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CORPORATE INFORMATION

Board of Directors

YONG TACK KIM
Chairman

MYUNG KI MIN
Managing Director

D.G. RAJAN
Director

Company Secretary

S. MURALIKRISHNA

Registered Office

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

Head Office

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

Factory

NELLIKUPPAM, TAMIL NADU

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-Fifth Annual General Meeting of the Company will be held on Tuesday, the 10th August, 2010 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, 2010 and the Balance Sheet as at that date and the Auditors' Report thereon.
2. To appoint a Director in the place of Mr. D G Rajan who retires by rotation and is eligible for reappointment.
3. To consider the appointment of M/s B S R & Company, Chartered Accountants, Chennai, as auditors of the Company to hold office from the conclusion of the 55th Annual General Meeting till the conclusion of the 56th Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS

4. To consider and if thought fit, to pass, with or without modification(s), the following resolution as a Special Resolution.

RESOLVED THAT subject to the provisions of the Companies Act, 1956, if any, the Memorandum of Association of the Company be amended by insertion of new Clause under the Main Objects, as below :

A new clause 20A be inserted after the existing clause 20, to be read as follows :

“To amalgamate with any Company or Companies having objects altogether or in part similar to those of this Company.”

By Order of the Board
for Lotte India Corporation Limited

Chennai
June 7, 2010

S MURALIKRISHNA
Company Secretary

NOTES

1. The relevant explanatory statement pursuant to Sec. 173 of the Companies Act, 1956 ("The Act") in respect of Item No. 4 is annexed.
2. 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.
3. The Register of Members and the Share Transfer Books of the Company shall remain closed from 6th August, 2010 to 10th August, 2010 (both days inclusive)
4. 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

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

Item No. 4

The Memorandum of Association of the company needs to be altered to enable the company for amalgamating any other company or companies having similar objects.

None of the directors is interested in the resolution.

By Order of the Board
For Lotte India Corporation Limited

Chennai
June 7, 2010

S MURALIKRISHNA
Company Secretary

DIRECTORS' REPORT

Your Directors present the 55th Annual Report of your Company together with the audited financial statements for the year ended 31st March 2010.

Financial Results

	2009-2010 (Rs.in Lakh)	2008-2009 (Rs.in Lakh)
Sales	19703.19	18341.68
Profit before depreciation and interest & finance charges	982.75	611.55
Less : Depreciation and Interest & finance charges	481.54	883.74
Profit / (Loss) before tax	501.21	(272.19)
Less Provision for Taxes :		
Current	86.00	—
Deferred	161.00	(85.06)
Fringe Benefit	—	27.00
Profit / (Loss) after tax	254.21	(214.13)
Add : Balance brought forward	(337.00)	(122.87)
Balance Loss transferred to Balance Sheet	(82.79)	(337.00)

The Board of Directors has decided not to recommend any dividend for the year ended 31st March 2010.

Review of operations

For the year ended 31st March, 2010 the Company achieved 7.42% growth in gross sales at Rs.19703.19 Lakh as against Rs.18341.68 Lakh in the previous year.

During the year, the Company has achieved profit before interest and finance charges of Rs.518.87 Lakh as

against profit before interest and finance charges of Rs.81.44 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.

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.54,764 during the year and Rs.15,809 on 27th April, 2010 to the Investor Education and Protection Fund.

Directors

Mr. D G Rajan is retiring by rotation in the ensuing Annual General Meeting and offers himself for re-appointment.

Mr. Jea Yel Kim and Mr. Sang Man Shim have resigned from the Board as Directors with effect from 30th July, 2009 and 29th October, 2009, respectively. 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, expressed their desire not to seek re-appointment as Statutory Auditors of the Company.

M/s. B S R & Company, Chartered Accountants, Chennai, has given their consent to act as Statutory Auditors of the Company. The Board has recommended for appointment of M/s. B S R & Company, Chartered

DIRECTORS' REPORT (Contd.)

Accountants, Chennai, as Statutory Auditors of the Company to hold office from the conclusion of the 55th Annual General Meeting till the conclusion of the 56th Annual General Meeting and to fix their remuneration.

Delisting

The Company had filed delisting application with National Stock Exchange of India Limited, Bombay Stock Exchange Limited and Madras Stock Exchange Limited on 9th June, 2009 to delist the equity shares of the Company and received approvals from all the Stock Exchanges for delisting the equity shares of the company with effect from 24th July, 2009.

In accordance with SEBI (Delisting of Securities) Guidelines, 2003, the Promoter M/s. Lotte Confectionery Co. Ltd., Korea, made a Public Announcement on 13th April, 2009 for acquiring the shares under Reverse Book Building Process (RBP). The bid period for the RBP was kept open between 4th May, 2009 and 8th May, 2009 for Demat shareholders and between 14th May, 2009 and 28th May, 2009 for Physical shareholders and finally exit offer for the remaining public shareholders for a period of six months i.e. from 3rd August, 2009 to 2nd February, 2010.

Post Delisting, promoter M/s. Lotte Confectionery Co. Ltd., Korea is holding 3615961 equity shares (95.88%) and the balance 155328 equity shares (4.12%) are held by Public. The delisting process was completed during the year.

Amalgamation

The Board of Directors have approved a scheme of amalgamation between Lotte Food India Private Limited and the Company with effect from 1st April, 2010. This is subject to the approval of the Hon'ble High Court of Judicature at Madras. The Company has initiated the relevant process in this regard.

Corporate Governance

As a good Corporate Governance, a report on compliance of Corporate Governance as on 31st March, 2010 duly certified by the 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 2009-10, 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
June 7, 2010

MYUNG KI MIN
Managing Director

D G RAJAN
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 2009-10	Previous Year 2008-09
A. (I) POWER AND FUEL CONSUMPTION		
1. Electricity		
(a) Purchases		
Units	2100719	2396539
Total amount (Rs.lakh)	94.33	107.19
Rate/unit (Rs.)	4.49	4.47
(b) Own generation: Through Diesel generator		
Units	799915	609796
Total amount (Rs.lakh)	104.05	78.68
Units per litre of diesel oil	2.70	2.79
Cost/unit(Rs.)	13.01	12.90
2. Furnace oil quantity (K.litre)	702.08	805.18
Total amount (Rs.lakh)	163.65	199.89
Average rate per K.Litre(Rs.)	23309.68	24825.82
(II) CONSUMPTION OF ELECTRICITY PER QUINTAL OF PRODUCTION (UNITS)	34.35	40.21

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. 152.02 lakh
Outgo : Rs. 996.60 lakh

