured - Considered good)		
Interest accrued	1.41	1.04
	<u>1.41</u>	<u>1.04</u>

SCHEDULES FORMING PART OF ACCOUNTS

	As At March 31, 2009 Rs.Lakh		As At March 31, 2008 Rs.Lakh	
SCHEDULE 10				
Loans and Advances				
(Unsecured and considered good)				
Advances recoverable in cash or in kind or for value to be received		204.39		157.80
Deposits		117.26		106.97
Balance with Excise		117.96		120.49
Advance Tax and Tax Deducted at source	560.66		665.99	
Less : Provision for Tax	507.68	52.98	507.68	158.31
		<u>492.59</u>		<u>543.57</u>
SCHEDULE 11				
Liabilities				
Sundry Creditors (Refer Note 17 in Schedule 19)		2362.09		2126.38
Advances and Deposits (Note 1)		3467.79		112.49
Investor education and protection fund : (Note 2)				
a) Unpaid matured deposits		-	0.12	
b) Unpaid matured Debenture Instalments	0.30		0.30	
c) Interest accrued on (a) and (b) above	0.41	0.71	0.56	0.98
Other liabilities		<u>214.88</u>		<u>194.66</u>
		<u>6045.47</u>		<u>2434.51</u>
Notes				
1 Include Lease Deposit		3300.00		-
2 None of the amounts disclosed is more than seven years old as on the Balance Sheet date and all are unclaimed.				
SCHEDULE 12				
Provisions				
Leave Encashment		42.18		36.05
Contingencies		45.00		46.73
Fringe Benefits Tax	129.64		102.64	
Less : Advance Fringe Benefits Tax	126.88	2.76	102.13	0.51
		<u>89.94</u>		<u>83.29</u>

SCHEDULES FORMING PART OF ACCOUNTS

	Year Ended March 31, 2009 Rs.Lakh		Year Ended March 31, 2008 Rs.Lakh	
SCHEDULE 13				
Other Income				
Interest from Deposits etc: Gross (Tax deducted at source Rs. 0.40 Lakh (2008 - Rs.0.24 Lakh))		3.43		1.67
Insurance Claim Received		6.19		0.76
Rent Received		11.61		10.92
Scrap Sales		10.50		8.42
Profit on Sale of fixed assets (Net)		—		38.80
Others		13.15		17.22
		<u>44.88</u>		<u>77.79</u>
SCHEDULE 14				
Materials				
Raw Materials and Packing materials Consumed				
Opening Stock		467.27		633.79
Purchases		8877.46		7729.67
		<u>9344.73</u>		<u>8363.46</u>
Closing Stock		687.34	8657.39	467.27
				<u>7896.19</u>
Raw Material Processing Charges		990.03		882.64
Purchase of Finished Goods		871.64		535.67
(Increase) / Decrease in stocks				
Opening Stock				
Work in Progress		52.71		54.50
Finished Goods and Trading Stocks		1335.11		1445.75
		<u>1387.82</u>		<u>1500.25</u>
Closing Stock				
Work in Progress		41.26		52.71
Finished Goods and Trading Stocks		1196.18		1335.11
		<u>1237.44</u>	150.38	<u>1387.82</u>
				112.43
Excise Duty on Finished goods				
On Opening Stock		151.08		159.42
On Closing Stock		111.42	(39.66)	151.08
		<u>10629.78</u>		<u>9418.59</u>

