

**REPORT OF THE DIRECTORS FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2004**

1. The Directors hereby submit their Report and Accounts for the financial year ended 31st March, 2004.

**2. PERFORMANCE OF THE COMPANY**

The overall performance of the Company has been satisfactory, despite the continuing soft interest rate regime. The Company continues to pursue its conservative risk management policy, and there was no change in the Company's strategic direction during the year under review.

The financial results, summarised, are as under :

	Rs.
a. Profit Before Tax	22,09,60,982/-
b. Income Tax	<u>6,21,65,000/-</u>
c. Profit After Tax	15,87,95,982/-
d. Add : Profit brought forward from previous year	<u>45,82,94,264/-</u>
e. Surplus available for Appropriation	61,70,90,246/-
f. Transferred to Special Reserve u/s 45 - IC of the RBI Act, 1934	3,20,00,000/-
g. Interim dividend declared and now recommended as Final Dividend	15,00,00,000/-
h. Income Tax on Interim Dividend	<u>1,92,18,750/-</u>
i. Balance carried forward	<u>41,58,71,496/-</u>

The Directors declared on 25th September, 2003 an Interim Dividend of Rs. 15,00,00,000/- on 67,28,76,577 equity shares of Rs. 10/- each (in proportion to the amount paid up on each equity share), out of the profits of the Company to the Members whose names appeared on the Company's Register of Members on 25th September, 2003, and which is now recommended as the Final Dividend for the Financial Year ended 31st March, 2004.

**3. DIRECTORS**

In accordance with the provisions of Article 144 of the Articles of Association of the Company, M/s Rajiv Tandon and Biswa Behari Chatterjee will retire by rotation at the ensuing Annual General Meeting, and being eligible, offer themselves for re-appointment.

**4. DIRECTORS' RESPONSIBILITY STATEMENT**

As per the provisions of Section 217 (2AA) of the Companies Act, 1956, the Directors confirm having :-

- i) followed in the preparation of the Annual Accounts, the applicable Accounting Standards and there are no material departures;
- ii) selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year, and of the profit of the Company for that period;
- iii) taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- iv) prepared the Annual Accounts on a going concern basis.

**5. INVESTMENTS IN VST INDUSTRIES LIMITED**

During the year, the Company in response to a Public Notice issued by the Implementation Secretariat, Government of Andhra Pradesh ("GOAP") to

submit an Irrevocable Binding Offer for purchase of 7,23,499 equity shares (4.69%) in VST Industries Limited (VST) held by GOAP, made a successful bid and acquired the entire shareholding from GOAP. The Company currently holds 14.27% of VST.

As stated in the Report of the Directors last three years, a suit was filed by an individual in the High Court at Calcutta, seeking an injunction against the Company's Counter Offer to the shareholders of VST Industries Limited, made in accordance with the Securities and Exchange Board of India (Substantial Acquisition of Shares & Takeovers) Regulations, 1997, as a competitive bid, pursuant to a Public Offer made by an Acquirer, which closed on 13th June, 2001.

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 still 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.

**6. RE-APPOINTMENT OF MANAGER UNDER SECTION 269 OF THE COMPANIES ACT, 1956**

Ms. Jhuma Guha was re-appointed as Manager of the Company by the Board of Directors for a period of two years with effect from 3rd September, 2003, in terms of the provisions of Section 269 of the Companies Act, 1956, read with Schedule XIII thereto, subject to the approval of the Members of the Company at the next General Meeting.

**7. NON-BANKING FINANCIAL COMPANIES PRUDENTIAL NORMS (RESERVE BANK) DIRECTIONS, 1998 ('NBFC REGULATIONS')**

In terms of paragraph 9BB of the NBFC Regulations, the particulars as applicable to the Company, are appended to the Balance Sheet.

**8. SUBSIDIARY**

Particulars as required under Section 212 of the Companies Act, 1956, in respect of Greenacre Holdings Limited, a wholly owned subsidiary of the Company, has been annexed to the accounts of the Company.

**9. PARTICULARS OF EMPLOYEES**

None of the employees are covered by the provisions contained in Section 217(2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975.

**10. AUDITORS**

The Auditors, M/s S.B. Billimoria & Co., Chartered Accountants, retire at the ensuing Annual General Meeting of the Company and, being eligible, offer themselves for re-appointment.

**11. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNING AND OUTGO**

Considering the nature of business of the Company, no comment is required on conservation of energy and technology absorption.

During the year under review, there has been no foreign exchange income. The utilisation of foreign exchange was Rs.2,08,19,975/-.

20th April, 2004  
Virginia House  
37 J. L. Nehru Road  
Kolkata 700 071

On behalf of the Board  
  
R. Tandon                      Director  
S. Bandyopadhyay            Director

**AUDITORS' REPORT TO THE MEMBERS OF RUSSELL CREDIT LIMITED**

1. We have audited the attached Balance Sheet of **Russell Credit Limited** as at 31st March, 2004, the Profit and Loss Account of the Company for the year ended on that date and the Cash Flow Statement for the year ended on that date, both annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with 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 misstatements. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. As required by the Companies (Auditor's Report) Order, 2003, issued by the Department of Company Affairs under Section 227 (4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraph 4 of the said Order to the extent applicable to the Company.