On behalf of the Board

Chennai
June 7, 2010

MYUNG KI MIN
Managing Director

D G RAJAN
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, 2010

[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, 2010

NAME (AGE)	DESIGNATION/ NATURE OF DUTIES	REMUNERATION Rs.	QUALIFICATION/ EXPERIENCE (YEARS)	DATE OF COMMENCEMENT OF EMPLOYMENT	PREVIOUS EMPLOYMENT
Myung Ki Min (48 Yrs)	Managing Director	24,88,990	Bachelor of Commerce Masters degree in Marketing (20 years)	22.04.2008	Lotte Confectionery Co. Ltd., Korea

[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
— NIL —					

- 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.
 - The above remuneration was approved by Govt. of India, Ministry of Corporate Affairs, New Delhi, Vide Letter No. SRN/A 40129991/3/2010-CL.VII dated 3rd March, 2010

On behalf of the Board

Chennai
June 7, 2010

MYUNG KI MIN
Managing Director

D G RAJAN
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,2010 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 judgments 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 profit made 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
June 7, 2010

MYUNG KI MIN
Managing Director

D G RAJAN
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 aims to be a consumer friendly and 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 2009-2010 is 6.5 per cent and the advance estimates of the Central Statistical Organisation (CSO) expects the economy to grow by 7.2 per cent in 2010-2011.

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 for more than a decade 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 an 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 very focused cost reduction initiatives. To enhance the product image, the Company is also working on improving the quality of the packaging for majority of its key products and which is backed by some superior quality marketing strategies. With support from its parent Company, Lotte Confectionery 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 in Excel, Fire Safety programmes, Selling skill, ISO Awareness and Internal Audit and skill development programmes has been conducted during the year. As on 31st March, 2010, the total number of employees in the organization was 565.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT (Contd.)

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 and also venturing into Biscuit segment by selling Chocopie.

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, like Lotte Chocopie, for which

the consumers are showing great interest in buying the product. 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 by setting up an exclusive team for concentrating on modern trade. 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, planning to bring in new products and new offers by also introducing innovative products in the gum category, 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
June 7, 2010

MYUNG KI MIN
Managing Director

D G RAJAN
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 three Directors of which one Director is Executive Director. The remaining two Directors are Non-Executive Directors of which one is an Independent Director.

Name of the Directors	Category	No. of Directorships held in other Indian Companies #	Number of membership on other Board/ Committees	No. 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	2
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	—

* Resigned with effect from 19th May, 2009

** Resigned with effect from 30th July, 2009

*** Resigned with effect from 29th October, 2009

**** Retired on 18th September, 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, 2010, four Board Meetings were held on the following dates :

19.05.2009, 30.07.2009, 29.10.2009, 28.01.2010.

REPORT ON CORPORATE GOVERNANCE (Contd.)

Name of the Directors	No. of Board Meetings attended	Attendance at last AGM held on 18.09.2009
Dr. Yong Tack Kim	1	Yes
Mr. Myung Ki Min	4	Yes
Mr. Jea Yel Kim	1	—
Mr. K R Ganapathy	2	Yes
Mr. D G Rajan	4	Yes
Mr. Sang Man Shim	—	Yes
Mr. Dong Bin Shin	—	—
Mr. Sang Hoo Kim	—	—

3 AUDIT COMMITTEE

(a) Constitution

The Audit Committee comprises of three Directors viz. Mr. D G Rajan as Chairman and Dr. Yong Tack Kim & Mr. Myung Ki Min as members of which one is Executive Director. The remaining two are Non-Executive Directors of which one is Independent Director.

(b) Meetings and Attendance

There were four meetings held during the year 2009-10. 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	2
Mr. Sang Man Shim	Member	—
Mr. D G Rajan*	Member/ Chairman	4
Mr. Myung Ki Min*	Member	2
Dr. Yong Tack Kim*	Member	—

* Consequent to the retirement of Mr. K R Ganapathy, Chairman of Committee and resignation of Mr. Sang Man Shim, the Audit Committee was reconstituted viz. Mr. D G Rajan as Chairman and Dr. Yong Tack Kim & Mr. Myung Ki Min as members of the Committee at the meeting of the Board of Directors held on 29th October, 2009

Non-Executive Chairman, Managing Director, Wholetime Director, Senior Management Personnel, Statutory Auditors and Internal Auditors are regularly invited to the meeting. Mr. S MuraliKrishna, 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 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.

Consequent to the retirement of Mr. K R Ganapathy, Chairman of Committee and resignation of Mr. Sang Man Shim, the Remuneration and Nomination Committee was reconstituted viz. Mr. D G Rajan as Chairman and Dr. Yong Tack Kim as member of the Committee at the meeting of the Board of Directors held on 29th October, 2009.

REPORT ON CORPORATE GOVERNANCE (Contd.)

- Remuneration and Nomination Committee consists of two directors viz. Mr. D G Rajan as Chairman and Dr. Yong Tack Kim as member.
- 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. Jea Yel Kim	2,40,000	38,172	38,000	3,16,172
Mr. Myung Ki Min	9,00,000	2,86,290	13,02,700	24,88,990

The details of sitting fees paid to Non Executive Directors for the financial year ended 31st March, 2010.

Name of the Director	Sitting fees	Commission
Mr. K R Ganapathy	Rs. 35,000/-	Nil
Mr. Sang Man Shim	—	Nil
Mr. D G Rajan	Rs.1,15,000/-	Nil

5 SHAREHOLDERS / INVESTORS GRIEVANCE COMMITTEE

The Committee oversees share transfers and monitor investors' grievances such as complaints on transfer of shares, non-receipt of balance sheet, non-receipt of declared dividends, etc. and redressal thereof. The Committee also look in to the matters of issue of duplicate share certificates, re-materialization, subdivision, consolidation, transposition and thereupon issue of share certificates to the

shareholders etc. No complaints of material nature were received during the year under review.

Consequent to the retirement of Mr. K R Ganapathy, Chairman of Committee and resignation of Mr. Jea Yel Kim, the Shareholders / Investors Grievance Committee was reconstituted viz. Mr. D G Rajan as Chairman and Mr. Myung Ki Min as member of the Committee at the meeting of the Board of Directors held on 29th October, 2009

The Committee comprises of Mr. D G Rajan as Chairman and Mr. Myung Ki Min as member. Mr. S Muralikrishna, Company Secretary is the Compliance Officer.

The Company has created separate e-mail id compsecy@lotteindia.com for grievance redressal.

