

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

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

### Performance

During the financial year ended 31st March, 2004, your Company recorded an income of Rs.43.16 crores (previous year - Rs.35.27 crores), profit before tax of Rs.13.04 crores (previous year - Rs.7.19 crores) and profit after tax of Rs.8.31 crores (previous year - Rs.3.94 crores) after providing for income tax of Rs.4.73 crores (previous year - Rs.3.25 crores).

Your Directors are pleased to recommend a dividend of Re.1.00 per equity share for the year ended 31st March, 2004.

Your Company's hotel, viz., ITC Hotel Kakatiya Sheraton & Towers continues to maintain its dominance through higher occupancies and larger revenue market share in the five star hotel segment in the city of Hyderabad.

### Foreign Exchange Earnings and Outflow

During the year, your Company earned foreign exchange of Rs.19.48 crores (previous year - Rs.13.73 crores). The utilisation of foreign exchange was Rs.1.08 crores (previous year - Rs.1.04 crores).

### Energy / Environment and Safety

The thrust on energy conservation continues, resulting in savings in energy costs.

Your Company's continued focus on hygiene, safety and environment, resulted in the hotel being declared as the safest hotel by ITC's safety audit team for the fourth year in succession.

### Directors

In accordance with the provisions of Article 151 of the Articles of Association of the Company, Mr. Nakul Anand and Mr. B. N. Suresh Reddy will be retiring by rotation at the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment.

### Employees

The relationship between the staff and the management continued to be very cordial. Your Directors place on record their sincere appreciation of the efforts made and the support rendered by the employees of the Company.

### Particulars of Employees

None of the employees fall under the purview of the provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975.

### Auditors

M/s. Lovelock & Lewes, Chartered Accountants, retire at the conclusion of the forthcoming Annual General Meeting and being eligible offer themselves for re-appointment.

### Responsibility Statement

In terms of Section 217(2AA) of the Companies Act, 1956, your Directors state that :

- in the preparation of annual accounts under review the applicable accounting standards had been followed.
- appropriate accounting policies were selected and applied consistently and reasonable and prudent judgements and estimates were made so as to give a true and fair view of the state of affairs of the Company at the end of the financial year under review and of the profit or loss of the Company for that period.
- proper and sufficient care was taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- the annual accounts are prepared on a going concern basis. The required disclosures and significant accounting policies followed are appearing in Schedules 20 and 21, respectively, in the annual accounts.

### Other Information

The Audit Committee of the Company reviewed the financial statements for the year under review at its meeting held on 26th April, 2004 and recommended the same for the approval of the Board of Directors.

On behalf of the Board

G. Sivakumar Reddy

Chairman

New Delhi, 26th April, 2004

## REPORT OF THE AUDITORS TO THE MEMBERS

- We have audited the attached Balance Sheet of Srinivasa Resorts Limited as at March 31, 2004 and the Profit and Loss Account of the Company for the year ended on that date annexed thereto both of which we have signed under reference to this report. These financial statements are responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
- 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 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.
- As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of Section 227 of 'The Companies Act, 1956' of India (the 'Act') and on the basis of such checks as we considered appropriate and according to the information and explanations given to us, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
- Further to our comments in the Annexure referred to in paragraph 3 above, we report that :
  - 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.

- in our opinion proper books of account as required by law have been kept by the Company, so far as appears from our examination of those books.
- The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account.
- In our opinion, the Balance Sheet and Profit and Loss Account dealt with by this report have been prepared in compliance with the applicable accounting standards referred to in section 211 (3C) of the Act.
- On the basis of written representations received from the directors of the Company as on March 31, 2004 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2004 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Act.
- In our opinion and to the best of our information and according to the explanations given to us, the said accounts together with notes thereto and Statement on Significant Accounting Policies give, in the prescribed manner the information required by the Act, and also give respectively, a true and fair view in conformity with the accounting principles generally accepted in India.
  - in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2004; and
  - in the case of the Profit and Loss Account, of the profit for the year ended on that date.