4. Further to our comments in the Annexure referred to above :

- i) we have obtained all the information and explanations, which to the best of our knowledge and belief, were necessary for the purposes of our audit;
- ii) in our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;

iii) the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;

iv) in our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in compliance with the Accounting Standards referred to in Section 211 (3C) of the Companies Act, 1956;

v) in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India :

- a) in the case of the Balance Sheet, of the state of affairs of the Company as on 31st March, 2004;
- b) in the case of the Profit and Loss Account, of the Profit of the Company for the year ended on that date;
- c) in the case of the Cash Flow Statement, of the Cash Flows for the year ended on that date.

5. According to the information and explanations given to us and on the basis of the written representations received from the Directors as on 31st March, 2004, taken on record by the Board of Directors, none of the Directors is disqualified as at 31st March 2004 from being appointed as a Director under Section 274(1)(g) of the Companies Act, 1956.

For S. B. Billimoria & Co.  
Chartered Accountants

K. Rajasekhar  
Partner

Kolkata, 20th April, 2004

**ANNEXURE TO THE AUDITORS' REPORT**

(Referred to in paragraph 3 of our report of even date attached)

1. The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets. As explained to us, all assets used for own purposes were physically verified by the Management during the year and no material discrepancies were noticed on such verification. In respect of leased assets, the Company follows a system of obtaining confirmation letters from the lessees, once every two years, regarding the existence and condition of such assets which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets.
2. During the year, the Company has neither granted nor taken any loans, secured or unsecured to or from companies, firms or other parties in the register maintained under Section 301 of the Companies Act, 1956.
3. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchase of fixed assets and sale of services.
4. To the best of our knowledge and belief and according to the information and explanations given to us and the records of the Company examined by us, the Company had no transactions during the year which needed to be entered in the Register maintained under Section 301 of the Companies Act, 1956.
5. In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
6. According to the information and explanations given to us and the records of the Company examined by us, the Company has been regular during the year in depositing undisputed statutory dues including income tax, wealth tax and sales tax.
7. According to the information and explanations given to us and the records of the Company examined by us, there were no undisputed amounts payable in respect of income tax, wealth tax and sales tax which were outstanding as on 31st March, 2004, for a period of more than six months from the date they became payable.
8. According to the information and explanations given to us and as shown by the records of the Company examined by us, there were no disputed amounts relating to Income tax, wealth tax and sales tax which had remained unpaid as at 31st March, 2004.
9. The Company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures and other securities.
10. According to the information and explanations given to us and the records of the Company examined by us, the Company has not given any guarantee for loans taken by others from bank or financial institutions.
11. To the best of our knowledge and according to the information and explanations given to us and the records of the Company examined by us, no fraud on or by the Company was noticed or reported during the year.
12. The provisions of clauses (i)(c), (ii), (vi), (viii), (x), (xi), (xii), (xiii), (xiv), (xvi), (xvii), (xviii), (xix) and (xx) of paragraph 4 of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company for the current year.

For S. B. Billimoria & Co.  
Chartered AccountantsK. Rajasekhar  
Partner

Kolkata, 20th April, 2004

**BALANCE SHEET AS AT 31ST MARCH, 2004**

	Schedule	(Rs.)	As at 31st March, 2004 (Rs.)	(Rs.)	As at 31st March, 2003 (Rs.)
<b>I. SOURCES OF FUNDS</b>					
<b>1. Shareholders' Funds</b>					
(a) Share Capital	1	6,46,47,87,370		6,46,47,87,370	
(b) Reserves and Surplus	2	<u>47,66,38,941</u>	<u>6,94,14,26,311</u>	<u>48,70,61,709</u>	6,95,18,49,079
<b>2. Deffered Tax Liability - (Net)</b>			<u>9,73,907</u>		—
<b>Total</b>			<u><b>6,94,24,00,218</b></u>		<u>6,95,18,49,079</u>
<b>II. APPLICATION OF FUNDS</b>					
<b>1. Fixed Assets (Net)</b>	3		<u>2,56,15,313</u>		—
<b>2. Investments</b>	4		<u>5,59,09,07,168</u>		5,47,53,65,674
<b>3. Deffered Tax Asset (Net)</b>			—		1,91,093
<b>4. Current Assets, Loans &amp; Advances</b>	5				
a) Current Assets		<u>1,32,14,50,060</u>		1,47,39,51,691	
b) Loans and Advances		<u>1,02,12,135</u>		75,01,454	
		<u>1,33,16,62,195</u>		<u>1,48,14,53,145</u>	
<b>Less : Current Liabilities and Provisions</b>	6	<u>57,84,458</u>		<u>51,60,833</u>	
<b>Net Current Assets</b>			<u><b>1,32,58,77,737</b></u>		<u>1,47,62,92,312</u>
<b>Total</b>			<u><b>6,94,24,00,218</b></u>		<u>6,95,18,49,079</u>
<b>Notes forming part of the Accounts</b>	13				
<b>Significant Accounting Policies</b>	14				

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

As per our Report of even date attached.