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

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

Date of Meeting	Time of Meeting	Venue of the Meeting
18 th September, 2009 (54 th AGM)	11.00 A.M.	Murugesan Complex, Second Floor, No. 84, Greams Road, Thousand Lights, Chennai 600 006
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

REPORT ON CORPORATE GOVERNANCE (Contd.)

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

Date of AGM / EGM	Whether any Special Resolution was passed	Particulars
18.09.2009 (AGM)	No	
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

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 21.2 of Schedule 18 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 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 any statutory authority for non-compliance on any matter related to capital markets during the said period.

- (v) 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.)

(vi) 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 the requirements of Corporate Governance norms.

9 MANAGEMENT DISCUSSION AND ANALYSIS REPORT

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

On behalf of the Board

Chennai
June 7, 2010

MYUNG KI MIN
Managing Director

D G RAJAN
Director

CERTIFICATE OF COMPLIANCE FROM PRACTISING COMPANY SECRETARY

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 for the financial year ended March 31, 2010. 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 requirements of Corporate Governance.

For Parimala Natarajan
Company Secretary in practice

Chennai
June 7, 2010

Parimala Natarajan
C.P. No.5239

CONFIRMATION ON CODE OF CONDUCT

To

The Members of Lotte India Corporation Limited

I hereby confirm that, for the financial year ended 31st March, 2010, all the Board Members and the Senior Management Personnel have affirmed compliance with the code of conduct framed by the Company.

Chennai
June 7, 2010

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, 2010, we hereby certify that

- a. We have reviewed financial statements and the cash flow statement for the year and that to the best of our 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

Chennai
June 7, 2010

MYUNG KI MIN
Managing Director

KYO HEE KIM
General Manager (Finance)

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** : 10th August, 2010
Tuesday, 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** : 06th August 2010 to 10th August, 2010
(both days inclusive).
4. **Plant Location** : Nellikuppam – 607 105
(Cuddalore Dist.) Tamil Nadu
5. **Share Capital** : 37,71,289 equity shares of Rs.10/- each
36,71,919 (97.37 %) equity shares have been
dematerialized as on 31st March, 2010.

6. **Share Transfer System**

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.

7. **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 Muralikrishna, Company Secretary
Lotte India Corporation Limited
Head Office: Murugesan Complex,
Second Floor, 84, 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

8. Depositories Connectivity

National Securities Depository Ltd. (NSDL)

Central Depository Services (India) Ltd. (CDSL)

ISIN: INE185A01011

9. 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 2010, 36,71,919 equity shares constituting 97.37 % of the total paid up capital of the Company have been dematerialized.

10. 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.

11. Shareholding pattern as on 31st March, 2010

Sl. No.	Category	Total no. of Shares held	% to total Shareholding
1	Promoters - foreign	3525113	93.47
2	Mutual Funds and UTI	—	—
3	Banks/ Financial Institutions/ Insurance Companies	1567	0.04
4	Foreign Institutional Investors	—	—
5	Private Corporate Bodies	4391	0.12
6	Indian Public	140815	3.73
7	NRIs / OCBs	2662	0.08
8	Any other - Escrow Account*	90848	2.41
	- Trusts	93	0.00
	- Foreign Nationals	5800	0.15
	TOTAL	3771289	100.00

* held by the Promoters in the Escrow Account and subsequently transferred to Promoters Account

12. Distribution of shareholding as on 31st March, 2010

Number of shares	Number of Shareholders	% to total Shareholders	No.of Shares	% to total Shares
1 - 500	2734	98.17	108840	2.89
501 - 1000	31	1.11	21235	0.56
1001 - 2000	16	0.57	22131	0.59
2001 - 3000	0	0.00	0	0.00
3001 - 4000	1	0.04	3112	0.08
4001 - 5000	0	0.00	0	0.00
5001 - 10000	0	0.00	0	0.00
10001 & Above	3	0.11	3615971	95.88
TOTAL	2785	100.00	3771289	100.00

13. 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 (AGM)	18 th September, 2009 at 11.00 a.m.	Murugesan Complex, Second Floor, No.84, Greams Road, Thousand Lights, Chennai 600 006
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

- II. Our web-site address – www.lotteindia.com

AUDITORS' REPORT TO THE MEMBERS OF LOTTE INDIA CORPORATION LIMITED

1. We have audited the attached Balance Sheet of **Lotte India Corporation Limited** (the "Company") as at March 31, 2010, 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 (together the "Order"), 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 Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
 - (a) We have obtained all the information and explanation which, to the best of our knowledge and belief, were necessary for the purposes of our audit;
 - (b) In our opinion, proper books of accounts as required by law have been kept by the Company so far as appears from our examination of 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, 2010 and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2010 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 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, 2010;
 - (ii) in the case of the Profit and Loss Account, of the profit 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.

For LOVELOCK & LEWES
Firm Registration No: 301056E
Chartered Accountants

A.J. SHAIKH
Partner

Chennai
June 7, 2010

Membership No. 203637

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, 2010.

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 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 granted any loans, secured or unsecured, to companies, firms or other parties covered in the register maintained under Section 301 of the Act.
 - (b) 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.
4. In our opinion and according to the information and explanations given to us, 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 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.
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, 2010 which have not been deposited on account of a dispute except as stated in Note 23 on Schedule 18.
10. The Company has accumulated losses amounting to Rs. 82.79 lakhs as at March 31, 2010 and it has not incurred any cash losses in the financial year ended on that date or in the immediately preceding financial year.
11. According to the records of the Company examined by us and the information and explanation 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. The Company has not obtained any term loans.
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, there are no funds raised on a short-term basis which 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 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.

For LOVELOCK & LEWES

Firm Registration No: 301056E

Chartered Accountants

A.J. SHAIKH

Partner

Membership No. 203637

Chennai

June 7, 2010

BALANCE SHEET AS AT MARCH 31, 2010

	SCHEDULE	As at March 31, 2010 Rs. Lakh		As at March 31, 2009 Rs. Lakh	
I. SOURCES OF FUNDS					
Shareholders' Funds					
Capital	1	377.13		377.13	
Reserves and Surplus	2	<u>3887.52</u>	4264.65	<u>3633.31</u>	4010.44
Loan Funds					
Unsecured Loans	3		-		<u>34.10</u>
Total			<u>4264.65</u>		<u>4044.54</u>
II. APPLICATION OF FUNDS					
Fixed Assets					
Gross Block	4	12766.84		12746.43	
Less: Depreciation		<u>7314.69</u>		<u>6968.48</u>	
Net Block		5452.15		5777.95	
Capital work-in- progress		0.50	5452.65	77.03	5854.98
Deferred Tax Asset (Net) (Refer Note 9 on Schedule 18)			662.58		823.58
Current Assets, Loans and Advances					
Inventories	5	2084.24		2009.89	
Sundry Debtors	6	357.72		372.63	
Cash and Bank balances	7	1509.85		624.87	
Other Current Assets	8	2.67		1.41	
Loans and Advances	9	<u>515.19</u>		<u>492.59</u>	
			<u>4469.67</u>		<u>3501.39</u>
Less:					
Current Liabilities and Provisions :					
Liabilities	10	6232.64		6045.47	
Provisions	11	<u>87.61</u>		<u>89.94</u>	
			<u>6320.25</u>		<u>6135.41</u>
Net Current Assets			(1850.58)		(2634.02)
Total			<u>4264.65</u>		<u>4044.54</u>
Statement on significant accounting policies	17				
Notes on Accounts	18				