SCHEDULES FORMING PART OF ACCOUNTS

	Year Ended March 31, 2009 Rs.Lakh		Year Ended March 31, 2008 Rs.Lakh	
SCHEDULE 15				
Employee Cost				
Salaries, wages and bonus		1229.72		1211.61
Contribution to Provident and Other Funds		105.49		86.61
Workmen and Staff welfare expenses		111.52		109.80
		<u>1446.73</u>		<u>1408.02</u>
SCHEDULE 16				
Other Expenses				
Stores consumed		45.64		42.88
Power and Fuel		419.57		353.88
Rent		151.74		130.73
Repairs and maintenance - Buildings	0.39		6.19	
- Plant and Machinery	127.38		117.05	
- Others	58.83	186.60	57.39	180.63
Insurance		24.72		36.64
Rates and Taxes		107.30		107.25
Packing, Despatching and Freight		953.41		832.52
Clearing forwarding and other charges		108.98		103.28
Rebates, Discounts and Claims		1331.02		905.04
Travelling Expenses		313.62		335.83
Advertisement Expenditure		371.54		1078.53
Audit Fees and Expenses :				
For Statutory Audit	6.00		6.00	
For Other services	9.20		14.60	
For Expenses	0.71	15.91	0.34	20.94
Directors' sitting fees		3.24		2.54
Sales Promotion Expenses		176.08		173.21
Professional & Consultancy Charges		32.93		82.01
Communication expenses		51.86		54.06
Loss on Sale/scraping of fixed assets (Net)		5.74		-
Miscellaneous Expenses		112.92		131.91
		<u>4412.82</u>		<u>4571.88</u>
SCHEDULE 17				
Interest and Finance Charges				
Interest				
Term Loans	329.49		295.18	
Others	6.81	336.30	11.46	306.64
Finance Charges				
Bank Charges		17.33		17.30
		<u>353.63</u>		<u>323.94</u>

NOTES FORMING PART OF ACCOUNTS

SCHEDULE - 18

STATEMENT ON SIGNIFICANT ACCOUNTING POLICIES:

1. Basis of preparation of financial statements

The financial statements are prepared under historical cost convention on accrual basis of accounting to comply with the accounting standards prescribed in the Companies (Accounting Standards) Rules, 2006 and with the relevant provisions of the Companies Act, 1956.

2. Use of Estimates

The preparation of financial statements in conformity with the generally accepted accounting principles requires the management to make estimates and assumptions that affect the reported amount of assets and liabilities, as of the balance sheet date and the reported amount of revenue and expenses for the year and disclosure of contingent liabilities as of the date of balance sheet. The estimates and the assumptions used in the accompanying financial statements are based upon the management's evaluation of the relevant facts and the circumstances as of the date of financial statements. Actual amount could differ from these estimates.

3. Revenue Recognition

Sales are recognised on despatch of goods. Sales includes excise duty recovered and is net of sales tax / sales returns.

4. Fixed Assets

Fixed Assets are stated at cost. Cost includes related taxes, duties, insurance, freight, cost of installation and other incidental expenses but excluding duty credits under cenvat credit scheme.

5. Depreciation

Depreciation on fixed assets other than the assets taken over on amalgamation of erstwhile Cocoa Products and Beverages Limited with the company and lease hold improvements is provided on straight line method at the following annual rates:

Buildings	3.57%
Plant and Machinery	3.57%, 5.28%, 7.69%, 10%, 14.29%
Furniture, Fixtures and Office Equipment	3.57%, 9.5%, 14.29%, 19%
Vehicles	19%
Computers	9.5%, 19%.

Depreciation on additions and deletions is restricted to the period of use.

Assets costing individually upto Rs.5,000/- are depreciated at 95% of the amount in the year of addition.

In respect of assets taken over on amalgamation of erstwhile Cocoa Products and Beverages Limited depreciation is calculated on straight line method at the rates specified in Schedule XIV of the Companies Act, 1956.

Lease hold improvements are amortised over the period of lease.

In the event the useful life of any fixed assets being assessed to be lower than the life derived from the rates specified above, the book value of such assets is charged off as depreciation over their balance useful lives.

NOTES FORMING PART OF ACCOUNTS

6. Impairment of Assets

An asset is impaired when the carrying amount of the asset exceeds its recoverable amount. An impairment loss is charged to Profit and Loss Account in the year in which an asset is identified as impaired. An impairment loss recognized in prior accounting periods is reversed if there has been a change in the estimate of recoverable amount.

7. Inventories

Raw Materials, Consumables, Stores and Spares have been valued at or under cost, ascertained primarily on moving weighted average basis. Cost includes taxes, duties, freight and other expenses incurred to bring the goods to the present location and condition and net of Cenvat credit availed.

