



## **CONSOLIDATED FINANCIAL STATEMENTS**

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## CONSOLIDATED BALANCE SHEET

AS AT 31ST MARCH, 2004

	Schedule	31st March, 2004 (Rs. in Crores)		31st March, 2003 (Rs. in Crores)	
<b>I. SOURCES OF FUNDS</b>					
<b>1. Shareholders' Funds</b>					
a) Capital	1	247.68		247.51	
b) Reserves and Surplus	2	<u>6204.89</u>	<u>6452.57</u>	<u>5139.74</u>	<u>5387.25</u>
<b>2. Minority Interests</b>			<b>114.84</b>		<b>99.83</b>
<b>3. Loan Funds</b>					
a) Secured Loans	3	<u>62.51</u>		<u>101.12</u>	
b) Unsecured Loans	4	<u>89.29</u>	<u>151.80</u>	<u>70.46</u>	<u>171.58</u>
<b>4. Deferred Tax-Net</b>	5		<u>114.50</u>		<u>89.97</u>
<b>Total</b>			<u><b>6833.71</b></u>		<u><b>5748.63</b></u>
<b>II. APPLICATION OF FUNDS</b>					
<b>1. Fixed Assets</b>					
a) Gross Block	6	<u>5320.68</u>		<u>4786.56</u>	
b) Less : Depreciation		<u>1643.00</u>		<u>1424.48</u>	
c) Net Block		<u>3677.68</u>		<u>3362.08</u>	
d) Capital Work-in-Progress		<u>326.83</u>		<u>171.28</u>	
		<u>4004.51</u>		<u>3533.36</u>	
e) Less : Provision for assets given on lease		<u>10.17</u>	<u>3994.34</u>	<u>10.39</u>	<u>3522.97</u>
<b>2. Investments</b>	7		<u><b>2812.56</b></u>		<u><b>1346.61</b></u>
<b>3. Current Assets, Loans and Advances</b>					
a) Inventories	8	<u>1724.72</u>		<u>1441.47</u>	
b) Sundry Debtors	9	<u>284.46</u>		<u>245.76</u>	
c) Cash and Bank Balances	10	<u>100.38</u>		<u>471.00</u>	
d) Other Current Assets	11	<u>822.40</u>		<u>818.88</u>	
e) Loans and Advances	12	<u>705.82</u>		<u>690.01</u>	
		<u>3637.78</u>		<u>3667.12</u>	
Less :					
<b>4. Current Liabilities and Provisions</b>					
a) Liabilities	13	<u>2964.64</u>		<u>2196.89</u>	
b) Provisions	14	<u>647.18</u>		<u>592.13</u>	
		<u>3611.82</u>		<u>2789.02</u>	
<b>Net Current Assets</b>			<b>25.96</b>		<b>878.10</b>
<b>5. Miscellaneous Expenditure</b>					
(To the extent not written off or adjusted)			<b>0.85</b>		<b>0.95</b>
[See Schedule 19 (x)]					
<b>Total</b>			<u><b>6833.71</b></u>		<u><b>5748.63</b></u>
<b>Notes to the Accounts</b>	19				
<b>Segment Reporting</b>	20				
<b>Related Party Disclosures</b>	21				
<b>Significant Accounting Policies</b>	22				

The Schedules referred to above form an integral part of the Balance Sheet.

Per our Report attached

On behalf of the Board

For A. F. FERGUSON & CO.  
Chartered Accountants

A. K. MAHINDRA  
Partner

Mumbai, 28th May, 2004

Y. C. DEVESHWAR *Chairman*

K. VAIDYANATH *Director*

B. B. CHATTERJEE *Secretary*

Kolkata, 28th May, 2004

## CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31ST MARCH, 2004

	Schedule	For the year ended 31st March, 2004 (Rs. in Crores)	For the year ended 31st March, 2003 (Rs. in Crores)
<b>IA. GROSS INCOME</b>		<b><u>12622.36</u></b>	<b><u>11642.73</u></b>
<b>IB. NET INCOME</b>			
Gross Sales [Includes share of Joint Ventures Rs. 84.04 Crores (2003 - Rs. 88.29 Crores)]		<b>12386.42</b>	11452.56
Less : Excise Duties and Taxes on Sales of Products and Services [Includes share of Joint Ventures Rs. 35.28 Crores (2003 - Rs. 48.04 Crores)]		<b><u>5497.93</u></b>	<u>5281.86</u>
Net Sales		<b>6888.49</b>	6170.70
Other Income	15	<b><u>235.94</u></b>	<u>190.17</u>
		<b><u>7124.43</u></b>	<u>6360.87</u>
<b>II. OTHER EXPENDITURE</b>			
Raw Materials etc.	16	<b>2409.32</b>	2284.06
Manufacturing, Selling etc. Expenses	17	<b>2050.32</b>	1714.31
Depreciation [Includes share of Joint Ventures Rs. 2.64 Crores (2003 - Rs. 2.25 Crores)]		<b><u>272.96</u></b>	<u>259.84</u>
		<b><u>4732.60</u></b>	<u>4258.21</u>
<b>III. PROFIT</b>			
Profit before Taxation		<b>2391.83</b>	2102.66
Provision for Taxation	18	<b><u>753.59</u></b>	<u>720.10</u>
Profit after Taxation before Share of Results of Associates and Minority Interests		<b>1638.24</b>	1382.56
Share of net Loss of Associates		<b><u>(4.30)</u></b>	<u>(4.84)</u>
Profit after Taxation before Minority Interests		<b>1633.94</b>	1377.72
Minority Interests		<b><u>17.93</u></b>	<u>4.75</u>
Net Profit		<b>1616.01</b>	1372.97
Profit brought forward		<b>207.00</b>	176.76
Balance of Revenue Reserves of Joint Ventures and Associates on initial adoption		<b>—</b>	11.15
Transfer to Hotel Foreign Exchange Earnings Reserve		<b>(6.62)</b>	(4.00)
Release from Hotel Foreign Exchange Earnings Reserve		<b><u>4.00</u></b>	<u>9.00</u>
Available for appropriation		<b><u>1820.39</u></b>	<u>1565.88</u>
<b>IV. APPROPRIATIONS</b>			
Release from Debenture Redemption Reserve		<b>(10.94)</b>	(60.50)
General Reserve		<b>1003.37</b>	1000.54
Special Reserve under section 45-IC of RBI Act, 1934		<b>3.20</b>	—
Proposed Dividend		<b>495.36</b>	371.27
Income Tax on Proposed Dividend		<b>65.68</b>	47.57
Share of Revenue Reserves of Joint Ventures carried forward		<b>12.72</b>	13.61
Profit carried forward		<b><u>251.00</u></b>	<u>193.39</u>
		<b><u>1820.39</u></b>	<u>1565.88</u>
Earnings per Share (Face Value Rs. 10.00 each)	19 (v)		
Basic		<b>Rs. 65.28</b>	Rs. 55.47
Diluted		<b>Rs. 65.15</b>	Rs. 55.47
<b>Notes to the Accounts</b>	19		
<b>Segment Reporting</b>	20		
<b>Related Party Disclosures</b>	21		
<b>Significant Accounting Policies</b>	22		

The Schedules referred to above form an integral part of the Profit and Loss Account.

Per our Report attached to the Balance Sheet

For A. F. FERGUSON & CO.  
Chartered Accountants

A. K. MAHINDRA  
Partner

Mumbai, 28th May, 2004

On behalf of the Board  
Y. C. DEVESHWAR *Chairman*

K. VAIDYANATH *Director*

B. B. CHATTERJEE *Secretary*

Kolkata, 28th May, 2004

## CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31ST MARCH, 2004

(Figures for the previous year have been rearranged to conform with the revised presentation)

	For the year ended 31st March, 2004 (Rs. in Crores)	For the year ended 31st March, 2003 (Rs. in Crores)
<b>A. NET PROFIT BEFORE TAX</b>	<b>2391.83</b>	<b>2102.66</b>
ADJUSTMENTS FOR :		
Depreciation	272.96	259.84
Interest etc. – Net [Excluding Rs. 6.81 Crores (2003 – Rs. 8.18 Crores) (net) (credit) in respect of financial enterprises consolidated]	(33.43)	(4.41)
Income from Long Term Investments [Excluding Rs. Nil (2003 – Rs. 0.02 Crore) in respect of financial enterprises consolidated]	(7.04)	(0.85)
Income from Current Investments [Excluding Rs. 2.29 Crores (2003 – Rs. Nil) in respect of financial enterprises consolidated]	(79.49)	(4.41)
Fixed Assets – Loss on Sale/Write off – Net	15.93	8.93
Profit on Sale of Long Term Investments	(0.57)	—
(Profit)/Loss on Sale of Current Investments – Net	1.33	(43.18)
Provision for diminution in value of Long Term Investment	5.45	—
Unrealised (Gain)/Loss on Exchange – Net	0.14	(0.57)
Provision for estimated loss on Fixed Assets held for Sale	—	35.04
Amortisation of Miscellaneous Expenditure	0.10	0.10
Liability no longer required written back	(26.37)	(20.18)
	<u>149.01</u>	<u>230.31</u>
Miscellaneous Expenditure Paid	—	2332.97
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	<u>2540.84</u>	<u>(1.05)</u>
ADJUSTMENTS FOR :		
Trade and Other Receivables	(46.76)	6.87
Inventories	(275.49)	(216.66)
Trade Payables	596.09	452.54
	<u>273.84</u>	<u>242.75</u>
CASH GENERATED FROM OPERATIONS	<u>2814.68</u>	<u>2574.67</u>
Income Tax Paid (net of refunds)	(816.33)	(728.82)
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>1998.35</b>	<b>1845.85</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of Fixed Assets	(515.44)	(511.56)
Sale of Fixed Assets	5.23	3.28
Purchase of Business (See Note Below)	(38.83)	—
Purchase of Current Investments	(11787.76)	(3430.12)
Sale/Redemption of Current Investments	10600.80	2881.91
Purchase of Long Term Investments	(227.76)	(107.18)
Sale of Long Term Investments	4.65	0.03
Income from Current Investments Received	9.24	—
Income from Long Term Investments Received	1.41	0.77
Dividend received from Associates	1.13	0.56
Interest Received	59.88	27.74
Refund of Deposits towards Property Options	1.50	—
Loans Given	(7.00)	(3.00)
Loans Realised	1.70	—
	<u>(1891.25)</u>	<u>(1137.57)</u>
<b>NET CASH USED IN INVESTING ACTIVITIES</b>		
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of Share Capital	11.21	—
Proceeds from Long Term Borrowings	7.47	7.89
Repayments of Long Term Borrowings	(40.32)	(189.64)
Net increase/(decrease) in Cash/Export Credit Facilities and other Short Term Loans	(1.96)	14.97
Interest etc. Paid	(31.64)	(44.71)
Dividends Paid	(372.56)	(332.09)
Income Tax on Dividend Paid	(49.78)	—
	<u>(477.58)</u>	<u>(543.58)</u>
<b>NET CASH FLOW USED IN FINANCING ACTIVITIES</b>		
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(370.48)</b>	<b>164.70</b>
OPENING CASH AND CASH EQUIVALENTS	470.82	270.10
CASH AND CASH EQUIVALENTS ON INITIAL ADOPTION - JOINT VENTURES	—	32.09
CASH AND CASH EQUIVALENTS ON ACQUISITION OF SUBSIDIARY	—	3.93
CLOSING CASH AND CASH EQUIVALENTS	<u>100.34</u>	<u>470.82</u>
<b>CASH AND CASH EQUIVALENTS COMPRISE :</b>		
Cash and Bank Balances	100.38	471.00
Unrealised Loss/(Gain) on Foreign Currency Cash and Cash Equivalents	(0.04)	(0.18)
	<u>100.34</u>	<u>470.82</u>
<i>Notes :</i>		
1. Details of purchase consideration on acquisition of business :		
Payable to M/s BILT Industrial Packaging Company Limited for acquisition of undertaking relating to Paperboards, Paper and Packaging Business (including Rs. 7.76 Crores towards Net Current assets and Rs. 15.03 Crores towards Long Term Liability).	232.99	
Cash paid	38.83	
Balance Payable	<u>194.16</u>	