Schedules referred above form an integral part of this Balance Sheet

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

For LOVELOCK & LEWES
Firm Registration No.301056E
Chartered Accountants

On behalf of the Board

A J SHAIKH
Partner
Membership No: 203637

MYUNG KI MIN
Managing Director

D.G. RAJAN
Director

Chennai
June 7, 2010

S. MURALIKRISHNA
Secretary

KYO HEE KIM
General Manager - Finance

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

	SCHEDULE	Year Ended March 31, 2010 Rs. Lakh	Year Ended March 31, 2009 Rs. Lakh
INCOME			
Sales		19703.19	18341.68
Less : Excise Duty		864.32	1285.68
		<u>18838.87</u>	<u>17056.00</u>
Other Income	12	79.55	44.88
		<u>18918.42</u>	<u>17100.88</u>
EXPENDITURE			
Materials	13	11481.52	10629.78
Employee Costs	14	1529.69	1446.73
Other Expenses	15	4924.46	4412.82
Depreciation		463.88	530.11
Interest and Finance Charges	16	17.66	353.63
		<u>18417.21</u>	<u>17373.07</u>
Profit/(Loss) Before Tax		501.21	(272.19)
Tax Expenses			
Current		86.00	-
Deferred		161.00	(85.06)
Fringe Benefits		-	27.00
		<u>247.00</u>	<u>(58.06)</u>
Profit/(Loss) After Tax		254.21	(214.13)
Balance Brought Forward		<u>(337.00)</u>	<u>(122.87)</u>
Balance Carried to Balance Sheet		<u>(82.79)</u>	<u>(337.00)</u>
Number of equity shares outstanding during the year		3771289	3771289
Earnings Per Share - Basic (per Equity share of Rs.10 each) (In Rupees).		6.74	(5.68)
Statement of Significant Accounting Policies	17		
Notes on Accounts	18		

Schedules referred above form an integral part of this Profit and Loss account

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

For LOVELOCK & LEWES
Firm Registration No.301056E
Chartered Accountants

On behalf of the Board

A J SHAIKH
Partner
Membership No: 203637

MYUNG KI MIN
Managing Director

D.G. RAJAN
Director

Chennai
June 7, 2010

S. MURALIKRISHNA
Secretary

KYO HEE KIM
General Manager - Finance

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2010

	Year ended March 31, 2010 Rs. Lakh	Year ended March 31, 2009 Rs. Lakh
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit/ (Loss) before Tax	501.21	(272.19)
Adjustment for:		
Add: Depreciation	463.88	530.11
Interest and Finance Charges	5.42	336.30
(Profit) / Loss on sale of fixed assets	(1.54)	5.74
Less: Interest Income	(13.48)	(3.43)
	<u>454.28</u>	<u>868.72</u>
Operating profit before Working Capital Adjustments	955.49	596.53
Adjustment for Changes in Working capital:		
Inventories	(74.35)	(79.26)
Sundry Debtors	14.91	(57.22)
Loans and Advances	(37.48)	(54.35)
Current Liabilities and provisions	186.44	3615.36
	<u>89.52</u>	<u>3424.53</u>
Cash generated from operating activities	1045.01	4021.06
Taxes paid	(72.72)	80.58
Net Cash from Operating Activities	972.29	4101.64
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(70.98)	(178.29)
Sale Proceeds of Fixed Assets	10.97	15.26
Interest received	12.22	3.06
	<u>(47.79)</u>	<u>(159.97)</u>
Net Cash used in Investing Activities	(47.79)	(159.97)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Short Term loans repaid	(34.10)	(3508.97)
Interest and finance charges	(5.42)	(336.30)
	<u>(39.52)</u>	<u>(3845.27)</u>
Net Cash used in Financing Activities	(39.52)	(3845.27)
Net Increase in Cash and Cash Equivalents (A+B+C)	884.98	96.40
Cash and Cash Equivalents At the Beginning of the Year	624.87	528.47
Less : Fixed Deposits maturing after a period of three months	7.44	7.44
	<u>617.43</u>	<u>521.03</u>
Cash and Cash Equivalents At the End of the Year	1509.85	624.87
Less : Fixed Deposits maturing after a period of three months	7.44	7.44
	<u>1502.41</u>	<u>617.43</u>

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

For LOVELOCK & LEWES
Firm Registration No.301056E
Chartered Accountants

On behalf of the Board

A J SHAIKH
Partner
Membership No: 203637

MYUNG KI MIN
Managing Director

D.G. RAJAN
Director

Chennai
June 7, 2010

S. MURALIKRISHNA
Secretary

KYO HEE KIM
General Manager - Finance

SCHEDULES FORMING PART OF ACCOUNTS

	As At March 31, 2010 Rs.Lakh	As At March 31, 2009 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 :		
1. Of the above 20,000 (2009 - 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 (2009 - 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. 36,15,961 (2009 - 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>82.79</u>	<u>337.00</u>
	<u>3887.52</u>	<u>3633.31</u>
SCHEDULE 3		
Unsecured Loans		
Temporary Book Overdraft	-	34.10
	<u>-</u>	<u>34.10</u>
Repayable within one year	<u>-</u>	<u>34.10</u>