Tuhin Bagchi

Partner

Membership Number : 50497

For and on behalf of

Lovelock & Lewes

Chartered Accountants

New Delhi, 26th April, 2004

## ANNEXURE TO THE REPORT OF THE AUDITORS

[Referred to in paragraph 3 of the Report of the Auditors of even date to the members of Srinivasa Resorts Limited on the financial statements for the year ended March 31, 2004]

- The Company is maintaining proper records to show full particulars including quantitative details and situation of fixed assets.
  - The fixed assets of the Company are physically verified by the management according to a phased programme designed to cover all the items over a period of three years, which in our opinion, is reasonable having regard to the size of the company and the nature of its assets. Pursuant to such programme, a physical verification was carried out during the year and this revealed no material discrepancies.
  - In our opinion, and according to the information and explanations given to us, a substantial part of fixed assets has not been disposed off by the Company during the year.

- The inventory of the Company has been physically verified by the management during the year at reasonable intervals.
  - In our opinion, the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and nature of its business.
  - On the basis of our examination of the inventory records, in our opinion, the Company has maintained proper records of inventory. The discrepancies noticed on physical verification of inventory as compared to book records were not material.
- The Company has neither granted nor taken any loans, secured or unsecured, to / from companies, firms or other parties listed in the Register maintained under Section 301 of the Act.
- In our opinion, there are adequate internal control procedures commensurate with the size of the Company and the nature of its

- business, for purchase of inventory, fixed assets and for the sale of goods. Further, on the basis of our examination of the books and records of the Company, and according to the information and explanations given to us, we have neither come across nor have we been informed of any continuing failure to correct major weaknesses in the aforesaid internal control procedures.
5. In our opinion and according to the information and explanations given to us, there are no transactions that need to be entered into the Register maintained under Section 301 of Act.
  6. The Company has not accepted any deposits from the public within the meaning of Sections 58A and 58AA of the Act and the rules framed thereunder.
  7. In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
  8. The Central Government of India has not prescribed the maintenance of cost records under clause (d) of sub-section (1) of Section 209 of the Act for any of the products of the Company.
  9. (a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is regular in depositing the undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth tax, customs duty, excise duty, cess and other material statutory dues as applicable with the appropriate authorities.  
(b) According to the information and explanation given to us and the records of the Company examined by us, the particulars of dues of income-tax, as at March 31, 2004 which have not been deposited on account of a dispute are as follows -

Name of the statute	Nature of the dues	Amount (Rs.)	Period to which it relates	Forum where dispute is pending
The Income Tax Act, 1961	Tax on income earned on deposits made with financial institutions, companies, banks, etc.	33,38,000*	AY 1996-97	Commissioner of Income Tax (Appeals-IV), Hyderabad
The Income Tax Act, 1961	TDS on Banquet Services Charges	1,14,306*	AY 1999-2000	Income Tax Appellate Tribunal, Hyderabad

\*Deposited in full under protest.

10. The Company has no accumulated losses as at March 31, 2004, and it has not incurred any cash losses in the financial year ended on that date or in the immediately preceding financial year.
11. According to the records of the Company examined by us and the information and explanation given to us, the Company has not defaulted in repayment of dues to any financial institution or bank or debenture holders as at the balance sheet date.
12. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. The provisions of any special statute applicable to chit fund / nidhi / mutual benefit fund / societies are not applicable to the Company.
14. In our opinion, the Company is not a dealer or trader in shares, securities, debentures and other investments.
15. In our opinion, and according to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions during the year.
16. In our opinion and according to the information and explanations given to us and on an overall examination, the term loan had been applied for the purpose for which it was obtained.
17. On the basis of an overall examination of the balance sheet of the Company, in our opinion and according to the information and explanations given to us, there are no funds raised on a short-term basis which have been used for long-term investment, and vice versa.
18. The Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under Section 301 of the Act, during the year.
19. The Company has not raised any money by public issue.
20. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by the management.
21. The clauses (iii)(b), (iii)(c), (iii)(d), (v)(b) and (xix) of paragraph 4 of the Companies (Auditor's Report) Order 2003 are not applicable in the case of the Company for the current year, since in our opinion there is no matter which arises to be reported in the aforesaid order.