Per our Report attached to the Balance Sheet

For A. F. FERGUSON & CO.  
Chartered Accountants  
A. K. MAHINDRA  
Partner  
Mumbai, 28th May, 2004

On behalf of the Board

Y. C. DEVESHWAR *Chairman*  
K. VAIDYANATH *Director*  
B. B. CHATTERJEE *Secretary*  
Kolkata, 28th May, 2004

## SCHEDULES TO THE CONSOLIDATED ACCOUNTS

(Figures for the previous year have been rearranged to conform with the revised presentation)

	As at 31st March, 2004 (Rs. in Crores)	As at 31st March, 2003 (Rs. in Crores)
<b>1. CAPITAL</b>		
Authorised		
30,00,00,000 Ordinary Shares of Rs. 10.00 each	<u>300.00</u>	<u>300.00</u>
Issued and Subscribed		
24,76,78,851 (2003 - 24,75,11,886) Ordinary Shares of Rs. 10.00 each, fully paid	<u>247.68</u>	<u>247.51</u>
A) Of the above, following were allotted :		
a) as fully paid up Bonus Shares —		
37,90,000 in 1978-79 by Capitalisation of Capital Reserve, Share Premium Reserve and General Reserve ;		
45,48,000 in 1980-81 by Capitalisation of Capital Reserve and General Reserve ;		
3,31,68,110 in 1989-90 by Capitalisation of Capital Reserve, Share Premium Reserve, Export Promotion Reserve and General Reserve ;		
3,98,01,732 in 1991-92 by Capitalisation of General Reserve ;		
12,13,18,177 in 1994-95 by Capitalisation of General Reserve.		
b) as fully paid up Shares —		
1,05,95,075 in 1991-92 consequent to the merger of erstwhile Tribeni Tissues Limited to the Shareholders of erstwhile Tribeni Tissues Limited.		
20,96,982 in 2002-03 consequent to the amalgamation of erstwhile ITC Bhadrachalam Paperboards Limited to the Shareholders of erstwhile ITC Bhadrachalam Paperboards Limited.		
B) ITC Limited has granted (net of options lapsed) :		
a) 3,06,598 (2003 - 3,06,598) share options in 2001-02 under the Employee Stock Option Scheme at the closing market price on the date of grant of options. Thirty percent of these options vested on 30th May, 2002, a further thirty percent vested on 30th May, 2003 and the balance will vest on 30th May, 2004. 54,830 vested options have been exercised.		
b) 5,88,590 (2003 - 5,88,590) share options in 2002-03 under the Employee Stock Option Scheme at the closing market price on the date of grant of options. Thirty percent of these options vested on 22nd May, 2003, a further thirty percent vested on 22nd May, 2004 and the balance will vest on 22nd May, 2005. 1,12,135 vested options have been exercised.		
c) 9,47,448 share options in 2003-04 under the Employee Stock Option Scheme at the closing market price on the date of grant of options. Thirty percent of these options vested on 22nd May, 2004, a further thirty percent will vest on 22nd May, 2005 and the balance will vest on 22nd May, 2006. None of the vested options have been exercised.		

## SCHEDULES TO THE CONSOLIDATED ACCOUNTS

### 2. RESERVES AND SURPLUS

	As at 31st March, 2004 (Rs. in Crores)		As at 31st March, 2003 (Rs. in Crores)	
Capital Reserve on consolidation				
At commencement of the year	2.66		0.61	
Add : On initial adoption [Schedule 19 (i) (b) & (c)]	—		1.77	
Add : On acquisition of Subsidiary	—	2.66	0.28	2.66
General Reserve				
At commencement of the year	4167.86		3141.43	
Add : On conversion of Joint Venture to Subsidiary on acquisition of shares	—		25.89	
Add : From Profit and Loss Account	1003.37	5171.23	1000.54	4167.86
Debenture Redemption Reserve				
At commencement of the year	10.94		71.44	
Less : To Profit and Loss Account	10.94	—	60.50	10.94
Share Premium Reserve				
At commencement of the year	305.59		305.59	
Add : On issue of Share Capital	11.04	316.63	—	305.59
Capital Reserve		5.58		5.58
Capital Redemption Reserve		0.22		0.22
Special Reserve under Section 45-IC of the RBI Act, 1934				
From Profit and Loss Account		3.20		—
Subsidy Reserve		0.09		0.09
Revaluation Reserve				
At commencement of the year	67.06		67.62	
Add : On conversion of Joint Venture to Subsidiary on acquisition of shares	—		0.37	
	67.06		67.99	
Less : To Profit and Loss Account				
– Depreciation [excluding minority interests Rs. 0.01 Crore (2003 - Rs. 0.02 Crore)]	0.85		0.85	
– Disposal of Fixed Assets	0.01	66.20	0.08	67.06
Hotel Foreign Exchange Earnings Reserve				
At commencement of the year	9.69		14.69	
Add : From Profit and Loss Account	6.62		4.00	
	16.31		18.69	
Less : To Profit and Loss Account	4.00	12.31	9.00	9.69
Contingency Reserve		363.05		363.05
Profit and Loss Account		251.00		193.39
<b>Total</b>		<b>6192.17</b>		<b>5126.13</b>
Share of Joint Ventures - Schedule 19 (i) (b)				
Revenue Reserves		12.72		13.61
<b>Grand Total</b>		<b>6204.89</b>		<b>5139.74</b>

## SCHEDULES TO THE CONSOLIDATED ACCOUNTS

	As at 31st March, 2004 (Rs. in Crores)	As at 31st March, 2003 (Rs. in Crores)
<b>3. SECURED LOANS</b>		
Debentures *	—	21.87
Loans and Advances from Banks		
Cash/Export Credit Facilities **	60.66	60.16
Term Loans ***	—	13.00
Other Loans ****	0.08	6.08
<b>Total</b>	<b>60.74</b>	<b>101.11</b>
Share of Joint Ventures - Schedule 19 (i) (b)	1.77	0.01
<b>Grand Total</b>	<b>62.51</b>	<b>101.12</b>
These comprise :		
* Nil (2003 - 1,00,00,000) 16.50% Non-Convertible Privately Placed Debentures of Rs. 100/- each (amount outstanding per Debenture being lower and varying among debentureholders on account of repayments and prepayments), secured by equitable mortgage over certain immovable properties and charge over certain movable assets subject to prior charges created/to be created in favour of Bankers for securing Working Capital requirements, redeemable at par in three yearly instalments, from 12th September, 2001- Rs. Nil (2003- Rs. 21.87 Crores).		
** Secured by charge over certain current assets, both present & future.		
*** Secured by mortgage of title deeds of certain immovable properties and charges over certain movable assets, both present and future.		
**** (i) Secured by equitable mortgage of certain immovable properties and charge over certain movable assets in favour of Bankers for securing Working Capital requirements – Rs. Nil (2003 - Rs. 5.00 Crores).		
(ii) Secured by first mortgage of title deeds of certain immovable properties - Rs. Nil (2003 – Rs. 0.94 Crore).		
(iii) Secured by hypothecation over certain movable fixed assets – Rs. 0.08 Crore (2003 – Rs. 0.14 Crore).		
<b>4. UNSECURED LOANS</b>		
Fixed Deposits	—	1.14
Short Term Loans		
From Banks - Temporary overdraft in cash credit account	24.15	26.68
Other Loans		
From other than Banks - Sales tax deferment loan (interest free)	65.14	42.64
<b>Total</b>	<b>89.29</b>	<b>70.46</b>
Share of Joint Ventures - Schedule 19 (i) (b)	—	—
<b>Grand Total</b>	<b>89.29</b>	<b>70.46</b>
<b>5. DEFERRED TAX - NET</b>		
Deferred Tax Liabilities		
On fiscal allowances on fixed assets	536.72	448.88
On fiscal relief realised on pre-deposit of excise duty	125.56	66.15
	<b>662.28</b>	<b>515.03</b>
Deferred Tax Assets		
On employees' separation and retirement	9.56	7.51
On provision for doubtful debts / advances	6.41	7.43
On State and Central taxes etc.	508.88	387.33
On unabsorbed tax losses and depreciation *	18.14	19.21
Other timing differences	4.43	4.25
	<b>547.42</b>	<b>425.73</b>
Deferred Tax - Net	<b>114.86</b>	<b>89.30</b>
Share of Joint Ventures - Schedule 19 (i) (b)	(0.36)	0.67
<b>Total</b>	<b>114.50</b>	<b>89.97</b>

\* Set up based on future profit projections/plans and, where applicable, past financial performance of individual subsidiaries.

## SCHEDULES TO THE CONSOLIDATED ACCOUNTS

### 6. FIXED ASSETS

	@ As at commencement of the year (Rs. in Crores)	Additions (Rs. in Crores)	Withdrawals and adjustments (Rs. in Crores)	@ As at end of the year (Rs. in Crores)	Depreciation for the year (Rs. in Crores)	Depreciation on Withdrawals and adjustments (Rs. in Crores)	Depreciation upto 31st March, 2004 (Rs. in Crores)	Net Book Value as at 31st March, 2004 (Rs. in Crores)
Goodwill on Consolidation	23.82	—	—	23.82	—	—	—	23.82
Trademarks & Goodwill	10.82	—	—	10.82	0.59	—	1.20	9.62
Know-how, Business and Commercial Rights	—	47.34	—	47.34	0.17	—	0.17	47.17
Land Freehold *	383.22	5.10	(15.61)	403.93	—	—	—	403.93
Buildings Freehold *	869.49	52.95	17.00	905.44	17.99	0.37	146.34	759.10
Leasehold Properties	36.42	—	—	36.42	0.16	—	2.40	34.02
Licensed Properties - Building Improvement	27.69	2.72	0.79	29.62	1.22	0.21	5.32	24.30
Railway Sidings etc.	1.17	—	—	1.17	0.05	—	0.53	0.64
Plant & Machinery **	2998.53	372.13	56.54	3314.12	197.29	41.19	1268.16	2045.96
Capitalised software	36.52	25.40	—	61.92	8.92	—	22.34	39.58
Computers etc.	138.99	61.84	3.95	196.88	23.02	3.37	88.92	107.96
Furniture & Fixtures	225.35	16.88	9.73	232.50	19.15	8.57	91.12	141.38
Motor Vehicles etc.	23.06	12.87	3.49	32.44	2.62	1.76	8.69	23.75
	4775.08	597.23	75.89	5296.42	271.18	55.47	1635.19	3661.23
Capital Work-in-Progress	171.28	402.36	247.95	325.69	—	—	—	325.69
<b>Total (a)</b>	4946.36	999.59	323.84	5622.11	271.18	55.47	1635.19	3986.92
Share of Joint Ventures - Schedule 19 (i)(b)								
Fixed Assets	11.48	13.79	1.01	24.26	2.64	(0.17)	7.81	16.45
Capital Work-in-Progress	—	1.43	0.29	1.14	—	—	—	1.14
<b>Total (b)</b>	11.48	15.22	1.30	25.40	2.64	(0.17)	7.81	17.59
<b>Total (a) + (b)</b>	4957.84	1014.81	325.14	5647.51	273.82	55.30	1643.00	4004.51
Provision for assets given on lease								10.17
<b>Grand Total</b>								3994.34
Previous Year	4575.39	1335.47	953.02	4957.84	260.71	119.02	1424.48	3533.36
Provision for assets given on lease								10.39
<b>Grand Total</b>								3522.97

@ Original Cost/Professional Valuation as at 30th June, 1986 in respect of assets of ITC Limited and as at 31st March, 1999 in respect of Bay Islands Hotels Limited.