For S. B. Billimoria & Co.  
Chartered AccountantsK Rajasekhar  
Partner

Kolkata, 20th April, 2004

On behalf of the Board

R. Tandon Director  
S. Bandyopadhyay Director  
J. Guha Secretary

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2004

	Schedule	For the year ended 31st March, 2004		For the year ended 31st March, 2003	
		(Rs.)	(Rs.)	(Rs.)	(Rs.)
<b>I. INCOME</b>					
Profit on Sale of Long Term Investments			57,12,504		—
Profit on Sale of Stock-in-trade (Net)	7		54,97,076		3,52,26,535
Interest			9,76,38,754		11,88,98,806
Dividend			4,09,49,757		1,06,79,595
Brokerage			7,14,75,440		3,51,81,026
Lease and Other Rentals			27,64,536		15,04,536
Others	8		20,02,546		31,25,206
			<u>22,60,40,613</u>		<u>20,46,15,704</u>
<b>II. EXPENDITURE</b>					
Financial Charges and Operating Expenses	9		3,96,787		3,16,212
Payments to and Provisions for Employees	10		19,38,132		15,28,395
Establishment and Other Expenses	11		18,78,431		19,45,142
Auditors' Remuneration – Audit Fees		1,08,000		68,250	
– Other Services		44,460	1,52,460	44,100	1,12,350
Depreciation			7,13,821		1,636
			<u>50,79,631</u>		<u>39,03,735</u>
<b>III. PROFIT BEFORE TAXATION</b>			<u>22,09,60,982</u>		<u>20,07,11,969</u>
Provision for Taxation					
— Current Tax		6,10,00,000		7,50,03,418	
— Deferred Tax		11,65,000	6,21,65,000	(3,418)	7,50,00,000
<b>IV. PROFIT AFTER TAXATION</b>			<u>15,87,95,982</u>		<u>12,57,11,969</u>
Balance Brought Forward from previous year			45,82,94,264		33,25,82,295
<b>V. PROFIT AVAILABLE FOR APPROPRIATION</b>			<u>61,70,90,246</u>		<u>45,82,94,264</u>
<b>VI. APPROPRIATIONS</b>					
Special Reserve u/s 45-IC of the RBI Act, 1934			3,20,00,000		—
Interim Dividend			15,00,00,000		—
Income Tax on Interim Dividend			1,92,18,750		—
<b>VII. BALANCE CARRIED FORWARD</b>			<u>41,58,71,496</u>		<u>45,82,94,264</u>

Notes forming part of the Accounts 13

Significant Accounting Policies 14

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

As per our Report of even date attached.

For S. B. Billimoria & Co.  
Chartered AccountantsK. Rajasekhar  
Partner

Kolkata, 20th April, 2004

On behalf of the Board

R. Tandon Director  
S. Bandyopadhyay Director  
J. Guha Secretary

## CASH FLOW STATEMENT

	For the year ended		For the year ended	
	31st March, 2004	31st March, 2003	31st March, 2004	31st March, 2003
	(Rs.)	(Rs.)	(Rs.)	(Rs.)
<b>A. NET PROFIT BEFORE TAX</b>	<b>22,09,60,982</b>	20,07,11,969		
<b>Adjustments for :</b>				
Depreciation	7,13,821	1,636		
Provision for Retirement Benefits	1,67,000	9,300		
Income from Long Term Investments	(1,79,93,698)	(1,06,79,595)		
Profit on Sale of Long Term Investments	(57,12,504)	1,223		
<b>Operating Profit Before Working Capital Changes</b>	<b>19,81,35,601</b>	19,00,44,533		
<b>Adjustments for :</b>				
Trade and Other Receivables	(55,30,125)	(48,93,098)		
Stock-in-Trade	3,03,40,434	(1,33,24,43,101)		
Trade payables	—	(3,95,611)		
Loans Given	—	2,00,00,000		
<b>Cash Generated from Operations</b>	<b>22,29,45,910</b>	(1,12,76,87,277)		
Income Tax Paid	(6,37,50,689)	(57,41,416)		
<b>Net Cash from Operating Activities</b>	<b>15,91,95,221</b>	(1,13,34,28,693)		
<b>B. CASH FLOW FROM INVESTING ACTIVITIES :</b>				
Purchase of Fixed Assets	(2,63,29,134)	—		
Purchase of Long Term Investments	(15,59,48,801)	(1,02,42,980)		
Sale of Long Term Investments	4,61,19,811	1,18,588		
Income from Long Term Investments	1,79,93,698	1,06,79,595		
<b>Net Cash used in Investing Activities</b>	<b>(11,81,64,426)</b>	5,55,203		
<b>C. CASH FLOW FROM FINANCING ACTIVITIES :</b>				
Receipt/(Repayment) of Loans -Net	—	(56,62,00,000)		
(Increase)/Decrease in Advances	40,008	(31,661)		
(Increase)/Decrease in other Current Assets	(33,565)	4,66,286		
Increase/(Decrease) in other Current Liabilities	4,56,625	(4,58,222)		
Dividend Paid	(15,00,00,000)	—		
Dividend Tax Paid	(1,92,18,750)	—		
<b>Net Cash Flow used in Financing Activities</b>	<b>(16,87,55,682)</b>	(56,62,23,597)		
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(12,77,24,887)</b>	(1,69,90,97,087)		
<b>OPENING CASH AND CASH EQUIVALENTS</b>	<b>12,87,31,482</b>	1,82,78,28,569		
<b>CLOSING CASH AND CASH EQUIVALENTS</b>	<b>10,06,595</b>	12,87,31,482		

As per our Report of even date attached.