Tuhin Bagchi

Partner

Membership Number : 50497

For and on behalf of

Lovelock & Lewes

Chartered Accountants

New Delhi, 26th April, 2004

## BALANCE SHEET AS AT 31ST MARCH, 2004

	Schedule	31st March, 2004		31st March, 2003	
		(Rs.)	(Rs.)	(Rs.)	(Rs.)
<b>I. SOURCES OF FUNDS</b>					
<b>1. Shareholders' Funds</b>					
a) Capital	1	24,00,00,000		24,00,00,000	
b) Reserves and Surplus	2	11,26,90,528		5,66,28,217	
			35,26,90,528		29,66,28,217
<b>2. Loan Funds</b>					
Secured Loans	3		—		13,00,00,000
<b>3. Deferred Tax Liabilities (Net)</b>	4		9,63,72,251		6,12,62,254
<b>Total</b>			44,90,62,779		48,78,90,471
<b>II. APPLICATION OF FUNDS</b>					
<b>1. Fixed Assets</b>	5				
a) Gross Block		59,79,85,878		58,38,85,604	
b) Less : Depreciation		16,42,15,372		14,03,52,330	
c) Net Block		43,37,70,506		44,35,33,274	
d) Capital Work-in-Progress		24,28,968	43,61,99,474	50,34,965	44,85,68,239
<b>2. Investments</b>	6		10,000		10,000
<b>3. Current Assets, Loans and Advances</b>					
a) Inventories	7	70,82,905		66,89,342	
b) Sundry Debtors	8	1,31,75,673		2,19,12,399	
c) Cash and Bank Balances	9	4,09,21,973		3,90,82,480	
d) Other Current Assets	10	61,27,101		62,50,410	
e) Loans and Advances	11	1,55,05,848		2,72,95,872	
		8,28,13,500		10,12,30,503	
Less :					
<b>4. Current Liabilities and Provisions</b>					
a) Liabilities	12	4,24,81,900		3,40,28,450	
b) Provisions	13	2,74,78,295		2,78,89,821	
		6,99,60,195		6,19,18,271	
<b>Net Current Assets</b>			1,28,53,305		3,93,12,232
<b>Total</b>			44,90,62,779		48,78,90,471
<b>Notes to the Accounts</b>	20				
<b>Significant Accounting Policies</b>	21				

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

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

Tuhin Bagchi

Partner

For and on behalf of

Lovelock & Lewes

Chartered Accountants

New Delhi, 26th April, 2004

On behalf of the Board

G. Sivakumar Reddy

Chairman

Dhunjji Kavarana Managing Director

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

	Schedule	For the year ended 31st March, 2004 (Rs.)	For the year ended 31st March, 2003 (Rs.)
<b>I. INCOME</b>			
Gross Income from Operations		45,21,49,898	38,81,86,040
Less : Taxes		2,45,70,440	3,85,15,117
Net Income from Operations	14	42,75,79,458	34,96,70,923
Other Income	15	40,50,242	30,07,132
		<u>43,16,29,700</u>	<u>35,26,78,055</u>
<b>II. EXPENDITURE</b>			
Food, Beverage, etc. Consumed	16	4,37,00,137	4,42,11,534
Operating and Administrative Expenses	17	23,19,79,536	20,97,19,017
Depreciation		2,55,12,716	2,68,74,070
		<u>30,11,92,389</u>	<u>28,08,04,621</u>
<b>III. PROFIT</b>			
Profit before Taxation		13,04,37,311	7,18,73,434
Provision for Taxation	18	4,73,00,000	3,24,98,808
Profit after Taxation		8,31,37,311	3,93,74,626
Profit brought Forward		5,65,33,614	4,42,33,988
		<u>13,96,70,925</u>	<u>8,36,08,614</u>
<b>IV. APPROPRIATIONS</b>			
Proposed Dividend		2,40,00,000	2,40,00,000
Income Tax on Proposed Dividend		30,75,000	30,75,000
Profit Carried Forward		11,25,95,925	5,65,33,614
		<u>13,96,70,925</u>	<u>8,36,08,614</u>
<b>Basic and Diluted Earnings Per Share (Rs.)</b>	19	3.46	1.64
<b>Notes to the Accounts</b>	20		
<b>Significant Accounting Policies</b>	21		