Land Freehold includes the provisional purchase price of Rs. 14.81 Crores in respect of land at Bangalore. Final purchase price is to be determined by the Karnataka Industrial Areas Development Board, on settlement of which and on execution of a Sale Deed, title will pass to the Company in 21 years time from the date of agreement.

Land Freehold includes certain lands at Munger acquired by the Government of India under the Bihar Land Reforms Act, 1950 for which compensation has not yet been determined.

Buildings Freehold include Rs. 36.79 Crores (2003 - Rs. 35.47 Crores) (at original cost) of buildings at New Delhi on Government land taken on perpetual lease and Rs. 0.12 Crore (2003 - Rs. 0.12 Crore) (at original cost) of buildings at Kolkata on Port Trust land taken on lease.

Trademarks purchased Rs. 5.92 Crores (2003 - Rs. 5.92 Crores) under "Trademarks & Goodwill" and "Know-how, Business and Commercial Rights" acquired Rs. 47.34 Crores (2003- Rs. Nil) are being amortised over 10 years.

Applications for exemption in respect of vacant land under the Urban Land (Ceiling and Regulation) Act, 1976 have been made, wherever applicable.

Capital expenditure commitments, including share of Joint Ventures Rs. 0.84 Crore (2003 - Rs. 0.02 Crore), are Rs. 183.85 Crores (2003 - Rs. 186.48 Crores).

Additions for the year include fluctuations in the rate of foreign exchange (net) of Rs. 0.97 Crore (2003 - Rs. 2.31 Crores). Depreciation for the year includes Rs. 0.86 Crore (2003 - Rs. 0.87 Crore) transferred from Revaluation Reserve in respect of revalued assets.

\* Includes certain properties for which deeds of conveyance are awaited.

\*\* Plant and Machinery includes Rs. 36.75 Crores (2003 - Rs. 39.66 Crores) being assets given on lease and these are depreciated over the primary period of the lease. In respect of assets aggregating Rs. 30.87 Crores (2003 - Rs. 35.42 Crores), the primary lease period has expired and balances reflected on this account have been fully realised or provided for.



## SCHEDULES TO THE CONSOLIDATED ACCOUNTS

	As at 31st March, 2004 (Rs. in Crores)		As at 31st March, 2003 (Rs. in Crores)	
	Quoted	Not Quoted	Quoted	Not Quoted
<b>7. INVESTMENTS</b>				
<b>Long Term</b>				
<b>A. TRADE INVESTMENTS</b>				
<b>In Associates</b>				
International Travel House Limited				
39,14,233 Equity Shares of Rs. 10.00 each, fully paid				
Cost of acquisition (including goodwill of Rs. 11.89 Crores)	21.87		21.87	
Add / (Less) : Group Share of Profits / (Losses) upto 31.03.2004	9.87	31.74	9.58	31.45
Gujarat Hotels Limited				
17,33,907 Shares of Rs. 10.00 each, fully paid				
Cost of acquisition (including goodwill of Rs. 1.16 Crores)	1.94		1.94	
Add / (Less) : Group Share of Profits / (Losses) upto 31.03.2004	2.43	4.37	2.12	4.06
Ansal Hotels Limited				
2,72,79,310 Equity Shares of Rs. 10.00 each, fully paid				
Cost of acquisition (including goodwill of Rs. 10.48 Crores)		48.16		48.16
Add / (Less) : Group Share of Profits / (Losses) upto 31.03.2004		(24.64)	23.52	(18.45)
Asia Tobacco Company Limited				
55,650 Equity Shares of Rs. 100.00 each, fully paid				
Cost of acquisition (net of capital reserve of Rs. 0.16 Crore)		0.83		0.83
Add / (Less) : Group Share of Profits / (Losses) upto 31.03.2004		0.41	1.24	0.36
1,39,125 Equity Shares of Rs. 100.00 each, partly paid				
Cost of acquisition (including goodwill of Rs. 0.30 Crore)		1.04		1.04
Add / (Less) : Group Share of Profits / (Losses) upto 31.03.2004		0.13	1.17	0.10
<b>In Other Companies</b>				
Hotel Kathmandu Limited				
6,450 Shares of Nepalese Rs. 100.00 each, fully paid		0.05		0.05
Hill Properties Limited				
3 Class 'A' Shares of Rs. 1,20,000.00 each, fully paid		0.04		0.04
Modern Flats Private Limited				
86 Preference Shares of Rs. 500.00 each, fully paid (cost Rs. 43,000.00)		...		...
Punjab Anand Batteries Limited (in liquidation)				
11,86,157 Equity Shares of Rs 10.00 each, fully paid – under Board for Industrial and Financial Reconstruction's Order of 20.04.1989 *		1.19		1.19
Andhra Pradesh Gas Power Corporation Limited				
8,04,000 Equity Shares of Rs. 10.00 each, fully paid		2.32		2.32
Cuffe Parade Sealord Co-operative Housing Society Limited				
10 Shares of Rs. 50.00 each, fully paid (cost Rs. 500.00)		...		...
Tulsiani Chambers Premises Co-operative Society Limited				
5 Shares of Rs. 50.00 each, fully paid (cost Rs. 250.00)		...		...
Bihar Hotels Limited				
40,000 Equity Shares of Rs. 10.00 each, fully paid		0.04		0.04
Maker Towers Co-operative Housing Society Limited				
5 Shares of Rs. 50.00 each, fully paid (cost Rs 250.00)		...		...
Carried over	36.11	29.57	35.51	35.68

## SCHEDULES TO THE CONSOLIDATED ACCOUNTS

### 7. INVESTMENTS (Contd.)

	As at 31st March, 2004 (Rs. in Crores)		As at 31st March, 2003 (Rs. in Crores)	
	Quoted	Not Quoted	Quoted	Not Quoted
Brought forward	36.11	29.57	35.51	35.68
Lakshmi Finance & Leasing Companies Commercial Premises Co-operative Society Limited 10 Shares of Rs. 50.00 each, fully paid (cost Rs. 500.00)		...		...
Bombay Mercantile Co-op. Bank Limited 100 Shares of Rs. 10.00 each, fully paid (cost Rs. 1,000.00)		...		...
VST Industries Limited 22,02,529 (2003 - 16,20,774) Equity Shares of Rs. 10.00 each, fully paid	36.58		23.04	
<b>B. SUBSIDIARY COMPANY (UNDER JUDICIAL MANAGEMENT)</b>				
ITC Global Holdings Pte. Limited 89,99,645 Ordinary Shares of US\$ 1.00 each, fully paid *		25.58		25.58
<b>C. DEPOSIT WITH OR FOR DEPOSIT WITH VARIOUS AUTHORITIES</b>				
Government Securities		0.01		0.01
<b>D. OTHER INVESTMENTS</b>				
<b>In Associates</b>				
Russell Investments Limited 42,75,435 Equity Shares of Rs. 10.00 each, fully paid Cost of acquisition (net of capital reserve of Rs. 0.30 Crore) Add / (Less) : Group Share of Profits / (Losses) upto 31.03.2004		4.27	4.27	
	0.11	4.38	0.09	4.36
Peninsular Investments Limited 40,64,875 Equity Shares of Rs. 10.00 each, fully paid Cost of acquisition (net of capital reserve of Rs. 0.25 Crore) Add / (Less) : Group Share of Profits / (Losses) upto 31.03.2004		4.07	4.07	
	0.07	4.14	0.07	4.14
Minota Aquatech Limited 14,80,000 Equity Shares of Rs. 10.00 each, fully paid Cost of acquisition (net of capital reserve of Rs. 0.97 Crore) Add / (Less) : Group Share of Profits / (Losses) upto 31.03.2004		0.15	0.15	
	(0.15)	--	(0.15)	--
Newdeal Finance and Investment Limited 28,81,200 Equity Shares of Rs. 10.00 each, fully paid Cost of acquisition (net of capital reserve of Rs. 0.16 Crore) Add / (Less) : Group Share of Profits / (Losses) upto 31.03.2004		2.88	2.88	
	0.62	3.50	0.58	3.46
Megatop Financial Services and Leasing Limited 31,16,400 Equity Shares of Rs. 10.00 each, fully paid Cost of acquisition (including goodwill of Rs. 0.20 Crore) Add / (Less) : Group Share of Profits / (Losses) upto 31.03.2004		3.12	3.12	
	0.17	3.29	0.13	3.25
Classic Infrastructure & Development Limited 54,00,000 Equity Shares of Rs. 10.00 each, fully paid Cost of acquisition (including goodwill of Rs. 7.78 Crores) Add / (Less) : Group Share of Profits / (Losses) upto 31.03.2004		10.40	10.40	
	(0.63)	9.77	(0.61)	9.79
Carried over	72.69	80.24	58.55	86.27

## SCHEDULES TO THE CONSOLIDATED ACCOUNTS

7. INVESTMENTS (Contd.)	As at 31st March, 2004 (Rs. in Crores)		As at 31st March, 2003 (Rs. in Crores)	
	Quoted	Not Quoted	Quoted	Not Quoted
Brought forward	72.69	80.24	58.55	86.27
<b>In Other Companies</b>				
Lotus Court Private Limited				
2 Class G Shares of Rs. 48,000.00 each, fully paid		2.34		2.34
Adyar Property Holding Co. Limited				
311 Equity Shares of Rs. 100.00 each, partly paid		43.86		43.86
ICICI Limited				
350 Non-Cumulative, Non-Participating, Non-Voting Preference Shares of Rs. 1,00,00,000.00 each, fully paid		350.00		350.00
Agrotech Foods Limited				
40,85,800 Equity Shares of Rs. 10.00 each, fully paid	53.73		53.73	
The Bengal Chamber of Commerce and Industry				
6 1/2% Registered Debentures, fully paid (2003 - cost Rs.17,000.00)		—		...
Coffee Futures Exchange India Limited				
1 Equity Share of Rs. 10,000.00 fully paid (cost Rs. 10,000.00)		...		...
Unit Trust of India				
10,00,000 Units of 1995 scheme of Rs. 10.00 each, fully paid		1.04		1.04
Nil (2003 - 36,14,213) Units of US-64 of Rs. 10.00 each, fully paid (converted into 6.75% US-64 Tax Free Bonds during the year)*		—		5.03
56,68,357 6.75% US-64 Tax Free Bonds, fully paid (3,61,521 Bonds received on conversion of Units of US-64 and 53,06,836 Bonds acquired during the year)		60.87		—
Technology Development & Information Company of India Limited - Venture Capital Unit Scheme (1990)				
Nil (2003 - 1,470) Units of Rs. 100.00 each, fully paid		—		0.01
APIDC - Venture Capital Fund (1990)				
1,000 Units of Rs. 926.00 each, fully paid (net of capital returned)		0.06		0.09
Woodlands Hospital & Medical Research Centre Limited (formerly The East India Clinic Limited)				
1/2% Registered Debentures, fully paid (cost Rs. 15,200.00)		...		...
5% Registered Debentures, fully paid		0.01		0.01
Tribeni Tissues Co-op. Stores Limited				
900 (2003 - 1,600) Class 'B' Shares of Rs. 10.00 each, fully paid (2004 - cost Rs. 9,000.00; 2003 - cost Rs.16,000.00)		...		...
Tourism Finance Corporation of India Limited				
25,000 Equity Shares of Rs. 10.00 each, fully paid		0.05		0.05
National Bank for Agricultural and Rural Development				
50,000 5.10% Tax Free Bonds of Rs. 10,000.00 each, fully paid		50.00		50.00
75,000 5% Tax Free Bonds of Rs. 10,000.00 each, fully paid (Acquired during the year)		75.45		—
National Housing Bank				
2,500 5.25% Tax Free Bonds of Rs. 1,00,000.00 each, fully paid		25.00		25.00
Indian Railway Finance Corporation Limited				
250 5.20% Tax Free Bonds of Rs. 10,00,000.00 each, fully paid		25.00		25.00
500 4.77% Tax Free Bonds of Rs. 10,00,000.00 each, fully paid (Acquired during the year)		50.03		—
Carried over	126.42	763.95	112.28	588.70