SCHEDULES FORMING PART OF ACCOUNTS

SCHEDULE 4

FIXED ASSETS

	GROSS BLOCK			DEPRECIATION			NET BLOCK			
	Cost As At March 31, 2009	Additions	Deductions	Cost As At March 31, 2010	Upld March 31, 2009	For The Year	Withdrawn March 31, 2010	Upld March 31, 2010	As At March 31, 2009	As At March 31, 2010
Tangible:										
Free hold Land	3731.89	-	-	3731.89	-	-	-	-	3731.89	3731.89
Buildings	455.42	-	-	455.42	160.69	14.01	-	174.70	280.72	294.73
Buildings on Lease Hold Land	140.91	-	-	140.91	71.59	9.66	-	81.25	59.66	69.32
Lease Hold Improvements	45.00	-	-	45.00	26.12	14.25	-	40.37	4.63	18.88
Plant and Machinery	7712.13	117.06	127.10	7702.09	6215.16	365.79	117.67	6463.28	1238.81	1496.97
Furniture, Fixtures and Office Equipment	442.03	13.87	-	455.90	347.96	38.46	-	386.42	69.48	94.07
Vehicles	52.93	3.80	-	56.73	26.83	9.14	-	35.97	20.76	26.10
Intangible:										
Computer Software	166.12	12.78	-	178.90	120.13	12.57	-	132.70	46.20	45.99
Total	12746.43	147.51	127.10	12766.84	6968.48	463.88	117.67	7314.69	5452.15	5777.95
Previous Year	12615.94	186.36	55.87	12746.43	6,473.24	530.11	34.87	6,968.48	0.50	77.03
Capital Work in Progress										5854.98

Rs.Lakh

SCHEDULES FORMING PART OF ACCOUNTS

	As at March 31, 2010 Rs. Lakh	As at March 31, 2009 Rs. Lakh
SCHEDULE 5		
Inventories		
Stores and spares	70.57	85.11
Raw materials including packing materials	702.52	687.34
Work-in-progress	27.31	41.26
Finished goods & Trading stocks	1283.84	1196.18
	<u>2084.24</u>	<u>2009.89</u>
SCHEDULE 6		
Sundry Debtors		
Unsecured		
Debts outstanding for a period - exceeding six months:		
Considered Good	13.31	13.02
Considered Doubtful	142.95	147.82
	156.26	160.84
Less : Provision for Doubtful Debts	142.95	147.82
	13.31	13.02
Other Debts - Considered Good	344.41	359.61
	<u>357.72</u>	<u>372.63</u>
SCHEDULE 7		
Cash and Bank Balances		
Cash balance on hand	0.35	0.76
Cheques on Hand	177.97	448.63
Balances With Scheduled Banks :		
On Current Account	906.52	168.04
On Deposit Account	425.01	7.44
	<u>1509.85</u>	<u>624.87</u>
SCHEDULE 8		
Other Current Assets		
(Unsecured - Considered good)		
Interest accrued	2.67	1.41
	<u>2.67</u>	<u>1.41</u>

SCHEDULES FORMING PART OF ACCOUNTS

	As At March 31, 2010 Rs.Lakh		As At March 31, 2009 Rs.Lakh	
SCHEDULE 9				
Loans and Advances				
(Unsecured and considered good)				
Advances recoverable in cash or in kind or for value to be received	175.28		204.39	
Deposits	200.01		117.26	
Balance with Excise	101.80		117.96	
Advance Tax less provision				
Advance Tax and Tax Deducted at source	631.78		560.66	
Less : Provision for Tax	593.68		507.68	
	<u>515.19</u>		<u>492.59</u>	
SCHEDULE 10				
Liabilities				
Sundry Creditors (Refer Note 18 in Schedule 18)	2569.30		2362.09	
Advances and Deposits (Note 1)	3412.58		3467.79	
Investor education and protection fund : (Note 2)				
a) Unpaid matured Debenture Instalments	0.15		0.30	
b) Interest accrued on (a) above	0.01		0.41	
Other liabilities	250.60		214.88	
	<u>6232.64</u>		<u>6045.47</u>	
Notes:				
1. Include Lease Deposit	3300.00		3300.00	
2. None of the amount disclosed are more than seven years old as on the Balance Sheet date and all are unclaimed				
SCHEDULE 11				
Provisions				
Leave Encashment	41.45		42.18	
Contingencies	45.00		45.00	
Fringe Benefits Tax	129.64		129.64	
Less : Advance Fringe Benefits Tax	128.48		126.88	
	<u>87.61</u>		<u>89.94</u>	

SCHEDULES FORMING PART OF ACCOUNTS

	Year Ended March 31,2010 Rs.Lakh	Year Ended March 31,2009 Rs.Lakh
SCHEDULE 12		
Other Income		
Interest from Deposits etc: Gross (Tax deducted at source Rs. 1.08 Lakh (2009 - Rs.0.40 Lakh)	13.48	3.43
Insurance Claim Received	10.38	6.19
Rent Received	18.11	11.61
Scrap Sales	13.39	10.50
Provision for doubtful debts no longer required	4.25	-
Profit on Sale / Scrapping of fixed assets (Net)	1.54	-
Others	18.40	13.15
	<u>79.55</u>	<u>44.88</u>
SCHEDULE 13		
Materials		
Raw Materials and Packing materials Consumed		
Opening Stock	687.34	467.27
Purchases	<u>9223.28</u>	<u>8877.46</u>
	9910.62	9344.73
Closing stock	<u>702.52</u>	<u>687.34</u>
	9208.10	8657.39
Raw Material Processing Charges	927.14	990.03
Purchase of Finished Goods	1468.01	871.64
(Increase)/ Decrease in stocks		
Opening Stock		
Work in Progress	41.26	52.71
Finished Goods and Trading stocks	<u>1196.18</u>	<u>1335.11</u>
	1237.44	1387.82
Closing Stock		
Work in Progress	27.31	41.26
Finished Goods and trading stocks	<u>1283.84</u>	<u>1196.18</u>
	1311.15	1237.44
	(73.71)	150.38
Excise Duty on Finished goods		
On Opening Stock	111.42	151.08
On Closing Stock	<u>63.40</u>	<u>111.42</u>
	<u>(48.02)</u>	<u>(39.66)</u>
	<u>11481.52</u>	<u>10629.78</u>
SCHEDULE 14		
Employee Costs		
Salaries, wages and bonus	1310.74	1229.72
Contribution to Provident and Other Funds	113.90	105.49
Workmen and Staff welfare expenses	<u>105.05</u>	<u>111.52</u>
	<u>1529.69</u>	<u>1446.73</u>