For S. B. Billimoria & Co.  
Chartered AccountantsK. Rajasekhar  
Partner

Kolkata, 20th April 2004

On behalf of the Board

R. Tandon Director  
S. Bandyopadhyay Director  
J. Guha Secretary

**SCHEDULES TO THE ACCOUNTS**

**SCHEDULE 1 - SHARE CAPITAL**

	<b>As at 31st March, 2004 (Rs.)</b>	<b>As at 31st March, 2003 (Rs.)</b>	7,54,22,400 Equity Shares of Rs. 10/- each, Rs. 6.50 per share paid up (Equity Shares allotted for consideration other than cash pursuant to a Scheme of Amalgamation)	<b>49,02,45,600</b>	49,02,45,600
<b>Authorised :</b>				<b>6,46,47,87,370</b>	<b>6,46,47,87,370</b>
70,00,00,000 Equity Shares of Rs. 10/- each	<u>7,00,00,00,000</u>	<u>7,00,00,00,000</u>			
	<u>7,00,00,00,000</u>	<u>7,00,00,00,000</u>			

**Issued, Subscribed and Paid up :**

59,74,54,177 Equity Shares of Rs. 10/- each, fully paid up (of the above, 59,74,04,170 Equity Shares allotted for consideration other than cash pursuant to a Scheme of Amalgamation)	<b>5,97,45,41,770</b>	5,97,45,41,770	(All the above shares are held by the Holding Company, ITC Limited)		
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**SCHEDULE 2 - RESERVES AND SURPLUS**

	<b>As at 31st March, 2004 (Rs.)</b>	<b>As at 31st March, 2003 (Rs.)</b>			
Special Reserve u/s 45-IC of the RBI Act, 1934	<b>3,20,00,000</b>	—			
Capital Reserve	<b>2,87,67,445</b>	2,87,67,445			
Profit and Loss Account	<b>41,58,71,496</b>	45,82,94,264			
	<u>47,66,38,941</u>	<u>48,70,61,709</u>			

**SCHEDULE 3 - FIXED ASSETS (LEASED)**

	Original Cost			Depreciation			Net Book Value as at 31st March 2004 (Rs.)
	As at 1st April, 2003 (Rs.)	Additions during the year (Rs.)	As at 31st March, 2004 (Rs.)	Up to, 31st March 2003 (Rs.)	For the year (Rs.)	Up to, 31st March, 2004 (Rs.)	
Plant & Machinery*	2,21,54,694	1,64,91,834	3,86,46,528	2,21,54,694	7,13,821	2,28,68,515	1,57,78,013
Capital Work-in-progress	—	98,37,300	98,37,300	—	—	—	98,37,300
Total	2,21,54,694	2,63,29,134	4,84,83,828	2,21,54,694	7,13,821	2,28,68,515	2,56,15,313
Previous Year	2,21,54,694	—	2,21,54,694	2,21,53,058	1,636,	2,21,54,694	—

**Notes :**

- \* Includes assets used for own purposes : Gross : Rs. 7,140/- (31-3-2003 : Rs. 7,140/-)  
Net : Rs. Nil (31-3-2003 : Rs. 1,636/-)
- a) In respect of own assets, depreciation has been charged under Straight Line Method at the rate of 25% per annum. Leased Assets are depreciated over the primary period of the lease.
- b) Capital Work-in-progress represents machinery pending installation.
- c) Capital expenditure commitments are Rs. 9,39,926/- (2003 - Rs. Nil)

**SCHEDULE 4 - INVESTMENTS AT COST (LONG TERM)**

	<b>As at 31st March, 2004</b>		<b>As at 31st March, 2003</b>	
	<b>Number</b>	<b>Value (Rs.)</b>	<b>Number</b>	<b>Value (Rs.)</b>
<b>A. UNQUOTED</b>				
<b>Subsidiary Company</b>				
1. Equity Shares of Rs. 10/- each, of Greenacre Holdings Ltd., fully paid up	3,30,60,166	33,10,33,674	3,30,60,166	33,10,33,674
<b>Others</b>				
2. Equity Shares of Rs. 10/- each, of Russell Investments Ltd., fully paid up	42,75,435	4,27,56,850	42,75,435	4,27,56,850
3. Equity Shares of Rs. 10/- each, of Peninsular Investments Ltd., fully paid up	40,64,875	4,06,51,738	40,64,875	4,06,51,738
4. Equity Shares of Rs. 10/- each, of Minota Aquatech Ltd., fully paid up	14,80,000	14,80,000	14,80,000	14,80,000
5. Equity Shares of Rs. 10/- each, of Newdeal Finance and Investment Ltd., fully paid up	28,81,200	2,88,13,440	28,81,200	2,88,13,440
6. Equity Shares of Rs. 10/- each, of Megatop Financial Services and Leasing Ltd., fully paid up	31,16,400	3,11,65,440	31,16,400	3,11,65,440
7. Class 'G' Shares of Rs. 48,000/- each, of Lotus Court Pvt. Ltd., fully paid up	2	2,34,00,000	2	2,34,00,000
8. Equity Shares of Rs. 100/- each, of Adyar Property Holding Co. Ltd., Rs. 65/- per share, paid up	311	43,86,50,000	311	43,86,50,000
9. Equity Shares of Rs. 10/- each, of Classic Infrastructure & Development Ltd., fully paid up	37,50,000	3,76,88,280	37,50,000	3,76,88,280
10. Non-Cumulative, Non-Participating, Non-Voting Preference Shares of Rs. 1,00,00,000/- each, of ICICI Bank Ltd., fully paid up	350	3,50,00,00,000	350	3,50,00,00,000
		<u>4,47,56,39,422</u>		<u>4,47,56,39,422</u>
<b>B. QUOTED</b>				
1. Equity Shares of Rs. 10/- each, of ITC Hotels Ltd., fully paid up	—	—	2,50,002	1,98,59,047
2. Equity Shares of Rs. 10/- each, of Agro Tech Foods Ltd., fully paid up	40,85,800	53,72,82,700	40,85,800	53,72,82,700
3. Equity Shares of Rs. 10/- each, of International Travel House Ltd., fully paid up	36,26,633	21,21,58,031	36,26,633	21,21,58,031
4. Equity Shares of Rs. 10/- each, of VST Industries Ltd., fully paid up	22,02,529	36,58,27,015	16,20,774	23,04,26,474
		<u>1,11,52,67,746</u>		<u>99,97,26,252</u>
<b>Total (A+B)</b>		<u>5,59,09,07,168</u>		<u>5,47,53,65,674</u>