Work in Progress is valued at cost including applicable manufacturing overheads.

Finished goods and trading stocks are valued at lower of cost and net realisable value. Cost of Finished goods includes all direct costs including excise duty and applicable production overheads incurred to bring the goods to their present location and condition. Cost of trading stocks is ascertained on moving weighted average basis.

8. Foreign Currency Transactions

Foreign Currency transactions are accounted at the exchange rates prevailing on the date of transaction. At the year-end, all monetary assets and liabilities denominated in foreign currency are re-stated at the closing exchange rates.

Exchange differences arising out of actual payment/realization and from the year end restatement referred to above are adjusted to the Profit and Loss Account.

In respect of forward exchange contracts, the difference between the forward rate and the exchange rate at the date of the transaction is recognised as income or expense over the life of the contract.

9. Taxation

Provision for Current Tax and Fringe Benefits Tax is made based on the liability computed in accordance with the relevant tax rates and tax laws. Provision for Deferred tax is made for all timing differences arising between the taxable income and accounting income at the tax rates enacted or substantively enacted by the Balance Sheet date. Deferred tax assets are recognized only if there is a virtual certainty that they will be realized and are reviewed for the appropriateness of their respective carrying values at each Balance Sheet date.

10. Research and Development

All Research and Development cost excluding Capital Expenditure is charged off in the year in which it is incurred.

11. Employee Benefits

a. Short Term

Liability in respect of short term Employee benefits in the nature of accumulated compensated absence has been recognized on total liability method and computed on cost to company basis and charged to revenue.

b. Long Term

Liability in respect of long term Employee Benefits in the nature of accumulated absence is provided for based on actuarial valuation based on projected unit credit method.

NOTES FORMING PART OF ACCOUNTS

c. Post Retirement

Post retirement benefits comprise of Provident Fund, Superannuation Fund and Gratuity which are accounted as follows :

- i) Provident Fund : This is a defined contribution plan and contributions made to the fund are charged to revenue. The Company has no further obligations for future provident fund benefits other than annual contributions
- ii) Superannuation Fund : This is a defined contribution plan . The Company contributes a sum equivalent to 15 % of eligible employees' salary towards superannuation fund administered by Life Insurance Corporation of India (LIC). The company has no further obligations for future superannuation benefits other than annual contributions and recognizes such contributions as expense as and when due.
- iii) Gratuity : This is a defined benefit plan. The Company's scheme is administered by LIC. The Liability is determined based on actuarial valuation using projected unit credit method. Actuarial gains and losses comprising of experience adjustments and the effect of changes in actuarial assumptions are recognized immediately in the Profit and Loss Account as income or expense.

12. Provisions

Provisions are recognized when the Company has an obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation and a suitable estimate of the amount of the obligation can be made.

SCHEDULE - 19

NOTES ON ACCOUNTS

1. **Delisting of Company's Shares** : Pursuant to the decision of the Holding company (the promoter), to opt for voluntary delisting of Company's securities from the National Stock Exchange of India Limited and the Madras Stock Exchange Limited by giving an exit option to all the public shareholders through Reverse book building process as per SEBI (Delisting of Securities) Guidelines 2003 the Company has since obtained the approval of members and initiated the process of delisting.
2. **Lease of Nemam Land** : The Company has entered into a Lease agreement with Lotte Foods India Private Limited, Delhi for leasing the 21.525 acres of land in Nemam Village , Thiruvallur district for a period of five years effective August 1, 2008 for construction of factory with a interest free lease deposit of Rs.33 crores and a lease rent of Rs. 40,000 per month.
3. **Transfer Pricing** : The study of international transactions entered into by the Company with its overseas associates regarding the extent of compliance to the transfer pricing regulations of the Income Tax Act, 1961 is yet to be completed and the impact, if any, arising out of such study has not been recognised in these accounts pending completion of the study.
4. The Company has a funded and non funded, facilities with a bank (limit Rs.1100 lakh) which are secured by a first charge on stock of raw materials, work in-progress, finished goods, consumable stores, book debts and a second charge on the entire fixed assets, present and future, including immovable properties by way of extension of equitable mortgage by deposit of title deeds of immovable properties at Maraimalai Nagar, Manapakkam and a charge on the leasehold interest in land at Nellikuppam.