SCHEDULES FORMING PART OF ACCOUNTS

	Year ended March 31, 2010 Rs.Lakh		Year ended March 31, 2009 Rs.Lakh	
SCHEDULE 15				
Other Expenses				
Stores consumed		56.12		45.64
Power and Fuel		410.74		419.57
Rent		158.48		151.74
Repairs and maintenance - Building	1.32		0.39	
- Plant and Machinery	120.51		127.38	
- Others	61.09	182.92	58.83	186.60
Insurance		25.53		24.72
Rates and Taxes		127.69		107.30
Packing, Despatching and Freight		1020.72		953.41
Clearing forwarding and other charges		121.91		108.98
Rebates, Discounts and Claims		1501.45		1331.02
Travelling Expenses		328.37		313.62
Advertisement Expenditure		551.45		371.54
Audit Fees and Expenses:				
For Fees	6.00		6.00	
For Other services	10.85		9.20	
For Expenses	0.20	17.05	0.71	15.91
Directors' sitting fees		1.50		3.24
Provision for doubtful debts / advances		1.81		-
Bad debts Written off - Rs. 2.43 Lakhs (2008-09 Rs. Nil)				
Less : Provision for Doubtful Debts Adjusted - Rs. 2.43 Lakhs (2008-09 Rs. Nil)				
Sales Development Expenditure		197.51		176.08
Professional and Consultancy Charges		55.34		32.93
Communication Expenditure		54.31		51.86
Loss on Sale/scrapping of fixed assets (Net)		-		5.74
Miscellaneous Expenses		111.56		112.92
		<u>4924.46</u>		<u>4412.82</u>
SCHEDULE 16				
Interest and Finance Charges				
Interest				
Term Loans	-		329.49	
Others	5.42	5.42	6.81	336.30
Finance Charges		12.24		17.33
		<u>17.66</u>		<u>353.63</u>

SCHEDULES FORMING PART OF ACCOUNTS**SCHEDULE - 17****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. Other Income

Interest income is recognised on a time proportion basis taking into account the Principal outstanding and the rate of interest over the period to maturity. Accepted / Known settled insurance claims upto the date of preparation of accounts are accounted on mercantile basis and others are accounted on cash basis.

5. 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.

6. 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%, 10%, 14.29%, 20%
Vehicles	20%
Computers	10%, 20%.

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

Assets costing individually upto Rs.5,000/- are depreciated at 95% 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.

7. 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.

8. 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 lower of cost and net realisable value where cost includes applicable manufacturing overheads.

SCHEDULES FORMING PART OF ACCOUNTS

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.

9. 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.

10. Taxation

Provision for Current 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.

11. Research and Development

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

12. 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.

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.

13. 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.

14. Earning Per Share

The earnings considered in ascertaining the company's Earnings Per Share (EPS) comprise Net profit/ loss after tax. The number of shares used in computing Basic EPS is the weighted average number of shares outstanding during the year. The number of shares used in computing diluted EPS comprises of weighted average of shares considered for deriving basic EPS, and also the weighted average number of equity shares which could have been issued to the conversion of all dilutive potential equity shares where applicable. Dilutive potential equity shares are deemed to have been converted as of the beginning of the year unless they have been issued at a later date.

SCHEDULES FORMING PART OF ACCOUNTS

SCHEDULE 18 NOTES ON ACCOUNTS

1. Delisting of Company's Shares

The shares of the Company have been delisted with effect from July 24, 2009 from the National Stock Exchange of India Limited, the Madras Stock Exchange Limited and the Bombay Stock Exchange, pursuant to the decision of the Holding Company (the promoter), to opt for voluntary delisting of Company's securities by giving an exit option to all the public shareholders through Reverse book building process as per SEBI (Delisting of Securities) Guidelines 2003. The exit option to all the public shareholders was closed on February 2, 2010.

2. Merger of Lotte Foods with the Company

The Board of Directors have approved a Scheme of amalgamation between Lotte Foods India Private Limited and the Company with effect from April 1, 2010. This is subject to the approval of the Hon'ble High Court of Judicature at Madras. The Company has initiated the relevant process in this regard.

3. Lease of Nemam Land

The Company has entered into a Lease agreement with Lotte Foods India Private Limited, Chennai 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 an interest free lease deposit of Rs.3300 Lakh and a lease rent of Rs. 40,000 per month.

4. Transfer Pricing

The Company has initiated a review of the transactions with overseas associates to ascertain compliance with Transfer Pricing requirements under the Income Tax Act, 1961. Pending completion of the study, no adjustment has been made in these accounts. Based on the study carried out in the previous year, the Management does not expect any adjustment in this regard.

5. The Company has 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.

6. Estimated amount of the contracts remaining to be executed on capital account and not provided for
- 7.1 Claim against the Company not acknowledged as debt in respect of
- | | | |
|--------------------|--------|-------|
| Sales Tax Matters | 17.03 | 16.98 |
| Income Tax Matters | 11.59 | 30.00 |
| Excise Matters | 193.42 | 94.78 |
- 7.2 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.

	31.03.2010 Rs. Lakh	31.03.2009 Rs. Lakh
	-	9.00
	17.03	16.98
	11.59	30.00
	193.42	94.78

SCHEDULES FORMING PART OF ACCOUNTS

	31.03.2010	31.03.2009
	Rs. Lakh	Rs. Lakh
8. Other Financial Information		
8.1 Outstanding Bank Guarantee	9.75	9.75
8.2 Outstanding Letter of Credit	566.58	NIL
8.3 Net Exchange difference (Credit)/Debit to Profit & Loss Account	(8.97)	(2.48)
8.4 Repair and Maintenance include stores and Spares consumed	44.17	60.72
8.5 Revenue expenses incurred on Research and Development included under various heads of account	33.53	51.14
8.6 Cost of 5 equity shares of Rs 50 each held by the Company in Padmavathi Co-operative Housing Society Limited amounting to Rs 250		
8.7 Details of Assets given on Lease		
8.7.1 Land		
Original Cost	1742.12	1742.12
8.7.2 Plant and Machinery		
Original cost	417.42	336.69
Depreciation	26.83	20.93
Accumulated Depreciation	264.84	214.24
Net Book Value	152.58	122.45
	31.03.2010	31.03.2009
	Asset/(Liability)	Asset/(Liability)
	Rs. Lakh	Rs. Lakh
9. The year end deferred tax asset is on account of		
Difference between book and tax written down value of Fixed assets	(198.30)	(284.86)
Provision for Doubtful debts / advances	54.64	57.57
Unabsorbed depreciation	734.24	1006.64
Others	72.00	44.23
	662.58	823.58
10. Directors Remuneration		
10.1 Remuneration paid / payable to Managing Director / Whole Time Director		
Salaries and Allowances	11.40	26.03
Contribution to Funds	3.24	5.00
Perks	13.41	14.09
	28.05	45.12

	31.03.2010 Rs. Lakh	31.03.2009 Rs. Lakh
10.2 Remuneration received / receivable by the Managing Director / Whole Time Director from Lotte Confectionery Co. Ltd, Chennai Liaison office	24.90	43.19
11. Capacities		

Classification of Goods	Licensed Capacity Quintals		Installed Capacity Quintals	
	31.03.10	31.03.09	31.03.10	31.03.09
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.