## SCHEDULES TO THE CONSOLIDATED ACCOUNTS

### 7. INVESTMENTS (Contd.)

	As at 31st March, 2004 (Rs. in Crores)		As at 31st March, 2003 (Rs. in Crores)	
	Quoted	Not Quoted	Quoted	Not Quoted
Brought forward	126.42	763.95	112.28	588.70
Nuclear Power Corporation Limited 220 4.75% Tax Free Bonds of Rs. 10,00,000.00 each, fully paid (Acquired during the year)		22.00		—
Gilt Facilities India P. Limited 545 Redeemable Preference Shares (0.5%) of Rs. 1,00,000.00 each, fully paid*		5.45		—
<b>Total Long Term Investments</b>	<u>126.42</u>	<u>791.40</u>	<u>112.28</u>	<u>588.70</u>
<b>Current</b>				
<b>OTHER INVESTMENTS</b>				
Alliance Cash Manager - Growth Nil (2003 - 2,68,11,466.173) Units of Rs. 10.00 each		—		39.59
Birla Cash Plus Institutional Plan : Dividend - Reinvestment 15,49,46,178.131 (2003 - Nil) Units of Rs. 10.00 each		167.11		—
Birla Cash Plus Plan B : Growth Nil (2003 - 33,34,635.811) Units of Rs. 10.00 each		—		5.42
Birla Income Plus Institutional Plan - Dividend - Reinvestment 1,89,44,632.417 (2003 - Nil) Units of Rs. 10.00 each		50.00		—
Chola Liquid Fund - Cumulative Nil (2003 - 1,60,54,680.988) Units of Rs. 10.00 each		—		19.52
Chola Liquid Institutional - Dividend Reinvestment Plan 1,53,03,166.192 (2003 - Nil) Units of Rs. 10.00 each		15.30		—
DSP Merrill Lynch Liquidity Fund Daily Dividend 17,36,36,800.471 (2003 - Nil) Units of Rs. 10.00 each		173.81		—
GCFG Grindlays Cash Fund - Growth Option Nil (2003 - 14,03,839.485) Units of Rs. 10.00 each		—		1.58
GFBD Grindlays Floating Rate - Inst Plan B - Daily Dividend 4,52,50,914.026 (2003 - Nil) Units of Rs. 10.00 each		45.57		—
GFRG Grindlays Floating Rate Fund - Growth Option Nil (2003 - 3,39,35,571.514) Units of Rs. 10.00 each		—		34.00
GSQB GSSIF - Investment Plan B Inst Plan - Quarterly Dividend 4,00,88,007.160 (2003 - Nil) Units of Rs. 10.00 each		43.00		—
HSBC Cash Fund - Institutional - Daily Dividend 16,67,93,731.696 (2003 - Nil) Units of Rs. 10.00 each		174.09		—
Principal Cash Management Fund - Liquid Institutional Plan - Daily Dividend Plan 17,39,84,360.959 (2003 - Nil) Units of Rs. 10.00 each		174.00		—
IDBI Principal Cash Management Fund - Liquid Option-Growth Plan Nil (2003 - 3,24,36,428.208) Units of Rs. 10.00 each		—		38.62
IL&FS Liquid Account - Institutional Plan (Dividend Option) 8,70,24,043.331 (2003 - Nil) Units of Rs. 10.00 each		87.02		—
IL&FS Liquid Account - Daily Dividend Plan 50,01,650.850 (2003 - Nil) Units of Rs. 10.00 each		5.00		—
IL&FS Liquid Account Growth Plan Nil (2003 - 4,41,50,982.196) Units of Rs. 10.00 each		—		49.27
ING Vysya Liquid Fund - Daily Dividend Option (formerly known as ING Treasury Portfolio) 7,50,24,462.849 (2003 - Nil) Units of Rs. 10.00 each		80.81		—
ING Treasury Portfolio - Growth Option Nil (2003 - 1,79,79,767.793) Units of Rs. 10.00 each		—		23.00
JM High Liquidity Fund - Growth Plan Nil (2003 - 2,76,38,193.160) Units of Rs. 10.00 each		—		45.94
Carried over		<u>1015.71</u>		<u>256.94</u>

## SCHEDULES TO THE CONSOLIDATED ACCOUNTS

### 7. INVESTMENTS (Contd.)

	As at 31st March, 2004 (Rs. in Crores)		As at 31st March, 2003 (Rs. in Crores)	
	Quoted	Not Quoted	Quoted	Not Quoted
Brought forward		1015.71		256.94
JM High Liquidity Fund Institutional Plan - Daily Dividend 17,32,62,583.906 (2003 - Nil) Units of Rs. 10.00 each		173.26		—
JM High Liquidity Fund - Daily Dividend Plan 1,29,75,924.730 (2003 - Nil) Units of Rs. 10.00 each		7.56		—
Kotak Mahindra Liquid Scheme - Growth Nil (2003 - 3,62,78,527.614) Units of Rs. 10.00 each		—		43.60
Prudential ICICI Institutional Income Plan - Dividend Quarterly 6,68,06,812.513 (2003 - Nil) Units of Rs. 10.00 each		75.00		—
Prudential ICICI Liquid Plan Nil (2003 - 3,33,64,432.008) Units of Rs. 10.00 each		—		49.34
Prudential ICICI Liquid Plan Institutional Plus - Daily Dividend Option 3,16,25,977.430 (2003 - Nil) Units of Rs. 10.00 each		37.48		—
Reliance Liquid Fund - Treasury Plan - Retail Option - Daily Dividend Option 8,44,81,275.280 (2003 - Nil) Units of Rs. 10.00 each		130.16		—
SBI Mutual Fund - Magnum Insta Cash Fund Nil (2003 - 86,04,639.071) Units of Rs. 10.00 each		—		11.66
SBI Mutual Fund Magnum Institutional Income Fund - Saving Plan - Dividend 10,84,89,659.778 (2003 - Nil) Units of Rs. 10.00 each		108.64		—
TLFG Tata Liquid Fund - Appreciation Nil (2003 - 96,27,214.842) Units of Rs. 10.00 each		—		13.50
Templeton India Treasury Management Account - Daily Dividend Reinvestment 11,88,078.173 (2003 - Nil) Units of Rs. 1,000.00 each		179.64		—
Templeton India Treasury Management Account - Growth Nil (2003 - 2,34,894.376) Units of Rs. 1,000.00 each		—		35.03
Templeton India Liquid Fund Growth Plan Nil (2003 - 3,11,28,971.468) Units of Rs. 10.00 each		—		46.30
Templeton Floating Rate Income Fund - Long Term Plan - Growth Nil (2003 - 4,63,80,189.957) Units of Rs. 10.00 each		—		50.01
Templeton Floating Rate Income Fund - Short Term Plan - Growth Nil (2003 - 1,39,39,613.594) Units of Rs. 10.00 each		—		15.03
UTI Bond - Growth Nil (2003 - 8,70,42,333.276) Units of Rs. 10.00 each		—		150.00
UTI Bond Fund (Income) 13,63,12,856.731 (2003 - Nil) Units of Rs. 10.00 each		146.69		—
UTI Liquid Cash Plan Institutional - Daily Income Option 5,13,29,355.269 (2003 - Nil) Units of Rs. 10.00 each		51.65		—
Zurich India Liquidity Fund - Savings Plan - Growth Nil (2003 - 19,11,861.271) Units of Rs. 10.00 each		—		2.40
<b>Total Current Investments</b>		<b>1925.79</b>		<b>673.81</b>
Total of Quoted and Unquoted Investments		2843.61		1374.79
Less : Provision for Long Term Investments *		32.22		28.18
<b>TOTAL INVESTMENTS</b>		<b>2811.39</b>		<b>1346.61</b>
Share of Joint Ventures - Schedule 19 (i) (b)		1.17		—
<b>Grand Total</b>		<b>2812.56</b>		<b>1346.61</b>

Total Market Value of Quoted Investments : 2004 - Rs. 88.06 Crores (2003 - Rs. 37.08 Crores)

## SCHEDULES TO THE CONSOLIDATED ACCOUNTS

	As at 31st March, 2004 (Rs. in Crores)	As at 31st March, 2003 (Rs. in Crores)
<b>8. INVENTORIES</b>		
Stocks and Shares	132.75	140.91
Land	1.91	1.91
Stores and Spare Parts	90.49	85.63
Raw Materials	824.69	799.61
Intermediates – Tissue paper and Paperboard	35.07	22.28
Stock in Process	20.35	23.90
Finished Goods	603.31	351.66
<b>Total</b>	<b>1708.57</b>	<b>1425.90</b>
Share of Joint Ventures - Schedule 19 (i) (b)	16.15	15.57
<b>Grand Total</b>	<b>1724.72</b>	<b>1441.47</b>
<b>9. SUNDRY DEBTORS</b>		
Over 6 months old		
Good and Secured	2.06	1.47
Good and Unsecured	24.85	16.63
Doubtful and Unsecured – Subsidiary (under Judicial Management)	0.11	0.11
– Others	39.54	43.47
Other Debts		
Good and Secured	10.11	10.79
Good and Unsecured	252.47	227.34
Doubtful and Unsecured	0.10	0.85
	329.24	300.66
Less : Provision for Doubtful Debts	39.75	44.43
	289.49	256.23
Less : Deposits from normal Trade Debtors – Contra	12.17	12.26
<b>Total</b>	<b>277.32</b>	<b>243.97</b>
Share of Joint Ventures - Schedule 19 (i) (b)	7.14	1.79
<b>Grand Total</b>	<b>284.46</b>	<b>245.76</b>
<b>10. CASH AND BANK BALANCES</b>		
With Scheduled Banks		
On Current Accounts etc.	36.29	39.30
On Deposit Accounts	11.08	381.48
With Other Banks	14.64	11.46
Cash and Cheques on hand	18.58	10.80
<b>Total</b>	<b>80.59</b>	<b>443.04</b>
Share of Joint Ventures - Schedule 19 (i) (b)	19.79	27.96
<b>Grand Total</b>	<b>100.38</b>	<b>471.00</b>
Rs. 0.05 Crore (2003 - Rs. 0.05 Crore) on deposit in Karachi – Blocked Account considered doubtful, fully provided.		
<b>11. OTHER CURRENT ASSETS</b>		
Good and Partially Secured		
Deposit towards Property Options*	311.20	312.70
Good and Unsecured		
Deposits with Government, Public Bodies and Others	441.47	451.70
Interest accrued on Loans, Advances etc.	24.57	20.37
Interest accrued on Investments	6.05	0.08
Dividend Receivable	2.73	—
Fixed Assets held for sale (at lower of cost and estimated realisable value) **	33.86	33.86
Doubtful and Unsecured		
Deposits with Government, Public Bodies and Others	1.40	1.38
	821.28	820.09
Less : Provision for Doubtful Deposits	1.40	1.38
<b>Total</b>	<b>819.88</b>	<b>818.71</b>
Share of Joint Ventures - Schedule 19 (i) (b)	2.52	0.17
<b>Grand Total</b>	<b>822.40</b>	<b>818.88</b>

\* Rs. 147.80 Crores (2003 - Rs. 147.80 Crores) secured against equitable mortgage of land.

