

PART I						(₹. in Lacs)	
STATEMENT OF UNAUDITED FINANCIAL RESULTS FOR THE QUARTER AND AUDITED RESULTS FOR EIGHTEEN MONTHS ENDED 31ST MARCH, 2016							
Sl. No.	Particulars	Quarter Ended			Eighteen Months Ended	Year Ended	
		31.03.2016	31.12.2015	31.03.2015			
		(Audited)	(Unaudited)	(Unaudited)	(Audited)	(Audited)	
1.	Income from operations	-	95	3,365	14,174	15,986	
	(a) Net sales/income from operations (Net of excise duty)	-	95	3,365	14,174	15,986	
	(b) Other operating income	3	-	11	41	14	
	Total income from operations (net)	3	95	3,376	14,215	15,980	
2.	Expenses	-	(32)	2,265	9,356	11,852	
	(a) Cost of materials consumed	-	(32)	2,265	9,356	11,852	
	(b) Changes in inventories of finished goods, work-in progress and stocks-in-trade	-	102	(102)	617	8	
	(c) Employee benefits expense	39	31	330	1,268	1,113	
	(d) Power & fuel	3	37	515	1,990	1,675	
	(e) Depreciation and amortisation expense	72	71	73	432	373	
	(f) Selling & distribution expense	-	-	54	206	186	
	(g) Other expenses	46	29	230	925	851	
	Total expenses	160	238	3,365	14,794	16,058	
3.	Profit / (Loss) from operations before other income, finance costs and exceptional items (1-2)	(157)	(143)	11	(579)	(78)	
4.	Other income	20	-	32	73	23	
5.	Profit / (Loss) from ordinary activities before finance costs and exceptional items (3+4)	(137)	(143)	43	(506)	(55)	
6.	Finance costs	169	233	271	1,427	931	
7.	Profit/ (Loss) from ordinary activities after finance costs but before exceptional items (5-6)	(306)	(376)	(228)	(1,933)	(986)	
8.	Exceptional items	-	-	-	-	-	
9.	Profit/(Loss) from ordinary activities before tax (7+8)	(306)	(376)	(228)	(1,933)	(986)	
10.	Tax expenses	-	-	-	-	-	
11.	Net Profit/(Loss) from ordinary activities after tax (9-10)	(306)	(376)	(228)	(1,933)	(986)	
12.	Extraordinary items (net of tax expenses)	-	-	-	-	-	
13.	Net Profit/(Loss) for the period (11-12)	(306)	(376)	(228)	(1,933)	(986)	
14.	Paid-up equity share capital (Face value per share Rs.10/-)	1,793	1,793	1,793	1,793	1,793	
15.	Reserves excluding revaluation reserve	-	-	-	(7,540)	(5,494)	
16.	Earning per share (before & after extraordinary items) (of ₹.10 each)						
	a. Basic (* not annualised)	(1.71)*	(2.10)*	(1.27)*	(10.78)	(5.50)	
	b. Diluted (* not annualised)	(1.71)*	(2.10)*	(1.27)*	(10.78)	(5.50)	

Statement of Assets and Liabilities				(₹. in Lacs)	
Sl. No.	Particulars	As at		As at	
		31/03/2016	30/09/2014		
		(Audited)	(Audited)		
A	Equity and Liabilities				
1	Shareholders' Funds:				
	(a) Share Capital	1,793	1,793		
	(b) Reserves and Surplus	(7,540)	(5,494)		
	Sub-total - Shareholders' Funds	(5,747)	(3,701)		
2	Non-Current Liabilities				
	(a) Long-Term Borrowings	434	434		
	(b) Long-Term Provisions	-	80		
	Sub-total - Non-Current Liabilities	434	514		
3	Current Liabilities				
	(a) Short-Term Borrowings	1,938	2,078		
	(b) Trade Payables	96	738		
	(c) Other Current Liabilities	5,634	4,568		
	(d) Short-Term Provisions	5	44		
	Sub-total - Current Liabilities	7,673	7,428		
	Total Equity and Liabilities	2,360	4,241		
B	Assets				
1	Non-Current Assets				
	(a) Fixed Assets	1,855	2,362		
	(b) Long-Term Loans and Advances	138	439		
	Sub-total Non-Current Assets	1,993	2,801		
2	Current Assets				
	(a) Current Investments	-	4		
	(b) Inventories	66	821		
	(c) Trade Receivable	-	135		
	(d) Cash and Cash Equivalents	126	93		
	(e) Short-Term Loans and Advances	175	387		
	Sub-Total Current Assets	367	1,440		
	Total Assets	2,360	4,241		