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

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

**Tuhin Bagchi**

Partner

For and on behalf of

**Lovelock & Lewes**

Chartered Accountants

New Delhi, 26th April, 2004

On behalf of the Board

G. Sivakumar Reddy *Chairman*  
Dhunji Kavarana *Managing Director*

SCHEDULES TO THE ACCOUNTS

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

	As at 31st March, 2004 (Rs.)	As at 31st March, 2003 (Rs.)	As at 31st March, 2004 (Rs.)	As at 31st March 2003 (Rs.)
<b>1. CAPITAL</b>				
Authorised 2,40,00,000 Equity Shares of Rs. 10/- each	24,00,00,000	24,00,00,000		
Issued and Subscribed *2,40,00,000 Equity Shares of Rs. 10/- each fully paid up	24,00,00,000	24,00,00,000		
	<u>24,00,00,000</u>	<u>24,00,00,000</u>		
Of the above, 10,00,000 Equity Shares of Rs. 10/- each were allotted as fully paid up to the shareholders of the amalgamating company pursuant to the scheme of amalgamation without payment being received in cash.				
* Includes - 1,63,20,477 Equity Shares of Rs. 10/- each fully paid up held by the Holding Company, ITC Hotels Limited				
<b>2. RESERVES AND SURPLUS</b>				
Capital Reserve	94,603	94,603		
Profit & Loss Account At the commencement of the year	5,65,33,614	4,42,33,988		
<b>2. RESERVES AND SURPLUS (Contd.)</b>				
Add : From Profit & Loss Account	5,60,62,311	11,25,95,925	1,22,99,626	5,65,33,614
		<u>11,26,90,528</u>		<u>5,66,28,217</u>
<b>3. SECURED LOANS</b>				
Term Loan from Bank*				13,00,00,000
				<u>13,00,00,000</u>
*Secured by mortgage by deposit of title deeds relating to Company's Freehold Land and further by deeds of hypothecation in respect of movable properties, present and future. Guaranteed by Holding Company — ITC Hotels Limited. Satisfaction of charges since filled				
<b>4. DEFERRED TAX LIABILITIES (NET)</b>				
Deferred Tax Liabilities Depreciation - Timing difference			9,68,05,307	9,41,33,303
			<u>9,68,05,307</u>	<u>9,41,33,303</u>
Less :				
Deferred Tax Assets Unabsorbed Depreciation				3,26,17,043
Preliminary Expenses		20,543		28,059
Leave Encashment		1,44,682		2,25,947
Bonus		2,67,831		
		<u>4,33,056</u>		<u>3,28,71,049</u>
<b>Net Deferred Tax Liabilities</b>		<u>9,63,72,251</u>		<u>6,12,62,254</u>



SCHEDULES TO THE ACCOUNTS (Contd.)