NOTES FORMING PART OF ACCOUNTS

	31.03.2009 (Rs. Lakh)	31.03.2008 (Rs. Lakh)
5. Estimated amount of the contracts remaining to be executed on capital account and not provided for	9.00	1.11
6.1 Claim against the company not acknowledged as debt in respect of		
Sales Tax Matters	16.98	23.62
Income Tax Matters	30.00	13.93
Excise Matters	94.78	65.82
6.2 Certain proceedings/appeals in respect of Industrial Disputes/Claims are pending before the appropriate judicial bodies or otherwise. No provision has been made in the accounts as the liability of the Company depends on the final outcome of the proceedings, and in the opinion of the management is unlikely to be material.		
7. Other Financial Information		
7.1 Outstanding Bank Guarantee	9.75	10.23
7.2 Outstanding Letter of Credit	-	139.79
7.3 Net Exchange difference (Credit)/Debit to Profit and Loss Account	(2.48)	(5.76)
7.4 Repair and Maintenance include stores and spares consumed	60.72	43.90
7.5 Revenue expenses incurred on Research and Development included under various heads of account	51.14	59.76
7.6 Cost of 5 equity shares of Rs 50 each held by the Company in Padmavathi Co-operative Housing Society Limited amounting to Rs 250		
7.7 Details of Assets given on Lease		
7.7.1 Land		
Original cost	1742.12	-
7.7.2 Plant and Machinery		
Original cost	336.69	376.18
Depreciation	20.93	14.51
Accumulated Depreciation	214.24	219.96
Net Book Value	122.45	156.22
	31.03.2009	31.03.2008
	Asset/ (Liability)	Asset/ (Liability)
	(Rs. Lakh)	(Rs. Lakh)
8. The year end deferred tax asset is on account of		
Difference between book and tax written down value of Fixed assets	(284.86)	(393.37)
Provision for Doubtful debts / advances	57.57	57.57
Unabsorbed depreciation	1006.64	1020.91
Others	44.23	53.41
	823.58	738.52

NOTES FORMING PART OF ACCOUNTS

	31.03.2009 (Rs. Lakh)	31.03.2008 (Rs. Lakh)
9. Directors Remuneration		
9.1 Remuneration paid / payable to Managing Director / Whole Time Director		
Salaries and Allowances	26.03	38.74
Contribution to Funds	5.00	8.36
Perks	14.09	13.48
	<u>45.12</u>	<u>60.58</u>
9.2 Remuneration received / receivable by the Managing Director / Whole Time Director from Lotte Confectionery Co. Ltd, Chennai Liaison office	70.83	27.65
9.3 Remuneration to Directors		

The Company has obtained the approval of Central Government for the appointment of and remuneration to Whole Time Director during the year. The Company has preferred an application to the Central Government for the appointment of and remuneration amounting to Rs. 22.82 lakh during the year to Managing Director and the related approval is awaited.

10. Capacities

Classification of Goods	Licensed Capacity Quintals		Installed Capacity Quintals	
	31.03.09	31.03.08	31.03.09	31.03.08
Toffees *	€	€	\$	\$
Confectionery Other than Toffees	€	€	\$	\$
Cocoa Powder	3750	3750	-	-
Chocolates	1250	1250	-	-
Malted Milk Food	7500	7500	-	-

* Includes Milk Toffees and Modified Toffees.

(€) Under the liberalised policy of the Government vide notification no.5-0-477 (E) dated 25th July 1991, these products are exempted from licensing provision under the Industries (Development and Regulation) Act 1951.

(\$) The products are manufactured in an integrated plant and hence Installed capacity cannot be ascertained.