SCHEDULES FORMING PART OF ACCOUNTS

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

Class of goods	31.03.2010		31.03.2009	
	Quantity Quintals	Rs. Lakh	Quantity Quintals	Rs. Lakh
Opening Stock				
Toffees \$ £	15655	993.58	20039	1065.00
Confectionery other than toffees £	1617	142.72	1503	151.36
Traded Goods	333	59.88	594	118.75
	17605	1196.18	22136	1335.11
Production				
Toffees \$ €1	76448	—	66997	—
Confectionery other than toffees €2	7984	—	7765	—
	84432	—	74762	—
Purchases				
Toffees	—	—	—	—
Confectionery other than toffees	—	—	—	—
Traded Goods	8133	1468.01	4432	871.64
	8133	1468.01	4432	871.64
Sales				
Toffees \$ £	164928	16378.76	166767	15673.24
Confectionery other than toffees £	13030	1711.49	13938	1662.02
Traded Goods	6801	1612.94	4561	1006.42
	184759	19703.19	185266	18341.68
Closing Stock				
Toffees \$ £	13381	939.55	15655	993.58
Confectionery other than toffees £	898	90.76	1617	142.72
Traded Goods	1560	253.53	333	59.88
	15839	1283.84	17605	1196.18

€1 Toffee production does not include 86,502 (2009 – 99,450) quintals processed by third parties.

€2 Confectionery other than toffee does not include 4,151 (2009 – 5,610) quintals processed by third parties.

\$ Includes milk toffees and modified toffees

£ Includes processed by third parties

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

SCHEDULES FORMING PART OF ACCOUNTS
13. Details of Raw Materials including Packing Materials Consumed.

PARTICULARS		31.03.2010		31.03.2009	
		Quantity	Rs. Lakh	Quantity	Rs. Lakh
Sugar	Qtls	69189	1871.95	68309	1169.09
Glucose	Qtls	64897	1162.33	64316	1101.83
Essence and Oils			173.19		123.39
Vanaspathi	Kgs	1338431	540.40	1288036	630.76
Wrapping Materials			1320.31		1414.50
Packing Materials			1306.48		1331.67
Others*			2833.44		2886.15
			9208.10		8657.39

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

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

	31.03.2010		31.03.2009	
	Rs. Lakh	%	Rs. Lakh	%
Raw Material				
Imported	55.79	0.61	67.38	0.78
Indigenous	9152.31	99.39	8590.01	99.22
	9208.10	100.00	8657.39	100.00
Machinery Spares				
Imported	0.02	0.05	2.84	4.68
Indigenous	41.15	99.95	57.89	95.32
	44.17	100.00	60.73	100.00

15. C.I.F Value of Imports

	31.03.2010 Rs. Lakh	31.03.2009 Rs. Lakh
Consumables Stores and Spares.	-	8.35
Machinery	-	40.88
Raw Materials – Gum base	54.10	89.95
Finished goods – Gums / Chocopie / Kancho	942.56	545.30
	996.66	684.48

16. Expenditure in Foreign Currency

Travel	2.25	-
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17. Earnings in Foreign Exchange

FOB Value of Goods exported	172.37	116.42
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SCHEDULES FORMING PART OF ACCOUNTS
18. Amount due to Micro, Small and Medium Enterprises.

The Company has not received any memorandum (as required to be filed by the suppliers with the notified authority under Micro, Small and Medium Enterprises Development Act, 2006) claiming their status as micro, small or medium enterprises and consequently the amount paid/payable to these parties has been considered as nil.

19. 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".

20. Disclosure under Accounting Standard 15 (Revised)

20.1 The Company's obligation towards the Defined Benefit Plan of Gratuity as at March 31, 2010 are as follows:

a. Change in Present value of Benefit Obligation

Sl.No	Particulars	2009 – 10 Rs. Lakh	2008 - 09 Rs. Lakh
(i)	Present value of benefit obligation as at the beginning of the year	166.34	154.87
(ii)	Interest cost	13.31	11.58
(iii)	Current service cost	13.44	12.47
(iv)	Benefits paid	(23.32)	(20.36)
(v)	Actuarial loss / (gain) on obligation	11.61	7.78
(vi)	Present value of benefit obligation as at the end of the year	181.38	166.34

b. Change in Fair value of Plan assets

Sl.No	Particulars	2009 – 10 Rs. Lakh	2008 - 09 Rs. Lakh
(i)	Fair value of plan assets at the beginning of the year	150.89	157.44
(ii)	Expected return on plan assets	14.36	11.78
(iii)	Contributions	15.92	-
(iv)	Benefits paid	(23.32)	(20.36)
(v)	Actuarial gain / (loss) on plan assets	-	2.03
(vi)	Fair value of plan assets at the end of the year	157.85	150.89

c. Amounts recognised in the balance sheet

Sl.No	Particulars	2009 – 10 Rs. Lakh	2008 - 09 Rs. Lakh
(i)	Projected value of obligation as at the end of the year	181.38	166.34
(ii)	Fair value of plan assets at the end of the year	157.85	150.89
(iii)	Funded status of the plans – (asset)/liability	23.53	15.45

SCHEDULES FORMING PART OF ACCOUNTS

d. Amounts recognised in the statement of profit and loss

Sl.No	Particulars	2009 – 10 Rs. Lakh	2008 - 09 Rs. Lakh
(i)	Current service cost	13.44	12.47
(ii)	Interest cost	13.31	11.58
(iii)	Expected return on plan assets	(14.36)	(11.78)
(iv)	Net actuarial (gain)/loss recognised in the year	11.61	5.75
(v)	Past service cost	-	-
(vi)	Expenses recognised in the statement of profit and loss	24.00	18.02

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

Sl.No	Particulars	2009 – 10	2008 - 09
(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%

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

Sl.No	Particulars	2009 – 10	2008 - 09
(i)	Discount Rate	7.90%	8.00%
(ii)	Salary Escalation	5.00%	5.00%
(iii)	Attrition rate	1-3%	1-3%

21. Related Party disclosures under Accounting Standard 18

21.1 List of related parties

Holding company Associates	Lotte Confectionery Co. Limited, Korea * 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 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 4, 2008 Mr. Myung Ki Min - Managing Director from April 22, 2008* Mr. Jea Yel Kim - Whole Time Director till July 30, 2009*