\*\* Represents amount receivable consequent to an Arbitration settlement in respect of these assets. The difference between the book value and this value has been fully provided for in these Accounts in the previous year.

## SCHEDULES TO THE CONSOLIDATED ACCOUNTS

	As at 31st March, 2004 (Rs. in Crores)	As at 31st March, 2003 (Rs. in Crores)
<b>12. LOANS AND ADVANCES</b>		
Good and Secured		
Loans to Others	147.00	140.00
Good and Unsecured		
Loans to Others *	38.61	40.36
Advances recoverable in cash or in kind or for value to be received **	219.36	222.46
Advances with Government and Public Bodies	291.16	277.69
Advance payment of Income-tax (net of provision)	8.56	8.33
Doubtful and Unsecured		
Loans	4.00	7.36
Advances recoverable in cash or in kind or for value to be received **	9.67	9.77
Advances with Government and Public Bodies	0.55	0.55
	<u>718.91</u>	<u>706.52</u>
Less : Provision for Doubtful Loans and Advances	14.22	17.68
<b>Total</b>	<u>704.69</u>	<u>688.84</u>
Share of Joint Ventures - Schedule 19 (i) (b)	1.13	1.17
<b>Grand Total</b>	<u>705.82</u>	<u>690.01</u>

\* Includes Loans and Advances to Directors and to Company Secretary – Rs. 1.53 Crores (2003 - Rs. 1.41 Crores). The maximum indebtedness during the year was Rs. 1.57 Crores (2003 - Rs. 1.45 Crores).

\*\* Includes Capital Advances of Rs. 122.67 Crores (2003 - Rs. 128.46 Crores).

## **13. LIABILITIES**

Acceptances	2.02	3.01
Sundry Creditors		
Total outstanding dues of small scale industrial undertakings	2.22	1.40
Total outstanding dues of creditors other than small scale industrial undertakings*	2869.41	2104.77
Sundry Deposits	58.15	55.91
Unclaimed Dividend	14.10	12.48
Interest Accrued but not due on Loans	0.79	1.42
	<u>2946.69</u>	<u>2178.99</u>
Less : Deposits from normal Trade Debtors – Contra	12.17	12.26
<b>Total</b>	<u>2934.52</u>	<u>2166.73</u>
Share of Joint Ventures - Schedule 19 (i) (b)	30.12	30.16
<b>Grand Total</b>	<u>2964.64</u>	<u>2196.89</u>

\* Includes amounts payable on acquisition of the Paperboards business Rs. 194.16 Crores (2003 - Rs. Nil), including Rs. 155.33 Crores (2003 - Rs. Nil) not due within one year [See Note 19 (xi)].

## SCHEDULES TO THE CONSOLIDATED ACCOUNTS

	As at 31st March, 2004 (Rs. in Crores)	As at 31st March, 2003 (Rs. in Crores)
<b>14. PROVISIONS</b>		
Taxation (net of advance payment)	60.59	147.53
Provision for Retirement Benefits	27.43	21.17
Proposed Dividend	495.36	371.27
Income Tax on Proposed Dividend	63.47	47.57
<b>Total</b>	<u>646.85</u>	<u>587.54</u>
Share of Joint Ventures - Schedule 19 (i) (b)	0.33	4.59
<b>Grand Total</b>	<u>647.18</u>	<u>592.13</u>
	For the year ended 31st March, 2004 (Rs. in Crores)	For the year ended 31st March, 2003 (Rs. in Crores)
<b>15. OTHER INCOME</b>		
Profit/ (Loss) on Sale, etc. of Stock in Trade – Net *	(4.58)	3.52
Miscellaneous Income	35.54	50.96
Licence Fees	0.11	—
Doubtful Debts, Claims and Advances - previous years	0.50	0.66
Gain on Exchange – Net	18.96	16.79
Income from Long Term Investments – Trade	0.91	0.71
– Others	<u>6.13</u> 7.04	<u>0.16</u> 0.87
Income from Current Investments – Others	81.58	4.41
Interest on Loans and Deposits etc.	68.98	48.60
Profit on Sale of Fixed Assets	—	0.03
Profit on Sale of Current Investments – Net	—	43.18
Profit on Sale Long Term Investments	0.57	—
Liability no longer required Written Back **	26.37	20.18
<b>Total</b>	<u>235.07</u>	<u>189.20</u>
Share of Joint Ventures - Schedule 19 (i) (b)	0.87	0.97
<b>Grand Total</b>	<u>235.94</u>	<u>190.17</u>
* Profit/(Loss) on Sale, etc. of Stock in Trade (Stocks and Shares) – Net		
Sales	634.21	1312.06
Less : Purchases	<u>630.63</u>	<u>1441.78</u>
	3.58	(129.72)
Increase/(Decrease) in closing Stock in Trade	<u>(8.16)</u>	<u>133.24</u>
Profit/(Loss) on Stock in Trade	<u>(4.58)</u>	<u>3.52</u>

\*\* Includes Rs. Nil (2003 - Rs. 9.62 Crores) written back following fulfilment of export obligation relating to EPCG licenses.



## SCHEDULES TO THE CONSOLIDATED ACCOUNTS

	For the year ended 31st March, 2004 (Rs. in Crores)		For the year ended 31st March, 2003 (Rs. in Crores)	
<b>16. RAW MATERIALS ETC.</b>				
(a) RAW MATERIALS CONSUMED				
Opening Stock	799.61		704.50	
On acquisition of Subsidiary during the year	—		7.53	
Purchases	2070.08		1676.58	
	<u>2869.69</u>		<u>2388.61</u>	
Less : Closing Stock	824.69	2045.00	799.61	1589.00
(b) PURCHASES AND CONTRACT MANUFACTURING CHARGES				
Cigarettes	13.90		10.93	
Agri Products	348.71		579.75	
Other Goods	165.14		84.91	
Packing Materials	11.63	539.38	23.84	699.43
(c) (INCREASE)/DECREASE IN FINISHED GOODS, INTERMEDIATES, STOCK IN PROCESS				
Opening Stock				
Cigarettes	215.58		231.44	
Smoking Tobacco	0.44		0.21	
Printed Materials	1.15		2.17	
Agri Products	48.00		78.07	
Paper - Specialty Paper	5.53		4.05	
Paperboard	27.00		24.29	
Other Goods	49.48		28.80	
Packing Materials	4.48		2.77	
Intermediates – Tissue paper and Paperboard	22.28		18.42	
Stock in Process	23.90		12.70	
	<u>397.84</u>		<u>402.92</u>	
On acquisition of Subsidiary during the year				
Cigarettes	—		2.53	
Other Goods	—		0.06	
Stock in Process	—		0.39	
	<u>397.84</u>		<u>405.90</u>	
Closing Stock				
Cigarettes	309.55		215.58	
Smoking Tobacco	0.32		0.44	
Printed Materials	2.04		1.15	
Agri Products	135.00		48.00	
Paper – Specialty Paper	6.74		5.53	
Paperboard	28.74		27.00	
Other Goods	118.40		49.48	
Packing Materials	2.52		4.48	
Intermediates – Tissue paper and Paperboard	35.07		22.28	
Stock in Process	20.35		23.90	
	<u>658.73</u>	<u>(260.89)</u>	<u>397.84</u>	<u>8.06</u>
<b>Total</b>		<b>2323.49</b>		<b>2296.49</b>
Less : Waste Material Sales		<u>4.62</u>		<u>3.53</u>
		<b>2318.87</b>		<b>2292.96</b>
Excise Duties etc. on Increase / (Decrease) of Finished Goods		<u>66.83</u>		<u>(8.90)</u>
		<b>2385.70</b>		<b>2284.06</b>
Share of Joint Ventures - Schedule 19 (i) (b)		<u>23.62</u>		<u>...</u>
<b>Grand Total</b>		<b>2409.32</b>		<b>2284.06</b>

## SCHEDULES TO THE CONSOLIDATED ACCOUNTS

	For the year ended 31st March, 2004 (Rs. in Crores)		For the year ended 31st March, 2003 (Rs. in Crores)	
<b>17. MANUFACTURING, SELLING ETC. EXPENSES</b>				
Salaries/Wages and Bonus	400.88		330.36	
Contribution to Provident and Other Funds	84.57		65.25	
Workmen and Staff Welfare Expenses	51.77		47.24	
Recovery towards contractual remuneration	(2.58)	534.64	(3.31)	439.54
Consumption of Stores and Spare Parts		112.86		102.86
Power and Fuel		184.41		160.96
Rent		47.10		40.76
Rates and Taxes		27.89		21.79
Insurance		37.95		34.29
Repairs				
– Buildings		25.08		24.90
– Machinery		38.41		35.07
– Others		17.80		16.38
Outward Freight and Handling Charges		199.63		172.05
Advertising/Sales Promotion – Net		280.52		233.29
Market Research		27.59		19.10
Doubtful and Bad Debts		1.43		4.61
Doubtful and Bad Advances, Deposits etc.		0.49		1.26
Information Technology Services		25.35		31.68
Travelling and Conveyance		113.68		76.60
Training		8.88		8.85
Legal Expenses		16.14		10.57
Postage, Telephone, Telex, etc.		26.03		24.81
Brokerage and Discount – Sales		2.76		1.58
Brokerage and Discount – Others		2.89		—
Commission to Selling Agents		18.08		14.62
Loss on Sale of Current Investments – Net		1.35		—
Bank Charges		5.26		5.40
Interest etc. Paid				
– Debenture, Term Loans and Fixed Deposits	1.29		19.90	
– Others	32.67		21.79	
Less : Interest Received on Trading Debts, Deposits with Government Bodies etc.	4.86	29.10	5.84	35.85
Miscellaneous Expenses		216.01		199.11
Fixed Assets and Stores Discarded		17.72		11.08
Provision for diminution in value of Long Term Investments		5.45		—
		2024.50		1727.01
Deduct : Transfers to Fixed Assets etc. Accounts		9.00		32.20
<b>Total</b>		2015.50		1694.81
Share of Joint Ventures - Schedule 19 (i) (b)		34.82		19.50
<b>Grand Total</b>		2050.32		1714.31
<b>18. PROVISION FOR TAXATION</b>				
Current Year Tax		878.32		790.98
Deferred Tax		(89.08)		(68.72)
		789.24		722.26
Less : Adjustments related to previous years - Net				
Current Tax		151.74		9.57
Deferred Tax		(114.64)		—
		37.10		9.57
<b>Total</b>		752.14		712.69
Share of Joint Ventures - Schedule 19 (i) (b)		1.45		7.41
<b>Grand Total</b>		753.59		720.10

## SCHEDULES TO THE CONSOLIDATED ACCOUNTS

### 19. NOTES TO THE ACCOUNTS

- (i) The Consolidated Financial Statements have been prepared in accordance with Accounting Standard 21 (AS 21) - "Consolidated Financial Statements", Accounting Standard 23 (AS 23) - "Accounting for Investments in Associates in Consolidated Financial Statements" and Accounting Standard 27 (AS 27) - "Financial Reporting of Interests in Joint Ventures", issued by The Institute of Chartered Accountants of India.
- (a) The subsidiaries (which alongwith ITC Limited, the parent, constitute the Group) considered in the preparation of these consolidated financial statements are :