Notes:

1. The above financial results were reviewed by the Audit Committee and approved by the Board of Directors at their meeting held on 30th May, 2016 and the Statutory Auditor have qualified their Audit Report on the matter stated in Note 4, 5 & 6 below.
2. The Company is engaged in the business of manufacturing of cotton yarn & knitted fabrics. Since the Company's business falls within a single business segment, disclosure under Accounting Standard (AS) -17 Segment Reporting is not applicable.
3. In absence of virtual certainty, the Company has recognised deferred tax assets only to the extent of deferred tax liability, as stipulated by Accounting Standard -22.
4. During the year ended September 30, 2012, State Bank of India (SBI) has unilaterally cancelled the forward contracts and debited Rs.1178.81 lacs, being the losses on account of foreign exchange difference excluding interest, if any, into our cash credit account without any authorization from us. The company was not in agreement with the action taken by the SBI and lodged its objection with SBI. The Company has filed a suit in Hon'ble High Court at Calcutta on 6th day of August, 2013 against State Bank of India and therefore disputes the forex loss. The said suit has been transferred to the Hon'ble City Civil Court at Ahmedabad pursuant to the order dated 18th day of August 2014 of Hon'ble High Court at Calcutta. The Company therefore has not recognized the said forex loss in its books of accounts. The dispute is sub-judice.
5. The loan accounts of the Company have become NPA in the books of the lenders namely State Bank of India and IDBI Limited. Interest on these accounts has been provided as per the last communicated rates or at the rate debited by the bank.
6. The company Company has not provided interest for the period from April 1, 2015 to March 31, 2016 on unsecured intercorporate loan of Rs.4,34,34,766 from related party and unsecured loan of Rs. 1,50,00,000/- received from non-related party.
7. During the quarter ended 31st December, 2014, the Company has reassessed the useful lives of its fixed assets in accordance with Part C of Schedule II to the Companies Act, 2013. As a consequence of such reassessment, the charge on account of depreciation for the quarter and wighteen months ended 31st March, 2016 is lower by ₹.19.17 lacs & ₹.112.52 lacs compared to useful lives estimated in earlier periods. In case of assets whose useful lives have ended, ₹.113.40 Lacs being the carrying value, net of residual value as on 1st October, 2014 has been adjusted to the opening balance of Deficit to Profit & Loss Account as on 1st October, 2014 pursuant to provisions of Schedule II to the Companies Act, 2013.
8. The Company's appeal filed on 18/01/2013 in Appellate Authority for Industrial and Financial Reconstruction u/s 25(1) the Sick Industrial Companies (Special Provisions) Act, 1985 (SICA, 1985) against the order passed by the Board of Industrial and Financial Reconstruction (BIFR) for reference bearing no.3/2012 filed u/s 15(1) of the SICA, 1985 is pending. The Company's reference bearing no.6/2013 filed u/s 15(1) of SICA, 1985 filed with BIFR is also pending.
9. The previous period figures have been regrouped/reclassified, wherever necessary to confirm to the current year presentation. The Financial Year of the Company was changed from 1st October, 2014 - 30th September, 2015 to 1st October, 2014 - 31st March, 2016 to align with the requirement of the provisions of section 2(41) of the Companies Act, 2013. Therefore, the previous year figures are not comparable with the current period figures.
10. The Company suspended operations in September, 2015 to contain losses due to un-favourable market conditions and financial constraints. The incentives given to new cotton spinning units under the state textile policy created an uneven playing field making it difficult for the older units to compete in times of general lack of demand and a situation of oversupply in the market. The financial statements as at 31-03-2016 have been therefore been prepared on non going concern basis.
11. The results for the quarter ended 31st March, 2016 are derived figures arrived at by subtracting the results for fifteen months ended on 31st December, 2015 from the audited results for the eighteen months period ended 31st March, 2016.