NOTES FORMING PART OF ACCOUNTS

11. Information in respect of Goods manufactured, Traded goods, Stock, Purchase and Sales.

Class of goods	31.03.2009		31.03.2008	
	Quantity Quintals	Rs. Lakh	Quantity Quintals	Rs. Lakh
Opening Stock				
Toffees \$ £	20,039	1,065.00	17,393	1,031.71
Confectionery other than toffee £	1,503	151.36	1,947	210.39
Traded Goods	594	118.75	1,677	203.65
	22,136	1,335.11	21,017	1,445.75
Production €				
Toffees	66,997	—	76,749	—
Confectionery other than toffee	7,765	—	5,837	—
	74,762	—	82,586	—
Purchases				
Toffees	—	—	—	—
Confectionery other than toffee	—	—	—	—
Traded Goods*	4,432	871.64	3,268	535.67
	4,432	871.64	3,268	535.67
Sales				
Toffees \$ £	166,767	15,673.24	174,131	14,567.00
Confectionery other than toffee	13,938	1,662.02	12,460	1,383.61
Traded Goods	4,561	1,006.42	4,075	864.87
	185,266	18,341.68	190,666	16,815.48
Closing Stock				
Toffees \$ £	15,655	993.58	20,039	1,065.00
Confectionery other than toffee	1,617	142.72	1,503	151.36
Traded Goods	333	59.88	594	118.75
	17,605	1,196.18	22,136	1,335.11

€ 1. Toffee production does not include 99,450 (2008 – 89,309) quintals processed by third parties.

€ 2. Confectionery other than toffee does not include 5,610 (2008 – 15,836) quintals processed by third parties.

\$ Includes milk toffees and modified toffees

£ Includes processed by third parties

Closing stock is arrived at after adjustment of shortage / excess / written-off

* Includes sugar purchases nil (2008-116 Quintals : Rs 15.96 Lakh).

NOTES FORMING PART OF ACCOUNTS

12. Details of Raw Materials including Packing Materials Consumed

PARTICULARS		31.03.2009		31.03.2008	
		Quantity	Rs. Lakh	Quantity	Rs. Lakh
Sugar	Qtls	68309	1169.09	67305	882.41
Glucose	Qtls	64316	1101.83	63717	1084.49
Essence and Oils			123.39		114.17
Vanaspathi	Kgs	1288036	630.76	1224529	610.62
Wrapping Materials			1414.50		1257.76
Packing Materials			1331.67		1186.20
Others *			2886.15		2760.54
			8657.39		7896.19

* Represents items, which account per individually less than 10% of the total value of the raw materials consumed.

13. Value of Imported and Indigenous Raw Material and Machine spares consumed during the year and percentage there of to total consumption.

	31.03.2009		31.03.2008	
	Rs. Lakh	%	Rs. Lakh	%
Raw Material				
Imported	67.38	0.78	132.02	1.67
Indigenous	8590.01	99.22	7764.17	98.33
	8657.39	100.00	7896.19	100.00
Machinery Spares				
Imported	2.84	4.47	25.98	37.18
Indigenous	60.72	95.53	43.90	62.82
	63.56	100.00	69.88	100.00

14. C.I.F Value of Imports:

	31.03.2009 (Rs. Lakh)	31.03.2008 (Rs. Lakh)
Consumables Stores and Spares	8.35	25.52
Machinery	40.88	52.46
Raw Materials – Gum base	89.95	81.10
Finished goods – Gums/Chocopie/Kancho/Xylitol	545.30	323.65
	684.48	482.73

15. Expenditure in Foreign Currency :

Travel	-	8.62
Others	-	3.91

16. Earnings in Foreign Exchange:

FOB Value of Goods exported	116.42	75.81
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NOTES FORMING PART OF ACCOUNTS

17. Amount due to Micro Small and Medium Enterprises

No amount is due to Micro, Small and Medium Enterprises as per information available with the Company.

18. The Company is engaged in the business of manufacture of Confectionery and related products which is considered to be reportable business segment as per Accounting Standard 17 "Segment Reporting".