Name	Country of Incorporation	Percentage of ownership interest as at 31st March, 2004	Percentage of ownership interest as at 31st March, 2003
ITC Hotels Limited	India	72.06	72.06
Srinivasa Resorts Limited (a 68% subsidiary of ITC Hotels Limited)	India	49	49
Fortune Park Hotels Limited (a 99.99% subsidiary of ITC Hotels Limited)	India	72.05	72.05
Bay Islands Hotels Limited (a 100% subsidiary of ITC Hotels Limited)	India	72.06	72.06
Surya Nepal Private Limited (a subsidiary effective 20.8.2002)	Nepal	59	59
Landbase India Limited	India	70	70
BFIL Finance Limited	India	100	100
MRR Trading & Investment Company Limited (a 100% subsidiary of BFIL Finance Limited)	India	100	100
Russell Credit Limited	India	100	100
Greenacre Holdings Limited (a 100% subsidiary of Russell Credit Limited)	India	100	100
ITC Infotech India Limited	India	100	100
ITC Infotech Limited (a 100% subsidiary of ITC Infotech India Limited)	UK	100	100
ITC Infotech(USA), Inc. (a 100% subsidiary of ITC Infotech India Limited)	USA	100	100
Wills Corporation Limited	India	100	100
Gold Flake Corporation Limited	India	100	100

Further in accordance with AS 21, the subsidiaries not considered in the preparation of these Consolidated Financial Statements are :

ITC Global Holdings Pte. Limited, Singapore (a wholly owned subsidiary of ITC Limited) being under Judicial Management and its subsidiaries -

Hup Hoon Traders Pte. Limited, Singapore

AOZT "Hup Hoon", Moscow

Hup Hoon Impex Srl, Romania

Fortune Tobacco Company Limited, Cyprus

Fortune Tobacco Company, Inc., USA, and

BFIL Securities Limited (a wholly owned subsidiary of BFIL Finance Limited) which is under voluntary winding up.

The financial statements of all subsidiaries, considered in the consolidated accounts, are drawn upto 31st March other than for Surya Nepal Private Limited where it is upto 13th March.

## SCHEDULES TO THE CONSOLIDATED ACCOUNTS

### 19. NOTES TO THE ACCOUNTS (Contd.)

#### (b) Interests in Joint Ventures :

The Group's interests in jointly controlled entities (incorporated Joint Ventures) are :

Name	Country of Incorporation	Percentage of ownership interests as at 31st March, 2004	Percentage of ownership interests as at 31st March, 2003
King Maker Marketing Inc., USA	USA	50	50
Surya Nepal Private Limited (SNPL)	Nepal	—	*
Maharaja Heritage Resorts Limited (a joint venture of ITC Hotels Limited)	India	36.03	36.03
ITC Filtrona Limited (a joint venture of Gold Flake Corporation Limited)	India	50	50
CLI3L e-Services Limited (a joint venture of ITC Infotech India Limited)	India	50	50

\* Surya Nepal Private Limited had become a subsidiary company on 20th August, 2002 consequent to an increase in stake during the previous year. The percentage of voting power prior to that date was 49%.

The financial statements of the joint ventures, considered in the consolidated accounts, are drawn upto 31st March other than for King Maker Marketing Inc., USA where it is upto 31st January and ITC Filtrona Limited where it is upto 31st December.

The Group's interest in these joint ventures is accounted for using proportionate consolidation.

#### (c) Investments in associates :

The Group's associates are :

Name	Country of Incorporation	Percentage of ownership interest as at 31st March, 2004	Percentage of ownership interest as at 31st March, 2003
Ansal Hotels Limited (an associate in which 47.52% of the voting power is held by ITC Hotels Limited)	India	34.25	34.25
Gujarat Hotels Limited	India	45.78	45.78
International Travel House Limited	India	48.96	48.96
Megatop Financial Services and Leasing Limited	India	24.50	24.50
Newdeal Finance and Investment Limited	India	24.50	24.50
Peninsular Investments Limited	India	25.57	25.57
Russell Investments Limited	India	25.43	25.43
Asia Tobacco Company Limited	India	47.03	47.03
Classic Infrastructure & Development Limited	India	42.35	42.35
Minota Aquatech Limited	India	40	40

The financial statements of all associates, considered in the consolidated accounts, are drawn upto 31st March.

These investments have been accounted for using the equity method whereby the investment is initially recorded at cost and adjusted thereafter for the post acquisition change in the Group's share of net assets. During the year the group has received dividend aggregating Rs. 1.13 Crores (2003 - Rs. 0.56 Crore) in respect of the investments in associates.

- (d) These Consolidated Financial Statements are based, in so far as they relate to amounts included in respect of subsidiaries, associates and joint ventures on the audited financial statements prepared for consolidation in accordance with the requirements of AS 21, AS 23 and AS 27 by each of the included entities.

## SCHEDULES TO THE CONSOLIDATED ACCOUNTS

### 19. NOTES TO THE ACCOUNTS (Contd.)

- (ii) (a) Claims against the Group not acknowledged as debts Rs. 218.52 Crores (2003 – Rs. 155.58 Crores).  
 (b) Guarantees and Counter Guarantees outstanding  
 — Excise Rs. 5.02 Crores (2003 – Rs. 7.32 Crores).  
 — Others Rs. 57.25 Crores (2003 - Rs. 185.18 Crores ).  
 (c) Uncalled liability on shares partly paid Rs. 3.13 Crores (2003 - Rs. 3.13 Crores).  
 (d) In respect of ITC Hotels Limited, a suit filed by a third party in September, 1980, for cancellation of lease in respect of Bangalore land appurtenant to Hotel Windsor Manor is still sub-judice. In the opinion of the Management, based upon legal advice, the Company's title is tenable.

(iii) The status on excise matters which is treated as an annexure to these accounts are as outlined in this year's Report of the Directors of ITC Limited under the Excise section. In the opinion of the Directors, the Company does not accept any further liability.

(iv) In respect of Russell Credit Limited, the Counter Offer to the shareholders of VST Industries Limited, in accordance with the SEBI (Substantial Acquisition of Shares & Takeovers) Regulations, 1997, as a competitive bid, pursuant to the Counter Offer by the Company and the other Acquirer, closed on 13th June, 2001. During the currency of the Public Offer, a suit was filed by an individual in the High Court at Calcutta, seeking an injunction against the Company's offer. The High Court at Calcutta while refusing to grant such an injunction, instructed that the acquisition of shares pursuant to the Counter Offer by the Company and the other Acquirer, would be subject to the final Order of the High Court, which is awaited.

Similar suits filed by an individual and two shareholders, in the High Courts of Delhi at New Delhi and Andhra Pradesh at Hyderabad, had earlier been dismissed by the respective High Courts.

(v) Earnings per share	2004	2003
Earnings per share has been computed as under:		
(a) Net Profit (Rs. Crores )	1616.01	1372.97
(b) Weighted average number of Ordinary Shares outstanding	24,75,50,023	24,75,11,886
(c) Effect of potential Ordinary Shares on Employee Stock Options outstanding	4,82,056	-
(d) Weighted average number of Ordinary Shares in computing diluted earnings per share [(b) + (c)]	24,80,32,079	24,75,11,886
(e) Earnings per share (Face value Rs. 10/- per share)— Basic [(a) / (b)]	Rs. 65.28	Rs. 55.47
— Diluted [(a) / (d)]	Rs. 65.15	Rs. 55.47

(vi) Research and Development expenses for the year amount to Rs. 23.93 Crores (2003 – Rs. 11.56 Crores).

(vii) Retirement Benefits in respect of Pension, Gratuity etc. are provided for based on Actuarial Valuations as at the Balance Sheet date.

(viii) The Group's significant leasing arrangements are in respect of operating leases for premises (residential, office, stores, godowns etc.). These leasing arrangements which are not non-cancellable range between 11 months and 9 years generally, or longer, and are usually renewable by mutual consent on mutually agreeable terms . The aggregate lease rentals payable are charged as Rent under Schedule 17.

(ix) Directors' Remuneration	For the year ended 31st March, 2004 (Rs. in Crores)	For the year ended 31st March, 2003 (Rs. in Crores)
Salaries	2.13	1.94
Performance Bonus to Wholetime Directors	1.28	1.16
Other Benefits	0.49	0.43
Commission, etc. to Non-Wholetime Directors	0.36	0.27
Directors' Fees	0.09	0.07
	<u>4.35</u>	<u>3.87</u>

The above excludes contribution to the approved group pension and gratuity funds which are actuarially determined on an overall basis.

(x) Landbase India Limited has incurred an expenditure of Rs. 1.05 Crores on erection of 11 KVA Feeder Line from Tauru Sub Station to Classic Golf Resort. Considering the nature of expenditure as being enduring in nature, the same is being amortised over a period of 10 years. Accordingly, an amount of Rs. 0.85 Crore (2003 - Rs. 0.95 Crore) has been treated as Deferred Revenue Expenditure and disclosed under Miscellaneous Expenditure (to the extent not written off or adjusted) after amortising an amount of Rs. 0.10 Crore (2003 – Rs. 0.10 Crore) (disclosed under Schedule 17 under Manufacturing, Selling etc. Expenses).

(xi) During the year, ITC Limited acquired from BILT Industrial Packaging Company Limited its paperboards business consisting primarily of the 65,000 MT per annum manufacturing facility at the Thekkampatty Village, Coimbatore District, Tamil Nadu ('Kovai' Unit) for a consideration of Rs. 248.02 Crores payable over a period of five years.