Market Value of Quoted Investments : 31-03-2004 - Rs. 83,15,93,762/- (31-03-2003 - Rs. 43,59,76,598/-)

SCHEDULES TO THE ACCOUNTS (Contd.)

SCHEDULE 5 - CURRENT ASSETS, LOANS AND ADVANCES

	As at 31st March, 2004		As at 31st March, 2003	
	(Rs.)	(Rs.)	(Rs.)	(Rs.)
<b>A. CURRENT ASSETS</b>				
Stock-in-Trade (Schedule – 12)		1,30,96,59,570		1,34,00,00,004
Sundry Debtors (Unsecured - Considered Good)				
Others	1,04,23,223	1,04,23,223	48,93,098	48,93,098
Cash and Bank Balances				
Balance with Scheduled Banks				
— On Current Account	10,06,595		27,31,482	
— On Deposit Account	—	10,06,595	12,60,00,000	12,87,31,482
Other Current Assets (Unsecured – Considered Good)				
Deposits	23,500		43,000	
Interest Accrued	—		32,890	
Other Assets	3,37,172	3,60,672	2,51,217	3,27,107
<b>Total</b>		<b>1,32,14,50,060</b>		<b>1,47,39,51,691</b>
<b>B. LOANS AND ADVANCES</b> (Unsecured, Considered Good)				
Advance Tax (Net of Provisions)		1,01,63,816		74,13,127
Staff Advance		48,319		88,327
<b>Total</b>		<b>1,02,12,135</b>		<b>75,01,454</b>

SCHEDULE 6 - CURRENT LIABILITIES AND PROVISIONS

	As at 31st March, 2004 (Rs.)	As at 31st March, 2003 (Rs.)
<b>CURRENT LIABILITIES</b>		
Security Deposits	39,51,284	39,51,284
Others	10,31,174	5,74,549
	<u>49,82,458</u>	<u>45,25,833</u>
<b>PROVISIONS</b>		
Provision for Retirement Benefits	8,02,000	6,35,000
	<u>8,02,000</u>	<u>6,35,000</u>
	<u>57,84,458</u>	<u>51,60,833</u>

SCHEDULE 7 - PROFIT ON SALE OF STOCK-IN-TRADE (NET)

	For the year ended 31st March, 2004 (Rs.)	For the year ended 31st March, 2003 (Rs.)
Sales	6,34,20,93,976	13,12,05,53,786
Less : Purchases	6,30,62,56,466	14,41,77,70,352
	<u>3,58,37,510</u>	<u>(1,29,72,16,566)</u>
Add/Less: Increase/(Decrease) in Closing Stock-in-Trade	(3,03,40,434)	1,33,24,43,101
Profit on Sale of Stock-in-Trade	<u>54,97,076</u>	<u>3,52,26,535</u>

SCHEDULE 8 - OTHER INCOME

	For the year ended 31st March, 2004 (Rs.)	For the year ended 31st March, 2003 (Rs.)
Recovery of Bad Debts Written Off in earlier years	3,50,000	3,00,000
Miscellaneous Income	16,52,546	28,25,206
	<u>20,02,546</u>	<u>31,25,206</u>

SCHEDULE 9 - FINANCIAL CHARGES AND OPERATING EXPENSES

	For the year ended 31st March, 2004 (Rs.)	For the year ended 31st March, 2003 (Rs.)
Interest - Others	98,129	2,15,673
Bank, Custodial and Depository Charges	93,556	38,389
Professional and Legal Fees	2,05,102	62,150
	<u>3,96,787</u>	<u>3,16,212</u>

SCHEDULE 10 - PAYMENTS TO AND PROVISIONS FOR EMPLOYEES

	For the year ended 31st March, 2004 (Rs.)	For the year ended 31st March, 2003 (Rs.)
Salaries and Wages	17,59,560	15,01,567
Provision for Retirement Benefits	1,67,000	9,300
Staff Welfare Expenses	11,572	17,528
	<u>19,38,132</u>	<u>15,28,395</u>