19. Disclosure under Accounting Standard 15 (Revised)

19.1 The Company's obligation towards the Defined Benefit Plan of Gratuity as at March 31, 2009 are as follows :

		2008-09	2007-08
		Rs. Lakh	Rs. Lakh
a. Change in Present value of Benefit Obligation			
SI. No.	Particulars		
(i)	Present value of benefit obligation as at the beginning of the year	154.87	144.33
(ii)	Interest cost	11.58	10.29
(iii)	Current service cost	12.47	12.86
(iv)	Benefits paid	(20.36)	(14.17)
(v)	Actuarial loss / (gain) on obligation	7.78	1.56
(vi)	Present value of benefit obligation as at the end of the year	166.34	154.87

b. Change of Fair value of Plan assets

SI. No.	Particulars		
(i)	Fair value of plan assets at the beginning of the year	157.44	157.40
(ii)	Expected return on plan assets	11.78	11.28
(iii)	Contributions	-	-
(iv)	Benefits paid	(20.36)	(14.17)
(v)	Actuarial gain / (loss) on plan assets	2.03	2.93
(vi)	Fair value of plan assets at the end of the year	150.89	157.44

c. Amounts recognised in the balance sheet

SI. No.	Particulars		
(i)	Projected value of obligation as at the end of the year	166.34	154.87
(ii)	Fair value of plan assets at the end of the year	150.89	157.44
(iii)	Funded status of the plans - (asset)/liability	15.45	(2.57)

d. Amounts recognised in the statement of profit & loss

SI. No.	Particulars		
(i)	Current service cost	12.47	12.86
(ii)	Interest cost	11.58	10.29
(iii)	Expected return on plan assets	(11.78)	(11.27)
(iv)	Net actuarial (gain)/loss recognised in the year	5.75	(1.37)
(v)	Past service cost	-	(10.51)
(vi)	Expenses recognised in the statement of profit and loss	18.02	-

e. Principal actuarial assumptions as at balance sheet date (in Percentage)

SI. No.	Particulars		
(i)	Discount rate	8.00%	8.00%
(ii)	Salary Escalation	5.00%	5.00%
(iii)	Expected return on plan assets	8.00%	8.00%
(iv)	Attrition rate	1-3%	1-3%

19.2 Principal actuarial assumptions as at balance sheet date for compensated absence: (in Percentage)

SI. No.	Particulars		
(i)	Discount Rate	8.00%	8.00%
(ii)	Salary Escalation	5.00%	5.00%
(iii)	Attrition rate	1-3%	1-3%

NOTES FORMING PART OF ACCOUNTS

20. Related Party disclosures under Accounting Standard 18 :

20.1 List of related parties

Holding company	Lotte Confectionery Limited, Korea *
Associates	Lotte Chilsung Beverage Co., Ltd. Lotte Samkang Co., Ltd. Lotte Industry Co., Ltd. Lotteria Co., Ltd. Lotte Moolsan Co., Ltd. Korea Fuji Film Co., Ltd. Lotte Shopping.Co., Ltd. Lotte Trading Co., Ltd. Lotte Data Communication Company Lotte Station Building Co., Ltd. Lotte Fres Fresh Delica Co., Ltd. Lotte Giants Co., Ltd. Lotte. Com, Inc. Korea Seven Co., Ltd. Lotte Pharmaceutical Co., Ltd. Lotte Foods India Private Ltd.* Lotte Engineering Construction Co., Ltd.
Key Management Personnel	Mr. K.V. Ramachandra – Managing Director till April 04,2008* Mr. Myung Ki Min – Managing Director from April 22, 2008* Mr. Jea Yel Kim – Whole-time Director*

* Represents related parties with whom the company had transaction during the year