## SCHEDULES TO THE CONSOLIDATED ACCOUNTS

### 20. SEGMENT REPORTING

#### PRIMARY SEGMENT INFORMATION (BUSINESS SEGMENTS)

				(Rs. in Crores)		
	External Sales	Inter Segment Sales	2004 Total	External Sales	Inter Segment Sales	2003 Total
<b>1. Segment Revenue</b>						
FMCG - Cigarettes	9522.71	—	9522.71	8986.48	—	8986.48
FMCG - Others	303.26	0.58	303.84	108.21	0.99	109.20
<b>FMCG - Total</b>	<b>9825.97</b>	<b>0.58</b>	<b>9826.55</b>	<b>9094.69</b>	<b>0.99</b>	<b>9095.68</b>
Hotels	444.61	6.22	450.83	345.30	4.13	349.43
Agri Business	1258.53	423.03	1681.56	1252.60	405.54	1658.14
Paperboards, Paper and Packaging	727.54	512.33	1239.87	683.01	479.85	1162.86
Others	125.19	—	125.19	80.48	16.04	96.52
<b>Segment Total</b>	<b>12381.84</b>	<b>942.16</b>	<b>13324.00</b>	<b>11456.08</b>	<b>906.55</b>	<b>12362.63</b>
Eliminations			(942.16)			(906.55)
<b>Consolidated Total</b>			<b>12381.84</b>			<b>11456.08</b>
<b>2. Segment Results</b>						
FMCG - Cigarettes			2074.89			1960.83
FMCG - Others			(174.49)			(122.44)
<b>FMCG - Total</b>			<b>1900.40</b>			<b>1838.39</b>
Hotels			73.18			22.25
Agri Business			89.80			84.05
Paperboards, Paper and Packaging			229.85			226.27
Others			11.46			2.04
<b>Segment Total</b>			<b>2304.69</b>			<b>2173.00</b>
Eliminations			6.36			(40.76)
<b>Consolidated Total</b>			<b>2311.05</b>			<b>2132.24</b>
Unallocated corporate expenses net of unallocated income			38.40			82.62
<b>Profit before interest, etc. and taxation</b>			<b>2272.65</b>			<b>2049.62</b>
Interest etc. paid - Net, not allocable to segments			26.16			32.11
Interest on loans and deposits, income from current and long term investments, profit and loss on sale of investments etc., not allocable to segments			145.34			85.15
Provision for Taxation			753.59			720.10
<b>3. Profit after Taxation before Share of Results of Associates</b>			<b>1638.24</b>			<b>1382.56</b>
Share of net loss of associates			(4.30)			(4.84)
<b>4. Profit after Taxation before Minority Interests</b>			<b>1633.94</b>			<b>1377.72</b>
<b>Other Information</b>						
	<b>Segment Assets</b>	<b>Segment Liabilities*</b>		<b>Segment Assets</b>	<b>Segment Liabilities*</b>	
FMCG - Cigarettes	2461.40	802.46		2441.87	735.17	
FMCG - Others	274.10	44.06		121.87	40.86	
<b>FMCG - Total</b>	<b>2735.50</b>	<b>846.52</b>		<b>2563.74</b>	<b>776.03</b>	
Hotels	1285.68	121.52		1273.00	136.82	
Agri Business	636.05	150.90		523.36	101.85	
Paperboards, Paper and Packaging	1794.51	364.41		1391.40	130.99	
Others	369.42	72.90		384.50	78.58	
<b>Segment Total</b>	<b>6821.16</b>	<b>1556.25</b>		<b>6136.00</b>	<b>1224.27</b>	
Unallocated Corporate Assets/Liabilities	4171.99	2870.49		2827.49	2252.14	
<b>Consolidated Total</b>	<b>10993.15</b>	<b>4426.74</b>		<b>8963.49</b>	<b>3476.41</b>	
	<b>Capital Expenditure</b>	<b>Depreciation</b>	<b>Non Cash expenditure other than depreciation</b>	<b>Capital Expenditure</b>	<b>Depreciation</b>	<b>Non Cash expenditure other than depreciation</b>
FMCG - Cigarettes	75.24	109.72	4.88	121.10	106.36	6.58
FMCG - Others	26.51	4.93	0.02	17.67	3.56	0.02
<b>FMCG - Total</b>	<b>101.75</b>	<b>114.65</b>	<b>4.90</b>	<b>138.77</b>	<b>109.92</b>	<b>6.60</b>
Hotels	65.86	43.15	5.31	221.23	31.00	1.44
Agri Business	62.45	20.13	(0.56)	23.16	17.59	1.61
Paperboards, Paper and Packaging	471.31	79.40	5.24	115.74	71.68	4.18
Others	41.55	11.13	12.49	4.43	6.76	0.84
<b>Segment Total</b>	<b>742.92</b>	<b>268.46</b>	<b>27.38</b>	<b>503.33</b>	<b>236.95</b>	<b>14.67</b>
* Segment Liabilities of FMCG-Cigarettes is before considering provision of Rs. 1366.34 Crores (2003 - Rs. 970.20 Crores) in respect of disputed State Taxes, the levy / collection of which has been stayed. These have been included under 'Unallocated Corporate Liabilities'.						
External sales comprise :			2004			2003
Sales			12386.42			11452.56
Profit / (Loss) on Sale, etc. of Stock in Trade (Stocks and Shares) - Net			(4.58)			3.52
<b>Total</b>			<b>12381.84</b>			<b>11456.08</b>

## SCHEDULES TO THE CONSOLIDATED ACCOUNTS

### 20. SEGMENT REPORTING (Contd.)

#### SECONDARY SEGMENT INFORMATION (GEOGRAPHICAL SEGMENTS)

	2004	(Rs. in Crores) 2003
<b>1. Segment Revenue</b>		
— Within India	10982.17	9963.57
— Outside India	1399.67	1492.51
<b>Total Revenue</b>	<b>12381.84</b>	<b>11456.08</b>
<b>2. Segment Assets</b>		
— Within India	6639.48	6003.53
— Outside India	181.68	132.47
<b>Total Assets</b>	<b>6821.16</b>	<b>6136.00</b>
<b>3. Capital Expenditure</b>		
— Within India	731.50	497.45
— Outside India	11.42	5.88
<b>Total Capital Expenditure</b>	<b>742.92</b>	<b>503.33</b>

#### NOTES

- (1) ITC Group's corporate strategy aims at creating multiple drivers of growth anchored on its core competencies. The Group is currently focussed on four business groups : FMCG, Hotels, Paperboards, Paper & Packaging, and Agri Business. The Group's organisational structure and governance processes are designed to support effective management of multiple businesses while retaining focus on each one of them.
- (2) The business groups comprise the following :
 

FMCG	: Cigarettes	— Cigarettes and Smoking mixtures and components thereof.
	: Others	— Branded Garments, Greeting, Gifting & Stationery, Packaged Foods (Staples, Confectionery, Snack Foods, Ready to Eat Foods).
		— Agarbattis and Matches sourced from the small scale sector.
	Hotels	— Hoteliering.
	Paperboards, Paper and Packaging	— Paperboards, Paper including Specialty Paper & Packaging.
	Agri Business	— Agri commodities such as rice, soya, wheat, coffee and leaf tobacco.
	Others	— Information Technology services, Investments, Golf, Resorts and Real Estate.
- (3) The Group companies and joint ventures have been included in segment classification as follows :
 

FMCG	: Cigarettes	— Surya Nepal Private Limited and joint ventures ITC Filtrona Limited and King Maker Marketing Inc., USA.
	: Others	— Surya Nepal Private Limited
	Hotels	: ITC Hotels Limited and its subsidiaries Srinivasa Resorts Limited, Fortune Park Hotels Limited, Bay Islands Hotels Limited and a joint venture Maharaja Heritage Resorts Limited.
	Others	: ITC Infotech India Limited and its subsidiaries ITC Infotech Limited and ITC Infotech (USA), Inc., Russell Credit Limited and its subsidiary Greenacre Holdings Limited, BFIL Finance Limited and its subsidiary MRR Trading & Investment Company Limited, Wills Corporation Limited, Gold Flake Corporation Limited and Landbase India Limited, and a joint venture CL13L e-Services Limited.
- (4) The geographical segments considered for disclosure are :
 

— Sales within India
— Sales outside India
- (5) Segment results of the new business activities namely 'FMCG : Others' largely reflect start up and business development costs.
- (6) In its Hotels business, the Group has been engaged in implementing its strategic investment plans to complete the ITC Welcomgroup chain. Capital employed of Rs. 1164 Crores (31.03.2003 - Rs. 1136 Crores) includes Rs. 829 Crores (31.03.2003 - Rs. 841 Crores) relating to the new hotels at Mumbai and Kolkata as well as Capital Work-in-Progress in respect of the second hotel under construction in Mumbai. In the wake of the upturn in the industry, the Hotels business registered a significant growth in revenue and profits. However, the segment results continue to reflect the depreciation charge of the newly opened hotels, the impact of the global slump in international travel during the earlier part of the financial year, and the holding cost in respect of Hotel Searock which has been the subject matter of a prolonged legal dispute.
- (7) The Group's Agri Business markets agri commodities in the export and domestic markets; supplies agri raw materials to the Branded Packaged Foods Business and sources leaf tobacco for the Cigarettes Business. During the year ended 31st March, 2004, the Agri Business revenues/results witnessed a marginal growth over the same period last year inspite of :
  - a) transporters' strike in April 2003;
  - b) significant reduction in the size of export opportunity in non basmati rice which was available last year (Rs. 76 Crores for the year ended 31.03.2004 as against Rs. 519 Crores for the year ended 31.03.2003); and
  - c) significant appreciation of the Rupee against the US Dollar.
- (8) Unallocated corporate assets include Rs. 801 Crores (2003 - Rs. 803 Crores) being legacy assets acquired by ITC Limited as part and parcel of the schemes facilitating exit from the Financial Services and Edible Oil Businesses in 1997.

## SCHEDULES TO THE CONSOLIDATED ACCOUNTS

### 21. RELATED PARTY DISCLOSURES

#### 1. ENTERPRISES WHERE CONTROL EXISTS :

Entities, other than subsidiaries, under the control of the Group :

- a) ITC Sangeet Research Academy
- b) ITC Education Trust
- c) ITC Rural Development Trust

The following have not been considered :

- a) ITC Global Holdings Pte. Limited, Singapore being under Judicial Management and its subsidiaries
  - Hup Hoon Traders Pte. Ltd., Singapore
  - AOZT “Hup Hoon”, Moscow
  - Hup Hoon Impex Srl, Romania
  - Fortune Tobacco Co. Ltd., Cyprus
  - Fortune Tobacco Company, Inc., USA, and
- b) BFIL Securities Limited (a subsidiary of BFIL Finance Ltd.) which is under voluntary winding up proceedings.

#### 2. OTHER RELATED PARTIES WITH WHOM THE GROUP HAD TRANSACTIONS, etc.

##### i) Associates & Joint Ventures :

###### Associates

- a) Ansal Hotels Limited
- b) Gujarat Hotels Limited
- c) Megatop Financial Services and Leasing Limited
- d) Newdeal Finance and Investment Limited
- e) Peninsular Investments Limited
- f) Russell Investments Limited
- g) Asia Tobacco Company Limited
- h) Classic Infrastructure & Development Limited
- i) International Travel House Limited
  - being associates of the Group, and
- j) Tobacco Manufacturers (India) Limited, UK
  - of which ITC Limited is an associate.

###### Joint Ventures

- a) King Maker Marketing Inc., USA
- b) ITC Filtrona Limited
- c) Maharaja Heritage Resorts Limited
- d) CLI3L e-Services Limited



## SCHEDULES TO THE CONSOLIDATED ACCOUNTS

### 21. RELATED PARTY DISCLOSURES (Contd.)

#### ii) Key Management Personnel :

Y.C. Deveshwar	Executive Chairman
A. Singh	Executive Director
K. Vaidyanath	Executive Director
S.S.H. Rehman	Executive Director
Y.P. Gupta	Non-Executive Director
C.R. Green	Non-Executive Director
P.B. Ramanujam	Non-Executive Director
B. Sen	Non-Executive Director
Ram S. Tarneja	Non-Executive Director
B. Vijayaraghavan	Non-Executive Director
Ajeet Prasad	Non-Executive Director
J.B. Stevens	Non-Executive Director
T.M. Nagarajan	Non-Executive Director (resigned w.e.f. 12.6.2003)
K.S. Vaidyanathan	Member - Corporate Management Committee
A. Nayak	Permanent Invitee - Corporate Management Committee
R. Srinivasan	Permanent Invitee - Corporate Management Committee

#### iii) Employees' Benefit Plans where there is significant influence :

- a) IATC Provident Fund
- b) IATC Staff X Provident Fund
- c) ITC Management Staff Gratuity Fund
- d) ITC Gratuity Fund
- e) ITC Gratuity Fund 'B'
- f) ITC Gratuity Fund 'C'
- g) ITC Pension Fund
- h) ILTD Seasonal Employees Pension Fund
- i) ITC Platinum Jubilee Pension Fund
- j) Tribeni Tissues Limited Provident Fund
- k) Tribeni Tissues Limited Gratuity Fund
- l) Tribeni Tissues Junior Management Pension Fund
- m) Tribeni Tissues Management Staff Pension Fund
- n) ITC Bhadrachalam Paperboards Limited Management Staff Pension Fund
- o) ITC Bhadrachalam Paperboards Limited Gratuity Fund 'A'
- p) ITC Bhadrachalam Paperboards Limited Gratuity Fund 'B'
- q) ITC Bhadrachalam Paperboards Limited Gratuity Fund 'C'
- r) ITC Bhadrachalam Paperboards Limited Staff Provident Fund