	For the year ended 31st March, 2004 (Rs.) (Rs.)		For the year ended 31st March, 2003 (Rs.) (Rs.)		Current Year (Rs.)		Previous Year (Rs.)	
<b>17. OPERATING AND ADMINISTRATIVE EXPENSES</b>								
Salaries, Wages and Bonus	1,85,49,023		2,03,60,208					
Contribution to Provident and Other Funds	15,65,904		17,66,240					
Workmen and Staff Welfare Expenses	92,61,203		75,07,841					
Reimbursement of Contractual Remuneration	1,07,02,282		93,59,454					
		4,00,78,412		3,89,93,743				
Consumption of Stores and Supplies	2,15,64,891		1,81,87,893					
Power and Fuel	3,73,81,388		3,83,70,095					
Rent	16,43,875		13,86,520					
Rates and Taxes	43,10,505		39,29,917					
Insurance	33,78,897		35,32,141					
Repairs — Building	72,69,286		46,61,262					
— Machinery	72,15,760		45,14,644					
— Others	33,83,183		24,86,232					
Advertising/Sales Promotion	92,57,643		86,01,450					
Doubtful and Bad Debts	9,74,270		9,35,230					
Electronic Data Processing	4,10,944		4,09,380					
Travelling and Conveyance	81,10,195		71,48,005					
Training	8,00,391		8,76,401					
Legal Expenses	2,54,682		2,44,700					
Postage, Telephone, Telex etc.	51,49,706		36,07,869					
Commission paid to Travel Agents	33,443		36,660					
Bank Charges	79,266		40,043					
Loss on Exchange Fluctuations (Net)	4,295		9,741					
Interest etc. Paid - Term Loan	1,18,21,031		1,91,37,858					
Less : Interest Received on Deposits with Government Bodies etc.*	1,19,875		1,16,983					
		1,17,01,156		1,90,20,875				
Technical & Consultancy Fees	5,22,36,545		3,92,01,826					
Miscellaneous Expenses	1,34,15,023		1,01,43,020					
Fixed Assets Discarded – Net	33,25,779		33,81,370					
		23,19,79,536		20,97,19,017				
Miscellaneous Expenses include :								
Auditors' Remuneration and Expenses :								
— Audit Fees	2,00,000		2,00,000					
— Fee for Other Services	1,08,600		54,080					
— Reimbursement of Expenses	17,975		15,375					
* Interest received on Deposits with Govt. Bodies etc. is stated Gross, the amount of Income Tax deducted thereon is Rs.26,460/- (Previous Year -Rs.12,947/-)								
		For the year ended 31st March, 2004 (Rs.)		For the year ended 31st March, 2003 (Rs.)				
<b>18. PROVISION FOR TAXATION</b>								
Income Tax on :								
Current Year's Profits	1,21,90,000		56,60,000					
Add : Deferred Tax Liability	3,51,10,000		2,68,38,808					
	4,73,00,000		3,24,98,808					
<b>19. EARNINGS PER SHARE</b>								
Profit after Taxation	8,31,37,311		3,93,74,626					
Weighted average number of equity shares outstanding	2,40,00,000		2,40,00,000					
Basic and diluted earnings per share in rupees (face value – Rs. 10/- per share)	3.46		1.64					
		Current Year (Rs.)		Previous Year (Rs.)				
<b>20. NOTES TO THE ACCOUNTS</b>								
i) The Estimated Amount of Contracts remaining to be executed on Capital Account and not provided for	61,97,560		35,34,766					
ii) Contingent Liability								
a) Guarantees outstanding	34,77,000		33,73,000					
b) Claims against the Company not acknowledged as debts in respect of taxation matters	34,52,306		1,14,306					
iii) Managing Director's Remuneration :								
— Salary	9,36,307		8,20,530					
— Other Perquisites	1,90,634		2,12,556					
— Contribution to Provident Fund & Other Funds	1,35,654		1,31,322					
	12,62,595		11,64,408					
iv) Earnings in Foreign Currency	19,48,12,121		13,72,72,268					
* As reported by the Company to the Department of Tourism, Government of India and includes Rs. 18,13,74,332/- (Previous year - Rs. 12,47,44,110/-) being Indirect Foreign Exchange Earnings during the year through Credit Cards & Travel Agencies etc. as certified by Bankers.								
v) Expenditure in Foreign Currency (On payment basis)								
— Travel	1,48,654		94,670					
— Hotel Reservation/Marketing Expenses	3,28,092		1,43,206					
— Technical & Consultancy Fees and Others	99,25,755		73,22,900					
	1,04,02,501		75,60,776					
vi) CIF Value of Imports								
— Capital Goods	4,48,302		28,13,267					
	4,48,302		28,13,267					
		Current Year (Rs.)		Previous Year (Rs.)				
		%		%				
vii) Value of Consumption of Raw Materials, Stores & Supplies								
a) Raw Materials								
Indigenous	3,95,10,513	90.41	3,94,75,635	89.29				
Imported	41,89,624	9.59	47,35,899	10.71				
	4,37,00,137	100.00	4,42,11,534	100.00				
b) Stores & Supplies								
Indigenous	2,15,64,891	100.00	1,81,87,893	100.00				
Imported	—	—	—	—				
	2,15,64,891	100.00	1,81,87,893	100.00				
viii) Information as per Order No. 46/158/2002-CL-III dated 29th November, 2002 issued by Ministry of Finance & Company Affairs (Dept. of Company Affairs), Government of India:								
		Current Year (Rs.)		Previous Year (Rs.)				
a) Income from :								
(i) Wine and Liquor	3,30,28,250		3,07,04,353					
(ii) Telephone and Telex	1,81,07,900		1,43,63,089					
	5,11,36,150		4,50,67,442					
b) Consumption of :								
(i) Provisions, Beverages & Smokes (excluding Wine and Liquor)	3,51,31,434		3,51,85,790					
(ii) Wine and Liquor								
Indigenous	43,79,079		42,89,845					
Imported	41,89,624		47,35,899					
	4,37,00,137		4,42,11,534					
The Company has been exempted from disclosure of quantitative details as per above mentioned order issued by Ministry of Finance & Company Affairs (Dept. of Company Affairs), Government of India, upto 31.3.2004.								
ix) The Company operates in one operating segment i.e., Hoteliering.								
x) The Company's significant lease arrangements are in respect of operating leases for residential premises. These lease arrangements, which are not non-cancellable, are for a period of 11 months 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.								
xi) The amounts due to small scale Industrial undertakings, as defined under Section 3(j) of the Industries (Development & Regulation) Act, 1951 as at the close of the year, outstanding for more than 30 days is Nil.								
xii) Previous year's figures have been regrouped / rearranged wherever necessary.								