SCHEDULE 11 - ESTABLISHMENT AND OTHER EXPENSES

	For the year ended 31st March, 2004 (Rs.)	For the year ended 31st March, 2003 (Rs.)
Rent, Repairs and Maintenance	4,24,359	4,54,090
Travelling and Conveyance	6,86,423	5,84,473
Rates and Taxes	12,120	30,790
Communication Expenses	70,775	75,205
Printing, Stationery and Periodicals	35,036	38,315
Loss on Sale of Long Term Investments (Net)	—	1,223
Miscellaneous	6,49,718	7,61,046
	<u>18,78,431</u>	<u>19,45,142</u>



## SCHEDULES TO THE ACCOUNTS (Contd.)

## SCHEDULE 12 - STOCK-IN-TRADE (at lower of cost and fair value)

Particulars	As at 31st March, 2004		As at 31st March, 2003	
	Quantity	Value (Rs.)	Quantity	Value (Rs.)
<b>Equity Shares of Rs. 10/- each, fully paid up</b>				
Mark Auto India Ltd.	40,000	1	40,000	1
Patheja Brothers Forgings and Stampings Ltd.	50,000	1	50,000	1
Jind Textiles Ltd.	5,00,000	1	5,00,000	1
Taib Capital Corporation Ltd.	2,45,000	1	2,45,000	1
<b>Sub - Total</b>		<b>4</b>		<b>4</b>
<b>Units of Rs.10/- each, fully paid up</b>				
JM High Liquidity Fund - Daily Dividend Option	83,46,440	8,69,27,342	—	—
Principal Cash Management Fund - Liquid Option - Institutional Plan - Daily Dividend Option	50,01,355	5,00,18,551	—	—
Kotak Liquid Institutional Plan - Daily Dividend Option	40,90,279	5,00,16,337	—	—
Tata Liquid Fund High Investment - Daily Dividend Option	44,97,940	5,00,15,739	—	—
Deutsche Insta Cash Plus Fund - Weekly Dividend Option	49,50,495	5,00,00,000	—	—
DSP merill Lynch Liquidity Fund - Daily Dividend Option	49,96,495	5,00,14,912	—	—
Templeton India Income Builder Account Plan A - Monthly Dividend Option	5,23,13,883	78,26,00,000	—	—
HSBC Cash Fund - Daily Dividend Option	49,09,145	5,00,14,862	—	—
Birla Cash Plus Institutional Plan - Dividend - Option	46,37,530	5,00,16,228	—	—
JM Income Fund - Growth Plan - Growth Option	—	—	2,89,31,956	70,00,00,000
K Bond Unit Scheme 99 Institutional Plan - Growth	—	—	4,08,36,120	64,00,00,000
<b>Sub - Total</b>		<b>1,21,96,23,971</b>		<b>1,34,00,00,000</b>
<b>Units of Rs. 1000/- each, fully paid up</b>				
Templeton India Treasury Management Account -Daily Dividend Option	59,549	9,00,35,595	—	—
<b>Sub - Total</b>		<b>9,00,35,595</b>		<b>—</b>
<b>TOTAL</b>		<b>1,30,96,59,570</b>		<b>1,34,00,00,004</b>

## SCHEDULE 13 - NOTES FORMING PART OF THE ACCOUNTS

- Uncalled liability on partly paid up shares : Rs. 10,885/- (31-3-2003 - Rs. 10,885/-)
- Dividend income includes Rs. 1,79,93,698/- (31-3-2003 - Rs. 1,06,79,595/-) from long term investments.
- Income from interest is stated gross. The amount of income tax deducted thereon is Rs. 2,00,22,804/- (31-3-2003 - Rs. 2,44,23,363/-).
- Loans and Advances include interest bearing loans to associates. The balance as at the year end is nil. The maximum indebtedness during the year was Rs.43,30,00,000/- (31-3-2003 - Rs.41,14,00,000/-) from Megatop Financial Services and Leasing Limited, Rs.37,76,00,000/- (31-3-2003 - Rs. 40,87,00,000/-) from Newdeal Finance & Investment Limited, Rs.49,12,00,000/- (31-3-2003- Rs. 41,89,00,000/-) from Peninsular Investments Limited and Rs.39,70,00,000/- (31-3-2003 - Rs.36,79,00,000/-) from Russell Investments Limited.
- C.I.F. Value of Imports on account of purchase of Capital Goods is Rs. 1,99,60,820/- (31-03-2003 - Rs. Nil).
- Expenditure in Foreign Currency during the year on account of other matters is Rs.8,59,155/- (31-03-2003 - Rs. Nil).
- Earnings per Share**

	<b>For the year ended</b>	For the year ended
	<b>31st March, 2004</b>	31st March, 2003
Profit after Taxation (Rs.)	15,87,95,982	12,57,11,969
Weighted average number of equity shares outstanding	64,64,78,737	64,64,78,737
Basic and diluted earnings per share in Rupees (Face Value - Rs.10/- per share)	0.25	0.19
- Deferred Tax - Net**