## SCHEDULES TO THE CONSOLIDATED ACCOUNTS

### 21. RELATED PARTY DISCLOSURES (Contd.)

#### 3. DISCLOSURE OF TRANSACTIONS BETWEEN THE GROUP AND RELATED PARTIES AND THE STATUS OF OUTSTANDING BALANCES

(Rs. in Crores)

	Enterprises where control exists		Associates & Joint Ventures		Key Management Personnel		Employee Trusts	
	2004	2003	2004	2003	2004	2003	2004	2003
1. Sale of Goods / Services			37.27	53.14				
2. Purchase of Goods / Services			119.74	105.98				
3. Acquisition cost of Fixed Assets			1.07	0.03				
4. Sale of Fixed Assets			3.03	0.02				
5. Purchase of Investments								
6. Investments made in								
— CLI3L e-Services Limited			14.98					
— Maharaja Heritage Resorts Limited			0.85					
7. Interest income			21.06	23.94	0.05	0.08		
8. Remuneration to Key Management Personnel					4.35	3.87		
— Directors [see Schedule 19 (ix)]					1.28	1.15		
— Others								
9. Rent Paid			1.55	1.21				
10. Reimbursement of Contractual Remuneration			0.07					
11. Remuneration of managers on deputation recovered			2.14	1.98				
12. Donations	1.13	0.74					62.21	45.47
13. Contributions to Employees' Benefit Plans								
14. Dividend income			4.69	3.30				
15. Dividend payments			99.28	89.35	0.01	0.01		
16. Expenses recovered			3.53	1.21				
17. Expenses reimbursed	0.02	0.02	1.39	2.71				
18. Loans Given			185.12	162.19	0.15	0.05		
19. Receipt towards Loan Repayment			178.12	160.69	0.06	0.05		
20. Advances Given			2.45	0.01				
21. Advances Received			0.18	0.10	0.04	0.04		
22. Receipt towards refund of Deposits			2.74	1.23				
23. Receipt towards refund of Advances			2.62					
24. Deposits Received								
25. Balances as on 31st March,								
i) Debtors/Receivables			25.52	19.11				
ii) Advances Given			14.76	13.06				
iii) Loans Given			147.00	140.00	1.42	1.43		
iv) Deposits with (including Deposits towards Property Options)			154.92	154.92		0.04		
v) Deposits From			3.24	0.61				
vi) Creditors / Payables			6.39	4.27				
26. In addition, remuneration of managers on deputation, absorbed	0.08	0.07	0.30	0.72				

## **SCHEDULES TO THE CONSOLIDATED ACCOUNTS**

### **22. SIGNIFICANT ACCOUNTING POLICIES**

#### **IT IS GROUP CORPORATE POLICY**

##### **Convention**

To prepare financial statements in accordance with applicable Accounting Standards in India. A summary of important accounting policies, which have been applied consistently, is set out below.

##### **Basis of Accounting**

To prepare financial statements in accordance with the historical cost convention modified by revaluation of certain Fixed Assets as detailed below.

##### **Fixed Assets**

To state Fixed Assets at cost of acquisition inclusive of inward freight, duties and taxes and incidental expenses related to acquisition. In respect of major projects involving construction, related pre-operational expenses form part of the value of assets capitalised. Expenses capitalised also include applicable borrowing costs. To adjust the original cost of Fixed Assets acquired through foreign currency loans at the end of each financial year by any change in liability arising out of expressing the outstanding foreign loan at the rate of exchange prevailing at the date of Balance Sheet.

To capitalise software where it is expected to provide future enduring economic benefits. Capitalisation costs include licence fees and costs of implementation/system integration services. The costs are capitalised in the year in which the relevant software is implemented for use.

All upgradation/enhancements are generally charged off as revenue expenditure unless they bring similar significant additional benefits.

##### **Depreciation**

To calculate depreciation on Fixed Assets and Intangible Assets in a manner that amortises the cost of the assets after commissioning, over their estimated useful lives or, where specified, lives based on the rates specified in Schedule XIV to the Companies Act, 1956, whichever is lower, by equal annual instalments. Leasehold properties are amortised over the period of the lease.

Capitalised software costs are amortised over a period of five years.

##### **Revaluation of Assets**

To review the original book value of Fixed Assets, from time to time, and revalue such of those Fixed Assets as have appreciated in value significantly, in order to relate them more closely to current replacement values, to adjust the provision for depreciation on such revalued Fixed Assets, where applicable, in order to make allowance for consequent additional diminution in value on considerations of age, condition and unexpired useful life of such Fixed Assets; to transfer to Revaluation Reserve the difference between the written up value of the Fixed Assets revalued and depreciation adjustment and to charge Revaluation Reserve Account with annual depreciation on that portion of the value which is written up.

##### **Investments**

To state Current Investments at lower of cost and fair value; and Long Term Investments, other than in associates, at cost. Where applicable, provision is made where there is a permanent fall in valuation of Long Term Investments.

To account for investments in associates using the equity method.

##### **Interests in Joint Ventures**

To account for interests in jointly controlled entities (incorporated Joint Ventures) using proportionate consolidation.

##### **Goodwill on Consolidation**

To state goodwill arising on consolidation at cost.

##### **Inventories**

To state inventories including work-in-progress at cost or below. The cost is calculated on weighted average method. Cost comprises expenditure incurred in the normal course of business in bringing such inventories to its location and includes, where applicable, appropriate overheads based on normal level of

## SCHEDULES TO THE CONSOLIDATED ACCOUNTS

### 22. SIGNIFICANT ACCOUNTING POLICIES (Contd.)

activity. Obsolete, slow moving and defective inventories are identified at the time of physical verification of inventories and, where necessary, provision is made for such inventories.

#### Turnover

To state Gross Turnover, which represents invoiced value of goods sold and services rendered, net of sales tax but inclusive of excise duties, luxury taxes etc.

#### Investment Income

To account for Income from Investments on an accrual basis, inclusive of related tax deducted at source.

#### Proposed Dividend

To provide for Dividends (including income tax thereon) of the parent as proposed by the Directors in the books of account, pending approval at the Annual General Meeting.

To account for dividends (including income tax thereon) of associates, joint ventures and subsidiaries when paid.

#### Retirement Benefits

To make regular monthly contributions to various Provident Funds, Pension Funds and Gratuity Funds which are charged against revenue. To also charge against revenue, actual disbursements made, when due, under the Workers' Voluntary Retirement Scheme.

To administer through duly constituted and approved independent trusts, various Funds in respect of Employees' Retirement Benefit Schemes, with the exception of Provident Fund and Family Pension contributions in respect of Unionised Staff which are statutorily deposited with the Government.

#### Lease Rentals

To charge Rentals in respect of leased equipment to the Profit and Loss Account.

#### Research and Development

To write off all expenditure other than capital expenditure on Research and Development in the year it is incurred.

Capital expenditure on Research and Development is included under Fixed Assets.

#### Taxes on Income

To provide and determine Current tax as the amount of tax payable in respect of taxable income for the period.

To provide and recognise Deferred tax on timing differences between taxable income and accounting income subject to consideration of prudence.

Not to recognise Deferred tax assets on unabsorbed depreciation and carry forward of losses unless there is virtual certainty that there will be sufficient future taxable income available to realise such assets.

#### Foreign Currency Translation

To account for transactions in foreign currency at the exchange rate prevailing on the date of transactions. Gains/losses arising out of fluctuations in the exchange rates are recognised in Profit and Loss in the period in which they arise except in respect of Fixed Assets where exchange variance is adjusted in the carrying amount of the respective Fixed Asset.

To account for differences between the forward exchange rates and the exchange rates at the date of transactions, as income or expense over the life of the contracts, except in respect of liabilities incurred for acquiring Fixed Assets, in which case such differences are adjusted in the carrying amount of the respective Fixed Asset.

To account for profit/loss arising on cancellation or renewal of forward exchange contracts as income/expense for the period, except in case of forward exchange contracts relating to liabilities incurred for acquiring Fixed Assets, in which case such profit/loss are adjusted in the carrying amount of the respective Fixed Asset.

To account for gains/losses on foreign exchange rate fluctuations relating to current assets and liabilities at the year end.

To account for gains/losses on foreign exchange rate fluctuations relating to inventories at foreign branches where valuation is at net realisable value.

## SCHEDULES TO THE CONSOLIDATED ACCOUNTS

### 22. SIGNIFICANT ACCOUNTING POLICIES (Contd.)

To account for gains/losses on foreign exchange rate fluctuations relating to current assets and liabilities of foreign branch and foreign currency bank accounts at the year end.

#### **Claims**

To disclose claims against the Group not acknowledged as debts after a careful evaluation of the facts and legal aspects of the matter involved.

#### **Segment Reporting**

To identify segments having regard to the dominant source and nature of risks and returns and the internal organisation and management structure.

To account for inter-segment revenue on the basis of transactions which are primarily market led.

To include under "Unallocated Corporate Expenses" revenue and expenses which relate to the enterprise as a whole and are not attributable to segments.

#### **Financial and Management Information Systems**

To practise an Integrated Accounting System which unifies both Financial Books and Costing Records. The books of account and other records have been designed to facilitate compliance of the relevant provisions of the Companies Act on one hand, and meet the internal requirements of information and systems for Planning, Review and Internal Control on the other. To ensure that the Cost Accounts are designed to adopt Costing Systems appropriate to the business carried out by the Division with each Division incorporating into its Costing System, the basic tenets and principles of Standard Costing, Budgetary Control and Marginal Costing as appropriate.

On behalf of the Board

Kolkata,  
28th May, 2004

Y. C. DEVESHWAR *Chairman*  
K. VAIDYANATH *Director*  
B. B. CHATTERJEE *Secretary*

## REPORT OF THE AUDITORS TO THE BOARD OF DIRECTORS OF ITC LIMITED

We have audited the attached consolidated balance sheet of ITC Limited and its subsidiaries (the Group) as at 31st March, 2004, and also the consolidated profit and loss account and the consolidated cash flow statement for the year ended on that date, annexed thereto. These consolidated financial statements are the responsibility of ITC Limited's management and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

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.

We did not audit the financial statements of certain subsidiaries and joint ventures, whose financial statements reflect the Group's share of total assets of Rs. 1407.00 crores as at 31st March, 2004 and the Group's share of total revenues of Rs. 658.68 crores for the year ended on that date, and net cash outflows amounting to Rs. 28.72 crores for the year ended on that date and associates whose financial statements reflect the Group's share of loss upto 31st March, 2004 of Rs. 11.61 crores and the Group's share of loss of Rs. 4.30 crores for the year ended on that date as considered in the consolidated financial statements. These financial statements and other financial information have been audited by other auditors whose reports have been furnished

to us, and our opinion, in so far as it relates to the amounts included in respect of these subsidiaries, joint ventures and associates, is based solely on the reports of the other auditors.

We report that the consolidated financial statements have been prepared by ITC's management in accordance with the requirements of Accounting Standard 21, Consolidated Financial Statements, Accounting Standard 23, Accounting for Investments in Associates in Consolidated Financial Statements and Accounting Standard 27, Financial Reporting of Interest in Joint Ventures issued by the Institute of Chartered Accountants of India.

Based on our audit and on consideration of the reports of other auditors on separate financial statements and on the other financial information of the components, in our opinion and to the best of our information and according to the explanations given to us, the attached consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the consolidated balance sheet, of the state of affairs of ITC Limited Group as at 31st March, 2004;
- (b) in the case of the consolidated profit and loss account, of the profit for the year ended on that date, and
- (c) in the case of the consolidated cash flow statement, of the cash flows for the year ended on that date.

Mumbai,  
May 28, 2004

For A.F. Ferguson & Co.  
*Chartered Accountants*  
A. K. Mahindra  
*Partner*  
Membership No. 10296