Kolkata, the 30th May, 2016



By the order of the Board

*U. Kanoria*  
U. Kanoria  
Chairman & Managing Director

**INDEPENDENT AUDITORS' REPORT**

**To the Members of Kanco Enterprises Limited**

**Report on the Financial Statements**

We have audited the accompanying financial statements of Kanco Enterprises Limited (the "Company"), which comprise the Balance Sheet as at March 31, 2016, and the Statement of Profit and Loss and Cash Flow Statement for the eighteen months period then ended, and a summary of significant accounting policies and other explanatory information.

**Management's Responsibility for the Financial Statements**

The Company's Board of Directors is responsible for matters stated in Section 134(5) of the companies Act, 2013 (the "Act") with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

**Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit.

We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence, about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal financial control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on whether the Company has in place an adequate internal financial controls system over financial reporting and the operating effectiveness of such controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion on the financial statements.





### Basis of Qualified Opinion

We report the following observations:

(a) As referred to in note no. 24(2) (a) (i) (b) of financial statements, during the year ended September 30, 2012, the Company has not accounted for Foreign Exchange loss of Rs. 117,881,338/- arising out of Cancellation of Forward Contract and disclosed the same as contingent liability. On account of this, accumulated loss as at March 31, 2016 is lower by the said amount. The loss above does not include interest, if any.

(b) As referred in note no. 7 (iii) & (iv) Company has stopped repaying Secured loan and interest thereon to State Bank of India and IDBI bank since 2011-2012. Interest charged on borrowing from State Bank of India has been accounted as per last agreed rate of 2011-2012. We have been explained that the Company has no information about any change in the rate of interest, so impact, if any, of the same in statement of profit and loss and Reserve and Surplus is not determinable. The said loans have been recalled by the respective lenders and matter is sub-judice.

(c) As referred in note no. 5(ii) balance of secured loan and Interest thereon from State bank of India and IDBI Bank are as per books of accounts and subject to confirmation by lenders.

(d) As referred in note no. 6 (2), the company has not made provision for interest for delay in payment to vendors during the period as per agreed terms with vendors. Also trade Payables are subject to confirmations. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

(e) As referred in note no. 13 (2) the Company has valued stores and spares at cost. Impact if any for net realisable being lower than the cost could not be determined.

(f) As referred in note no. 24 (2) (j) the company has not provided interest for the period from April 1, 2015 to March 31, 2016 on unsecured intercorporate loan of Rs. 4,34,34,766 from related party and unsecured loan of Rs. 1,50,00,000/- received from non-related party. Amount of the Interest for the said period on the said loan as per last agreed rate with the parties is Rs. 57,25,768/-

### Qualified Opinion

In our opinion and to the best of our information and according to the explanations given to us, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the aforesaid financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India of the state of affairs of the Company as at 31st March 2016, and its loss and its cash flows for the eighteen months period ended on that date.

### Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 24 (2) (k) in the financial statements which indicates that Company net worth as at March 31, 2016 has been completely eroded on account of accumulated losses of Rs. 967,667,393/-. Further due to operational difficulties and curtail the loss, company has suspended its manufacturing operation from September 30, 2015. The financial statements as at 31-03-2016 have been therefore been prepared on non going concern basis and assets are stated at lower of carrying value or net realisable value.