	<b>31st March, 2004</b>	31st March, 2003
Deferred Tax Asset		
- On Provision for Retirement Benefits	2,50,996	1,91,093
Deferred Tax Liability		
- On Depreciation provided - Timing Difference	12,24,903	—
Deferred Tax Liability / (Asset) [Net]	9,73,907	(1,91,093)
- Managerial Remuneration :
  - Salaries - Rs.7,97,616/- (31-3-2003 - Rs. 6,92,148/-)
  - Other Benefits - Rs.2,25,152/- (31-3-2003 - Rs. 1,57,850/-)
 The re-appointment of the Manager effective 3rd September, 2003 and the remuneration for the period 3rd September, 2003 to 31st March, 2004 amounting to Rs.5,93,227/- is subject to the approval of the shareholders.
- The status of the suit filed by an individual in the High Court at Calcutta, seeking an injunction against the Company's Counter Offer to the shareholders of VST Industries Limited, is outlined in the current year's Report of the Directors.
- Segment Reporting - The Company operates in a single business segment, and hence no further disclosure is being made.
- Related Parties Disclosures :
  - a) Relationships :
    - Holding Company** - ITC Limited
    - Subsidiary Company** - Greenacre Holdings Limited
    - Other Related Parties with whom the Company had transactions, etc.**
    - Fellow Subsidiary** - Fortune Park Hotels Limited
    - Associate Companies** - International Travel House Limited  
Megatop Financial Services and Leasing Limited  
Newdeal Finance & Investment Limited  
Peninsular Investments Limited  
Russell Investments Limited
  - Key Management Personnel** -
    - Mr. K. Vaidyanath - Chairman of the Board (Non-Executive)
    - Mr. S. Bandyopadhyay - Non-Executive Director
    - Mr. P. Banerjee - Non-Executive Director
    - Mr. B. B. Chatterjee - Non-Executive Director
    - Mr. R. Tandon - Non-Executive Director
    - Ms. J. Guha - Manager & Secretary

SCHEDULES TO THE ACCOUNTS (Contd.)

b) Disclosure of transactions between the Company and related parties and the status of outstanding balances as on 31st March, 2004 :-

Particulars	2003 - 04 Rs.	2002 - 03 Rs.
<b>Holding Company</b>		
Sale of Investments, at cost	1,98,59,047	Nil
Lease rentals	14,88,000	14,88,000
Miscellaneous Income	2,47,275	2,73,013
Rent, Repairs & Maintenance	4,24,359	4,54,090
Travelling	60,350	61,668
Miscellaneous Expenses	22,500	5,835
Interim Dividend Paid	15,00,00,000	Nil
Maximum Amount of loan outstanding during the year	1,62,00,00,000	3,99,62,00,000
<b>Balances as on 31st March 2004</b>		
Deposits From	12,00,000	12,00,000
Payables	20,250	17,165
<b>Subsidiary Company</b>		
Maximum Amount of loan outstanding during the year	Nil	2,00,00,000
<b>Fellow Subsidiary</b>		
Travelling	1,946	16,062
Miscellaneous	14,736	7,506
<b>Associates</b>		
Interest income	9,73,53,960	9,88,63,724
Dividend income	90,66,595	36,26,638
Travelling	4,59,474	2,99,127
Miscellaneous	6,806	11,662
Maximum Amount of loan outstanding during the year	1,66,77,00,000	1,60,69,00,000

13. Figures for the previous year have been regrouped / re-arranged wherever necessary.

SCHEDULE 14 - SIGNIFICANT ACCOUNTING POLICIES

**Basis of Accounting**

The Financial Statements are prepared on accrual basis under the historic cost convention.

**Fixed Assets**

Fixed Assets are stated at cost including any incidental acquisition expenses.

**Depreciation**

Depreciation is provided at appropriate rates so as to amortise the cost of the assets over their estimated useful life.

**Investments**

Investments are stated at cost. However, suitable provisions are considered for permanent diminution, if any, in value of investments. Income from Investments is included together with the related tax credit, if any, in the Profit and Loss Account.

**Stock-in-trade**

To comply with the Prudential Norms prescribed by the Reserve Bank of India for Non-Banking Financial Companies, stock-in-trade has been valued at cost or at available market quotation or their fair values, whichever is lower, scrip-wise.

**Foreign Currency Liabilities**

Foreign Currency Liabilities are restated at the rates ruling at the year end and all exchange gains / losses arising therefrom are adjusted in the Profit and Loss Account except for those covered by forward contract rates where the gains / losses arising from such restatement are recognised over the period of such contracts.

**Borrowing Costs**

Interest and other costs incurred by the Company in connection with the borrowing of funds are recognised as an expense in the period in which they are incurred unless activities that are necessary to prepare the qualifying asset for its intended use or sale are in progress.

**Taxes on Income**

Current tax is determined as the amount of tax payable in respect of taxable income for the period.

Deferred tax is recognised, subject to the consideration of prudence, on timing differences, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax assets are not recognised unless there is virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax assets can be realised.

**Retirement Benefits**

Liability for gratuity benefits and leave encashment, payable to the employees is actuarially determined and provided for.

**Lease Rentals**

Lease Rentals are accounted for on an accrual basis except in case of lessees in default where accrual is guided by RBI Prudential Norms for Non-Banking Financial Companies.

On behalf of the Board

R. Tandon *Director*  
S. Bandyopadhyay *Director*  
J. Guha *Secretary*

Kolkata, 20th April, 2004

**BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE**  
(As per Schedule VI, Part IV of the Companies Act, 1956)

**I. Registration Details**

Registration No.  of 1994 State Code   
Balance Sheet Date     
Date Month Year

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

Public Issue   
Rights Issue   
Bonus Issue   
Private Placement

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

Total Liabilities   
Total Assets

**Sources of Funds**

Paid-up Capital  #  
Reserves & Surplus

# Includes 59,74,04,170 Equity Shares of Rs. 10/- each, fully paid up, and 7,54,22,400 Equity Shares of Rs. 10/- each, partly paid up, issued on Amalgamation.