20.2 Related party Transactions

	Holding Company		Associates		Key Management Personnel	
	31.03.09	31.03.08	31.03.09	31.03.08	31.03.09	31.03.08
Transactions	Rs. Lakh	Rs. Lakh	Rs. Lakh	Rs. Lakh	Rs. Lakh	Rs. Lakh
Purchases of goods	632.33	404.75	-	-	-	-
Purchases of capital goods	41.81	-	-	-	-	-
Sales	-	40.30	-	-	-	-
Remuneration	-	-	-	-	45.12	60.58
Rent	-	-	3.20	-	-	-
Closing Balance -Credit	188.75	96.30	3,300.00	-	-	-
-Debit	-	-	2.47	-	-	-

NOTES FORMING PART OF ACCOUNTS

21. Earnings Per Share

Particulars	31.03.2009	31.03.2008
Profit / (Loss) after taxation as per profit and loss account (Rs. Lakh)	(214.13)	(579.33)
Number of equity share outstanding	37,71,289	37,71,289
Earnings per share – Basic in rupees (face value – Rs.10 per share)	(5.68)	(15.36)

22. At the end of the financial year there were no dues of sales tax (Including Value Added Tax), income tax, customs duty, wealth tax, excise duty and cess which have not been deposited on account of any dispute except as set out below which are all covered either by bank guarantee or stayed by appropriate authorities:

Name of the Statute	Nature of the dues	Period	Amount in Rs. Lakh	Forum where dispute is Pending
Sales tax statutes of various states where the Company is a registered dealer	Sales Tax	1999-00 and 2000-01	16.98	Appellate Authorities of the concerned states

23. BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. Registration Details

Registration No	L15419TN1954PLC001987
State Code	18
Balance Sheet date	31.03.2009

II. Capital Raised during the Period (Rupees in Thousands)

Public Issue	NIL
Rights Issue	NIL
Bonus Issue	NIL
Private Placement	NIL

III. Position of Mobilisation and Deployment of Funds (Rupees in Thousands)

Total Liabilities	1,017,995
Total Assets	1,017,995

SOURCE OF FUNDS

Paid-up Capital	37,713
Reserves and Surplus	363,331
Secured Loans	-
Unsecured Loans	3,410

APPLICATION OF FUNDS

Net Fixed Assets	585,498
Net Current Assets	(263,402)
Deffered Tax Asset	82,358

IV. Performance of Company (Rupees in Thousands)

Turnover (including Other Income)	1,710,088
Total Expenditure	1,737,307
Profit / (Loss) before Tax	(27,219)
Profit / (Loss) after tax	(21,413)
Earning Per Share in Rs.	(5.68)
Dividend Rate %	NIL

V. Generic Names of Three Principal Products/Service of Company (as per monetary terms)

(ITC Code)	: 1704
Product Description	: SUGAR CONFECTIONERY WITHOUT COCOA
(ITC Code)	: 180690 – 01
Product Description	: CHOCOLATE CONFECTIONERY