### Report on Other Legal and Regulatory Requirements

1. As required by 'the Companies (Auditor's Report) Order, 2016' ("the order") issued by the Central Government of India in terms of sub-section (11) of section 143 of the Companies Act 2013, 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 3 and 4 of the Order, to the extent applicable.
2. As required by section 143 (3) of the Act, we report that:
  - (a) We have sought and, except for possible effects of the matter described in the Basis for Qualified Opinion paragraph, obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
  - (b) Except for the possible effects of the matter described in the basis for Qualified Opinion paragraph above, 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, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account;
  - (d) Except for possible effects of the matter described in the Basis for Qualified Opinion paragraph, in our opinion, the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement comply with the Accounting Standards specified under section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014;
  - (e) On the basis of written representations received from the directors as on March 31, 2016, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2016, from being appointed as a director in terms of Section 164 (2) of the Act.
  - (f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure A".
  - (g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
    - i. The Company has disclosed the impact of pending litigations on its financial position in its financial statements. – Refer Note 24(2) (a) (i) to the financial statements;
    - ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses;
    - iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company

Ahmedabad  
May 30, 2016



For B. R. Shah & Associates  
Firm Registration Number: 129053W  
Chartered Accountants

*D. R. Desai*

Deval R Desai  
Partner  
Membership Number: 132426

## Annexure to Auditors' Report

Referred to in Annexure referred to in paragraph 1 under the heading "Report on other legal and regulatory requirements" of our report of even date to the members of Kanco Enterprises Limited on the financial statements as of and for the period ended March 31, 2016

- i. (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.  
  
(b) *The fixed assets have not been physically verified by the management. In the absence of physical verification, we are not in a position to comment on the discrepancies, if any, between physical and book balances and the impact thereof.*  
  
(c) Based on our audit procedures performed for the purpose of reporting the true and fair view of the financial statements and according to information and explanations given by the management, the title deeds of immovable properties are held in the name of the company.
- ii. Physical verification of inventory has been conducted by Management at reasonable intervals. In our opinion, the frequency of verification is reasonable. 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.
- iii. According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under section 189 of the Companies Act, 2013. Accordingly, the provisions of clause 3(iii) (a), (b) and (c) of the Order are not applicable to the Company and hence not commented upon.
- iv. In our opinion and according to the information and explanations given to us, there are no loans, investments, guarantees, and securities granted in respect of which provisions of section 185 and 186 of the Companies Act 2013 are applicable and hence not commented upon.
- v. The Company has not accepted any deposits from the public.
- vi. We have broadly reviewed the books of account maintained by the Company in respect of products where, pursuant to the rules made by the Central Government of India, the maintenance of cost records has been prescribed under sub-section (1) of Section 148 of the Act, and are of the opinion that, prima facie, the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the records with a view to determine whether they are accurate or complete.
- vii. (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 undisputed statutory dues in respect of tax deducted at source and service tax though there has been a slight delay in a few cases, and is regular in depositing undisputed statutory dues, including income tax, sales tax, service tax, duty of custom, value added tax, cess and other 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, service-tax, duty of customs, duty of excise and value added tax which have not been deposited on account of any dispute.
- viii. According to the records of the Company examined by us and the information and explanation given to us, during the year the Company has no debentures and loan from financial institution or government. The Company has defaulted in repayment of dues to banks as detailed below:



**Annexure to Auditors' Report**

Referred to in Annexure referred to in paragraph 1 under the heading "Report on other legal and regulatory requirements" of our report of even date to the members of Kanco Enterprises Limited on the financial statements as of and for the period ended March 31, 2016