Secured Loans   
Unsecured Loans

Deffered Tax Liability

**Application of Funds**

Net Fixed Assets   
Investments   
Net Current Assets   
Misc. Expenditure   
Accumulated Losses

**IV. Performance of Company (Amount in Rs. Thousands)**

Turnover (Net)\*   
Total Expenditure

\* Includes Other Income

+ - Profit/Loss Before Tax    
+ - Profit/Loss After Tax

(Please tick appropriate box + for profit, - for loss)

Earning Per Share in Rs.   
Dividend Rate %

**V. Generic Names of Three Principal Services of Company**

Item Code No. - Not Applicable  
Service Description - Investments  
- Lending  
- Asset Financing

Audit Committee : Mr. K. Vaidyanath, Chairman, M/s. S. Bandyopadhyay, B. B. Chatterjee, Members, Ms. J. Guha, Secretary & Permanent Invitee

**SCHEDULE TO THE BALANCE SHEET**  
of a Non-Banking Financial Company  
[as required in terms of Paragraph 9BB of Non-Banking Financial  
Companies Prudential Norms (Reserve Bank) Directions, 1998]

Particulars	(Rs. in Lakhs)		Assets Side :	(Rs. in Lakhs)
	Amount Outstanding	Amount Due		Amount Outstanding
<b>Liabilities Side:</b>			<b>Assets Side :</b>	
(1) Loans and advances availed by the NBFCs inclusive of interest accrued thereon but not paid	Nil	Nil	(i) Lease Assets including lease rentals under sundry debtors	
(2) Break-up of outstanding public deposits inclusive of interest accrued thereon but not paid	Nil	Nil	(a) Financial lease	Nil
			(b) Operating lease	1,67
<b>Assets Side :</b>	Amount Outstanding		(ii) Stock on hire including hire charges under sundry debtors	Nil
(3) Break-up of Loans and Advances including bills receivables [other than those included in (4) below]	Nil		(iii) Hypothecation loans counting towards EL/HP activities	Nil
(4) Break-up of Leased Assets and stock on hire and hypothecation loans counting towards EL/HP activities			(5) Break-up of Investments :	
			Current Investments	
			1. Quoted :	
			(i) Shares : (a) Equity	Nil
			(b) Preference	Nil
			(ii) Debentures and Bonds	Nil



**SCHEDULE TO THE BALANCE SHEET**

of a Non-Banking Financial Company

[as required in terms of Paragraph 9BB of Non-Banking Financial Companies Prudential Norms (Reserve Bank) Directions, 1998]

	(Rs. in Lakhs)		(Rs. in Lakhs)
Assets Side :	Amount Outstanding	Assets Side :	Amount Outstanding
(iii) Units of Mutual Funds	1,30,96	(ii) Debentures and Bonds	Nil
(iv) Government Securities	Nil	(iii) Units of Mutual Funds	Nil
(v) Others (please specify)	Nil	(iv) Government Securities	Nil
2. Unquoted :		(v) Others (please specify)	Nil
(i) Shares : (a) Equity	Nil	(6) Borrower group-wise classification of all leased assets, stock-on-hire and loans and advances	Nil
(b) Preference	Nil	(7) Investor group-wise classification of all investments (current and long term) in shares and securities (both quoted and unquoted) :	
(ii) Debentures and Bonds	Nil	<b>Category</b>	Market Value/Break-up or fair value or NAV
(iii) Units of Mutual Funds	Nil		Book Value (Net of Provisions)
(iv) Government Securities	Nil	1. Related Parties	
(v) Others (please specify)	Nil	(a) Subsidiaries	33,10
Long Term investments		(b) Companies in the same group	Nil
1. Quoted :		(c) Other related parties	37,10
(i) Shares : (a) Equity	1,11,53	2. Other than related parties	4,60,52
(b) Preference	Nil	Total	5,30,72
(ii) Debentures and Bonds	Nil	(8) Other Information	
(iii) Units of Mutual Funds	Nil	Particulars	Amount
(iv) Government Securities	Nil	(i) Gross Non-Performing Assets	Nil
(v) Others (please specify)	Nil	(ii) Net Non-Performing Assets	Nil
2. Unquoted :		(iii) Assets acquired in satisfaction of debt	Nil
(i) Shares : (a) Equity	97,56		
(b) Preference	3,50,00		

**STATEMENT REGARDING SUBSIDIARY COMPANY**

Pursuant to Section 212(1) and (3) of the Companies Act, 1956

**GREENACRE HOLDINGS LIMITED**

(a) Holding Company's Interest :

Entire issued share capital of 3,30,60,166 Equity Shares of Rs. 10/- each, fully paid up

(b) Net aggregate amount of subsidiary's profits / (losses) not dealt with in the Holding Company's Accounts :

Rs.

i) For the Subsidiary's financial year ended 31st March, 2004	54,38,591/-
ii) For its previous financial years	4,11,01,656/-
	4,65,40,247/-

(c) Net aggregate amount of subsidiary's profits/(losses) dealt with in the Holding Company's Accounts

i) For the Subsidiary's financial year ended 31st March, 2004	Nil
ii) For its previous financial years	Nil

On behalf of the Board

R. Tandon *Director*  
S. Bandyopadhyay *Director*  
J. Guha *Secretary*

Kolkata, 20th April 2004