24. Previous year's figures have been regrouped wherever necessary.

On behalf of the Board

JEA YEL KIM
Wholetime Director

MYUNG KI MIN
Managing Director

Chennai
May 19, 2009

S.MURALIKRISHNA
Secretary

TEN YEARS AT A GLANCE

Rs. Lakh

	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004**	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009
OPERATING RESULTS										
GROSS INCOME	10663.45	10625.42	9963.15	9512.85	10138.13	12070.14	14607.59	16217.48	16815.48	18341.68
PROFIT/(LOSS) BEF DEPN. INTEREST & TAX	(507.00)	475.68	918.55	427.16	800.97	773.91	831.71	867.55	83.25	611.55
PROFIT/(LOSS) BEF INTEREST & TAX	(1236.34)	(180.51)	309.20	(109.17)	297.13	278.12	300.01	351.54	(445.68)	81.44
PROFIT/(LOSS) BEFORE TAX (PBT)	(1657.66)	(522.82)	70.20	(286.90)	219.40	270.81	306.03	281.48	(769.62)	(272.19)
PROFIT/(LOSS) AFTER TAX (PAT)	(1657.66)	(522.82)	47.67	(118.03)	77.99	116.94	140.98	120.55	(579.33)	(214.13)
DIVIDENDS	-	-	-	-	-	-	-	-	-	-
DIVIDEND TAX	-	-	-	-	-	-	-	-	-	-
RETAINED PROFITS	(1657.66)	(522.82)	47.67	(118.03)	77.99	116.94	140.98	120.55	(579.33)	(214.13)
SOURCES AND APPLICATION OF FUNDS :										
SOURCES OF FUNDS										
SHARE CAPITAL	377.13	377.13	377.13	377.13	377.13	377.13	377.13	377.13	377.13	377.13
RESERVES AND SURPLUS	5002.88	4517.91	4503.07	3892.99	4048.30	4165.24	4306.22	4426.77	3847.44	3633.31
TOTAL SHAREHOLDERS' FUNDS	5380.01	4895.04	4880.20	4270.12	4425.43	4542.37	4683.35	4803.90	4224.57	4010.44
BORROWINGS	2572.65	2140.06	1155.86	1288.34	517.98	224.52	38.53	3000.00	3543.07	34.10
DEFERRED TAX LIABILITY	-	-	47.19	-	-	-	-	-	-	-
FUNDS EMPLOYED	7952.66	7035.10	6083.25	5558.46	4943.41	4766.89	4721.88	7803.90	7767.64	4044.54
APPLICATION OF FUNDS										
GROSS FIXED ASSETS	9570.36	9411.79	8931.02	8242.32	8684.49	9000.63	9103.34	9233.27	12615.94	12746.43
DEPRECIATION	3166.81	3669.62	3843.89	4326.84	4694.04	5156.84	5674.88	6092.48	6473.24	6968.48
NET FIXED ASSETS	6403.55	5742.17	5087.13	3915.48	3990.45	3843.79	3428.46	3140.79	6142.71	5777.95
CAPITAL WORK-IN-PROGRESS	57.29	42.79	4.27	4.27	4.27	4.27	4.30	3098.82	85.09	77.03
INVESTMENTS	971.54	914.04	713.87	686.76	5.80	-	-	-	-	-
DEFERRED TAX ASSET	-	-	-	355.59	848.44	716.07	616.02	520.59	738.52	823.58
GROSS CURRENT ASSETS	2525.95	2274.36	1722.56	1952.07	1402.01	2013.22	2533.08	3367.23	3319.12	3501.39
CURRENT LIABILITIES & PROVISIONS	2005.67	1976.11	1526.03	1355.71	1307.56	1810.46	1859.98	2323.53	2517.80	6135.41
NET CURRENT ASSETS	520.28	298.25	196.53	596.36	94.45	202.76	673.10	1043.70	801.32	(2634.02)
DEFERRED REVENUE EXPENDITURE	-	-	81.45	-	-	-	-	-	-	-
DEBIT BALANCE IN P & L ACCOUNT	-	37.85	-	-	-	-	-	-	-	-
NET ASSETS EMPLOYED	7952.66	7035.10	6083.25	5558.46	4943.41	4766.89	4721.88	7803.90	7767.64	4044.54
RATIOS										
ROCE (%)	-13.51	-2.41	4.71	-1.88	5.66	5.73	6.32	5.61	-5.72	-1.38
PBDIT TO GROSS INCOME (%)	-4.75	4.48	9.22	4.49	7.90	6.41	5.69	5.35	0.50	3.33
PAT ON SHAREHOLDERS' FUNDS (%)	-30.81	-10.68	0.98	-2.76	1.76	2.57	3.01	2.51	-13.71	-5.34
EARNINGS PER EQUITY SHARE (Rs.)	-43.95	-13.86	1.26	-3.13	2.07	3.10	3.74	3.20	-15.36	-5.68
DIVIDEND PER EQUITY SHARE (Rs.)	-	-	-	-	-	-	-	-	-	-
NET WORTH PER EQUITY SHARE (Rs.)	142.66	129.80	129.40	113.23	117.35	120.45	124.18	127.38	112.02	106.34
DEBT. EQUITY RATIO	0.48	0.44	0.24	0.30	0.12	0.05	0.01	0.62	0.84	0.01

Notes :

** Includes merger of Confectionery Specialities Ltd. (100% Subsidiary)