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Particulars	Outstanding Since	Period of Default as on March 31, 2016 (In days)	Amount of Default - Loan Rupees
IDBI - Rupee Loan	Oct-11	1,644	54,00,000
	Jan-12	1,552	54,00,000
	Apr-12	1,461	54,00,000
	Jul-12	1,370	54,00,000
	Oct-12	1,278	54,00,000
	Jan-13	1,186	54,00,000
	Apr-13	1,096	68,02,500
	Jul-13	1,005	68,02,500
	Oct-13	913	68,02,500
	Jan-14	821	68,02,500
	Apr-14	731	68,02,500
	Jul-14	640	68,02,500
	Oct-14	548	68,02,500
	Jan-15	456	68,02,500
	Apr-15	366	68,02,500
	Jul-15	275	68,02,500
SBI - Rupee Loan	Sep-11	1,645	26,50,000
	Dec-11	1,553	37,50,000
	Mar-12	1,462	37,50,000
	Jun-12	1,371	42,50,000
	Sep-12	1,279	42,50,000
	Dec-12	1,187	42,50,000
	Mar-13	1,097	42,50,000
	Jun-13	1,006	45,00,000
	Sep-13	914	45,00,000
	Dec-13	822	45,00,000
	Mar-14	732	45,00,000
	Jun-14	641	50,00,000
	Sep-14	549	50,00,000
	Dec-14	457	50,00,000
	Mar-15	367	50,00,000
	Jun-15	276	1,03,00,000
	Sep-15	184	94,50,000
S.B.I. Corporate Loan	Sep-11	1,645	30,00,000
	Dec-11	1,553	30,00,000
	Mar-12	1,462	30,00,000
	Jun-12	1,371	30,00,000
	Sep-12	1,279	30,00,000
	Dec-12	1,187	30,00,000





**Annexure to Auditors' Report**

Referred to in Annexure referred to in paragraph 1 under the heading "Report on other legal and regulatory requirements" of our report of even date to the members of Kanco Enterprises Limited on the financial statements as of and for the period ended March 31, 2016

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Particulars	Outstanding Since	Period of Default as on March 31, 2016 (In days)	Amount of Default - Loan Rupees
	Mar-13	1,097	30,00,000
S.B.I. -Rupee Loan (FITL)	Sep-12	1,279	14,99,895
	Dec-12	1,187	20,00,000
	Mar-13	1,097	20,00,000
	Jun-13	1,006	20,00,000
	Sep-13	914	20,00,000
	Dec-13	822	20,00,000
	Mar-14	732	20,00,000
	Jun-14	641	22,50,000
	Sep-14	549	22,50,000
	Dec-14	457	22,50,000
	Mar-15	367	22,50,000
	Jun-15	276	30,00,000
	Sep-15	184	30,00,000
	Dec-15	92	30,00,000
	Mar-16	1	30,00,000
I.D.B.I. Line Of Credit	Aug-11	1,705	50,00,000
	Sep-11	1,674	50,00,000
I.D.B.I. Rupee Term Loan (WCTL)	Aug-11	1,705	16,70,000
	Sep-11	1,674	16,10,000

- ix. The Company has not raised money by way of initial public offer or further public offer (including debt instruments) any term loans during the period. Accordingly, the provisions of Clause 3(ix) of the Order are not applicable to the Company.
- x. 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 fraud by the company or any fraud on the company by its officers or employees has been noticed or reported during the year nor have we been informed of any such case by the Management.
- xi. Based on our audit procedures performed for the purpose of reporting the true and fair view of the financial statements and according to the information and explanations given by the management, we report that the managerial remuneration has been paid / provided in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Companies Act, 2013.
- xii. The company is not a Nidhi Company. Accordingly, the provisions of Clause 3(xii) of the Order are not applicable to the Company.
- xiii. All transaction with the related parties are in compliance with section 177 and 188 of Companies Act, 2013 and the details have been disclosed in the Financials Statements as required by the applicable accounting standards





**Annexure to Auditors' Report**

Referred to in Annexure referred to in paragraph 1 under the heading "Report on other legal and regulatory requirements" of our report of even date to the members of Kanco Enterprises Limited on the financial statements as of and for the period ended March 31, 2016

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- xiv. The company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review.
- xv. According to the information and explanations given to us and the records of the Company examined by us, the company has not entered into any non-cash transactions with directors or any person connected to him.
- xvi. The company is not required to be registered under sections 45-IA of the Reserve Bank of India Act, 1934.