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

21.2 Related party Transactions

	Holding Company		Associates		Key Management Personnel	
	31.03.2010	31.03.2009	31.03.2010	31.03.2009	31.03.2010	31.03.2009
Transactions	Rs. Lakh	Rs. Lakh	Rs. Lakh	Rs. Lakh	Rs. Lakh	Rs. Lakh
Purchases of goods	996.66	635.25	-	-	-	-
Purchases of capital goods	-	40.88	-	-	-	-
Sales	22.37	-	-	-	-	-
Remuneration	-	-	-	-	28.05	45.12
Rent	-	-	4.80	3.20	-	-
Closing Balance -Credit	246.27	188.75	3300.00	3300.00	-	-
-Debit	-	-	0.80	2.47	-	-

22. Earnings Per Share

Particulars

	Year ended March 31, 2010	Year Ended March 31, 2009
Profit /(Loss) after taxation as per profit and loss account (Rs. Lakh)	254.21	(214.13)
Number of equity share outstanding	3771289	3771289
Earnings per share – Basic in rupees (face value – Rs.10 per share)	6.74	(5.68)

23. At the end of the financial year there were no dues of sales 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	17.03	Appellate Authorities of the concerned states.

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

For LOVELOCK & LEWES
Firm Registration No.301056E
Chartered Accountants

On behalf of the Board

A J SHAIKH
Partner
Membership No: 203637

MYUNG KI MIN
Managing Director

D.G. RAJAN
Director

Chennai
June 7, 2010

S. MURALIKRISHNA
Secretary

KYO HEE KIM
General Manager - Finance

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE**I. Registration Details**

Registration No	U15419TN1954PLC001987
State Code	18
Balance Sheet date	31.03.2010

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	1,058,490
Total Assets	1,058,490

SOURCE OF FUNDS

Paid-up Capital	37,713
Reserves and Surplus	388,752
Secured Loans	-
Unsecured Loans	-

APPLICATION OF FUNDS

Net Fixed Assets	545,265
Net Current Assets	(185,058)
Deffered Tax Asset	66,258

IV. Performance of Company (Rupees in Thousands)

Turnover (including Other Income)	1,891,842
Total Expenditure	1,841,721
Profit before Tax	50,121
Profit after Tax	25,421
Earning Per Share in Rs.	6.74
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

TEN YEARS AT A GLANCE

Rs. Lakh

	2000-01	2001-02	2002-03	2003-04*	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
OPERATING RESULTS										
GROSS INCOME	10625.42	9963.15	9512.85	10138.13	12070.14	14607.59	16217.48	16815.48	18341.68	19703.19
PROFIT/(LOSS) BEF DEPN., INTEREST & TAX	475.68	918.55	427.16	800.97	773.91	831.71	867.55	83.25	611.55	982.75
PROFIT/(LOSS) BEF INTEREST & TAX	(180.51)	309.20	(109.17)	297.13	278.12	300.01	351.54	(445.68)	81.44	518.87
PROFIT/(LOSS) BEFORE TAX (PBT)	(522.82)	70.20	(286.90)	219.40	270.81	306.03	281.48	(769.62)	(272.19)	501.21
PROFIT/(LOSS) AFTER TAX (PAT)	(522.82)	47.67	(118.03)	77.99	116.94	140.98	120.55	(579.33)	(214.13)	254.21
DIVIDENDS	-	-	-	-	-	-	-	-	-	-
DIVIDEND TAX	-	-	-	-	-	-	-	-	-	-
RETAINED PROFITS	(522.82)	47.67	(118.03)	77.99	116.94	140.98	120.55	(579.33)	(214.13)	254.21
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	4517.91	4503.07	3892.99	4048.30	4165.24	4306.22	4426.77	3847.44	3633.31	3887.52
TOTAL SHAREHOLDERS' FUNDS	4895.04	4880.20	4270.12	4425.43	4542.37	4683.35	4803.90	4224.57	4010.44	4264.65
BORROWINGS	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	7035.10	6083.25	5558.46	4943.41	4766.89	4721.88	7803.90	7767.64	4044.54	4264.65
APPLICATION OF FUNDS										
GROSS FIXED ASSETS	9411.79	8931.02	8242.32	8684.49	9000.63	9103.34	9233.27	12615.94	12746.43	12766.84
DEPRECIATION	3669.62	3843.89	4326.84	4694.04	5156.84	5674.88	6092.48	6473.24	6968.48	7314.69
NET FIXED ASSETS	5742.17	5087.13	3915.48	3990.45	3843.79	3428.46	3140.79	6142.71	5777.95	5452.15
CAPITAL WORK-IN-PROGRESS	42.79	4.27	4.27	4.27	4.27	4.30	3098.82	85.09	77.03	0.50
INVESTMENTS	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	662.58
GROSS CURRENT ASSETS	2274.36	1722.56	1952.07	1402.01	2013.22	2533.08	3367.23	3319.12	3501.39	4469.67
CURRENT LIABILITIES & PROVISIONS	1976.11	1526.03	1355.71	1307.56	1810.46	1859.98	2323.53	2517.80	6135.41	6320.25
NET CURRENT ASSETS	298.25	196.53	596.36	94.45	202.76	673.10	1043.70	801.32	(2634.02)	(1850.58)
DEFERRED REVENUE EXPENDITURE	-	81.45	-	-	-	-	-	-	-	-
DEBIT BALANCE IN P & L Account	37.85	-	-	-	-	-	-	-	-	-
NET ASSETS EMPLOYED	7035.10	6083.25	5558.46	4943.41	4766.89	4721.88	7803.90	7767.64	4044.54	4264.65
RATIOS										
ROCE (%)	-2.41	4.71	-1.88	5.66	5.73	6.32	5.61	-5.72	1.38	12.49
PBDIT TO GROSS INCOME(%)	4.48	9.22	4.49	7.90	6.41	5.69	5.35	0.50	3.33	4.99
PAT ON SHAREHOLDERS' FUNDS(%)	-10.68	0.98	-2.76	1.76	2.57	3.01	2.51	-13.71	-5.34	5.96
EARNINGS PER EQUITY SHARE(Rs)	-13.86	1.26	-3.13	2.07	3.10	3.74	3.20	-15.36	-5.68	6.74
DIVIDEND PER EQUITY SHARE(Rs)	-	-	-	-	-	-	-	-	-	-
NET WORTH PER EQUITY SHARE(Rs)	129.80	129.40	113.23	117.35	120.45	124.18	127.38	112.02	106.34	113.08
DEBT: EQUITY RATIO	0.44	0.24	0.30	0.12	0.05	0.01	0.62	0.84	0.01	-

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