Ahmedabad  
May 30, 2016



For B. R. Shah & Associates  
Firm Registration Number: 129053W  
Chartered Accountants

*D. R. Desai*

Deval Desai  
Partner  
Membership Number: 132426

## **Annexure A to Independent Auditors' Report**

Referred to in Annexure referred to in paragraph 2 (f) under the heading "Report on other legal and regulatory requirements" of our report of even date to the members of Kanco Enterprises Limited on the financial statements as of and for the period ended March 31, 2016

### **Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013**

We have audited the internal financial controls over financial reporting of Kanco Enterprises Limited ("the Company") as of March 31, 2016 in conjunction with our audit of the financial statements of the Company for the eighteen months period ended on that date.

#### **Management's Responsibility for Internal Financial Controls**

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India (ICAI). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

#### **Auditors' Responsibility**

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of internal financial controls and both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion on the Company's internal financial controls system over financial reporting.

#### **Meaning of Internal Financial Controls Over Financial Reporting**

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only



## Annexure A to Independent Auditors' Report

Referred to in Annexure referred to in paragraph 2 (f) under the heading "Report on other legal and regulatory requirements" of our report of even date to the members of Kanco Enterprises Limited on the financial statements as of and for the period ended March 31, 2016

in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

### Qualified of Opinion

According to information and explanation given to us and based on our audit, the following material weakness have been identified as at 31 March 2016.

- a) The company's internal financial controls over balance confirmation procedures as on March 31, 2016 of vendor, customers, loans and advances and unsecured and secured loan were not operating effectively.
- b) The Company has during the year not carried out physical verification of its fixed assets as defined in their internal control policy.

In our opinion, except for the effects of the material weakness describe above on the achievement of the objective of the control criteria, the Company has maintained, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2016, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

We have considered the material weakness identified and reported above in determining the nature, timing, and extent of audit tests applied in our audit of the financial statements of the Company, and this material weakness does not affect our opinion on the financial statements of the Company.

Ahmedabad  
May 30, 2016



For B. R. Shah & Associates  
Firm Registration Number: 129053W  
Chartered Accountants

*D. G. Desai*

Deval Desai  
Partner  
Membership Number: 132426



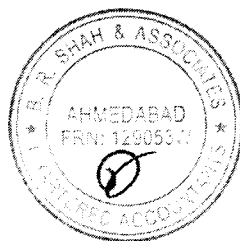
# KANCO ENTERPRISES LIMITED

Registered Office : "Jasmine Tower", 3rd Floor  
31 Shakespeare Sarani, Kolkata - 700 017, India, Telefax : 2281-5217  
E-mail : contact.kanco@gmail.com, Website : www.kanco.in  
Corporate Identity Number (CIN)-L51909WB1991PLC053283

## Statement on Impact of Audit Qualifications (for audit report with modified opinion) submitted along-with Annual Audited Financial Results

### Statement on Impact of Audit Qualifications for the 18 months period ended on 31 st March, 2016

I	Sl No.	Particulars	Audited Figures (as reported before adjusting for qualifications)	Adjusted Figures (audited figures after adjusting for qualifications)
	1.	Turnover/Total Income	142,88,14,285	142,88,14,285
	2.	Total Expenditure	162,20,40,588	162,77,66,356
	3.	Net Profit/(Loss)	(19,32,26,303)	(19,89,52,071)
	4.	Earnings Per Share	(10.78)	(11.10)
	5.	Total Assets	23,60,46,372	23,60,46,372
	6.	Total Liabilities	81,07,57,088	93,43,64,194
	7.	Net Worth	(57,47,10,716)	(69,83,17,822)
	8.	Any other financial item(s)(as felt appropriate by the management)		
II	Audit Qualification (each audit qualification separately):			
1.	a. Details of Audit Qualification: The Company has not accounted for Foreign Exchange loss of Rs. 117,881,338/- arising out of Cancellation of Forward Contract during the year ended September 30, 2012, and disclosed the same as contingent liability. On account of this, accumulated loss as at March 31, 2016 is lower by the said amount. The loss above does not include interest, if any.			
	b. Type of Audit Qualification: Qualified Opinion			
	c. Frequency of qualification: Appeared earlier in Annual Report for the period ended 30 <sup>th</sup> September, 2012, 30 <sup>th</sup> September, 2013 and 30 <sup>th</sup> September, 2014			
	d. For Audit Qualification(s) where the impact is quantified by the auditor, Management's Views: During the year ended September 30, 2012, State Bank of India (SBI) has unilaterally cancelled the forward contracts and debited Rs..11,78,81,338/-, being the losses on account of foreign exchange difference excluding interest, if any, into our cash credit account without any authorization from us. The Company is not in agreement with the action taken by the SBI and has lodged its objection with SBI. The Company filed a suit in Hon'ble Court at Calcutta on 6th day of August 2013 against State Bank of India and therefore disputes the forex losses. The said suit has been transferred to the City Civil Court in Ahmedabad pursuant to the order dated 18th day of August 2014 of Calcutta High Court. The Company therefore has not recognized the said forex loss in its books of accounts. The dispute is sub-judice.			
	e. For Audit Qualification(s) where the impact is not quantified by the auditor:			
	(i) Management's estimation on the impact of audit qualification: Not Applicable			



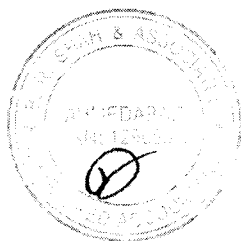




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	(ii) If management is unable to estimate the impact, reasons for the same: The company has disputed the principal amount of forward contract losses of Rs.117,881,338/-. The Company is of the opinion that the principal amount is not payable and consequently payment of interest on principal does not arise.
	(iii) Auditors' Comments on (i) or (ii) above: In absence of adequate information and communication from bank regarding interest charged till date if any, impact of the same cannot be ascertained.
2.	a. Details of Audit Qualification: Company has stopped repaying Secured loan and interest thereon to State Bank of India and IDBI bank since 2011-2012. Interest charged on borrowing from State Bank of India has been accounted as per last agreed rate of 2011-2012. We have been explained that the Company has no information about any change in the rate of interest, so impact, if any, of the same in statement of profit and loss and Reserve and Surplus is not determinable. The said loans have been recalled by the respective lenders and matter is sub-judice.
	b. Type of Audit Qualification: Qualified Opinion
	c. Frequency of qualification: Appeared earlier in Annual Report for the period ended 30 <sup>th</sup> September, 2012, 30 <sup>th</sup> September, 2013 and 30 <sup>th</sup> September, 2014
	d. For Audit Qualification(s) where the impact is quantified by the auditor, Management's Views: Not Applicable
	e. For Audit Qualification(s) where the impact is not quantified by the auditor:
	(i) Management's estimation on the impact of audit qualification: Not Applicable
	(ii) If management is unable to estimate the impact, reasons for the same: SBI has not communicated any changes in the rate of interest to the Company and therefore Interest on loan accounts with State Bank of India has been provided at the last communicated rate.
	(iii) Auditors' Comments on (i) or (ii) above: In absence of adequate information and communication from bank regarding changes in interest rate if any, impact of the same cannot be ascertained.
3.	a. Details of Audit Qualification: Balance of secured loan and Interest thereon from State bank of India and IDBI Bank are as per books of accounts and subject to confirmation by lenders.
	b. Type of Audit Qualification: Qualified Opinion
	c. Frequency of qualification: Appearing for the first time
	d. For Audit Qualification(s) where the impact is quantified by the auditor, Management's Views: Not Applicable
	e. For Audit Qualification(s) where the impact is not quantified by the auditor:
	(i) Management's estimation on the impact of audit qualification: Not Applicable
	(ii) If management is unable to estimate the impact, reasons for the same: Both SBI and IDBI have neither send any statement of account nor issued any balance confirmation and therefore the management is unable to get the confirmation.
	(iii) Auditors' Comments on(i) or (ii) above: In absence of bank confirmation, we are not able to check correctness and completeness of the same and impact if any cannot be ascertained.





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4.	a. Details of Audit Qualification: The company has not made provision for interest for delayed in payment to vendors during the period as per agreed terms with vendors. Also trade Payables are subject to confirmations. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.
	b. Type of Audit Qualification: Qualified Opinion
	c. Frequency of qualification: Appearing for the first time
	d. For Audit Qualification(s) where the impact is quantified by the auditor, Management's Views: Not Applicable
	e. For Audit Qualification(s) where the impact is not quantified by the auditor:
	(i) Management's estimation on the impact of audit qualification: Not Applicable
	(ii) If management is unable to estimate the impact, reasons for the same: As per the understanding reached with vendors, the Company has decided not to provide any interest on delayed payment due to financial constraints and closure of operation and during the year no such bill for interest has been raised by the vendors. Further, no legal action has also been taken by the vendors for not providing interest on delayed payment. The trade payable has been reduced from Rs.7,38,17,338/- in September,2014 to Rs.96,29,234/- in march,2016.
	(iii) Auditors' Comments on(i) or (ii) above: In absence of vendor confirmations available with the company, we are not able to check the correctness and completeness of the same, and hence impact of the same cannot be ascertained
5.	a. Details of Audit Qualification: The Company has valued stores and spares at cost. Impact if any for net realisable being lower than the cost could not be determined.
	b. Type of Audit Qualification: Qualified Opinion
	c. Frequency of qualification: Appearing for the first time
	d. For Audit Qualification(s) where the impact is quantified by the auditor, Management's Views: Not Applicable
	e. For Audit Qualification(s) where the impact is not quantified by the auditor:
	(i) Management's estimation on the impact of audit qualification: Not Applicable
	(ii) If management is unable to estimate the impact, reasons for the same: The Stores & Spares as on 31 <sup>st</sup> March,2016 is Rs.65,64,410/- and Company has valued it at cost as it's difficult to ascertain the realisable value of such a large number of store items and difference if any, between realizable value and cost value won't be material.
	(iii) Auditors' Comments on(i) or (ii) above: In absence of details and working for net realizable value of stores and spares, impact of the same cannot be ascertained.
6.	a. Details of Audit Qualification: The company has not provided interest for the period from April 1, 2015 to March 31, 2016 on unsecured intercorporate loan of Rs.4,34,34,766 from related party and unsecured loan of Rs. 1,50,00,000/- received from non-related party. Amount of the Interest for the said period on the said loan as per last agreed rate with the parties is Rs. 57,25,768/-





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	b. Type of Audit Qualification: Qualified Opinion
	c. Frequency of qualification: Appearing for the first time
	d. For Audit Qualification(s) where the impact is quantified by the auditor, Management's Views: The Company has shut down its operation in September, 2015 and lenders have recalled the loan and the loan accounts have been declared NPA. The Company is facing acute liquidity crunch and therefore unable to make any payment to its lenders at the moment and therefore no interest has been provided on unsecured loans.
	e. For Audit Qualification(s) where the impact is not quantified by the auditor: Not Applicable
III	<b>Signatories:</b>
	<p>• CEO/ Managing Director <b>For KANCO ENTERPRISES LIMITED</b></p> <p><i>[Signature]</i> Managing Director</p>
	<p>• CFO <b>FOR, KANCO ENTERPRISES LIMITED</b></p> <p><i>[Signature]</i> Authorised Signatory</p>
	<p>• Audit Committee Chairperson</p> <p>Piya Basal</p>
	<p>• Statutory Auditor <b>D. G. Dew</b></p> <p><b>PARTNER</b> M.V.V. 132426 <b>AHMEDABAD</b> May 30, 2016</p>
	Place:
	Date:

