

ESCORTS ASSET MANAGEMENT LIMITED

DIRECTORS' REPORT

TO THE MEMBERS

Your Directors are pleased to present the Tenth Annual Report on the business and operations of the Company together with Audited Accounts for the year ended 31st March, 2005.

FINANCIAL RESULTS

	Year ended 31.03.2005 (Rs. Lacs)	Year ended 31.03.2004 (Rs. Lacs)
Gross Income	203.43	188.58
Profit before Depreciation	33.90	35.01
Depreciation	4.32	2.64
Profit before tax	29.58	32.36
Current Tax	6.50	2.50
Deferred Tax	(19.18)	22.31
Profit after Tax	3.90	6.25
Transfer to Reserve Fund	0.78	1.25
Transfer to General Reserve	3.12	5.00

DIVIDEND

The Company has decided to plough back its profits for future developments. Hence no dividend is recommended for the year under review.

REVIEW OF OPERATIONS

The Company is the Investment Manager to Escorts Mutual Fund. It is currently managing seven open ended schemes of Escorts Mutual Fund offering a mix of varied products to the investors. Escorts Income Plan and Escorts Income Bond are Debt oriented schemes, Escorts Tax Plan and Escorts Growth Plan are Equity oriented schemes, Escorts Balanced Fund and Escorts Opportunities Fund are Balanced schemes and Escorts Gilt Plan is Gilt oriented scheme. The schemes have provided good returns to the investors.

During the financial year 2004 – 2005 Escorts Income Plan has paid uninterrupted monthly dividend and regular monthly Dividend aggregating to 6% (net of Dividend Tax) for the financial year to the investors. Escorts Opportunities Fund also paid uninterrupted monthly dividend to the investors and the dividend payment on an annualised basis was 15%. Also Escorts Tax Plan paid a dividend of 80%, Escorts Balanced Fund paid 70% dividend and Escorts Growth Plan paid 40% dividend.

During the year your Company has recorded a total income of Rs. 203.43 Lacs and a post tax profit of Rs. 3.90 Lacs.

DIRECTORS

In accordance with the Articles of Association of the Company, Ms. Nitasha Nanda and Mr. P.C. Gupta retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment.

Further, Mr. Lalit K. Khanna was appointed as Whole Time Director of the Company with effect from 22nd March, 2000 for a period of five years. His term expired on 21st March, 2005. Hence, it is proposed to re-appoint him as the Whole Time Director for a further period of five years. The said re-appointment is subject to the approval of members of the Company.

AUDITORS

M/s B.K. Anand & Co., Chartered Accountants, retire as Auditors of the Company at the conclusion of the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment. They have furnished a certificate to the effect that their re-appointment, if made, will be in accordance with section 224(1B) of the Companies Act, 1956.

PUBLIC DEPOSITS

The Company has not accepted any deposit from the public during the period under review.

PARTICULARS OF EMPLOYEES UNDER SECTION 217(2A) OF THE COMPANIES ACT, 1956

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

PARTICULARS REGARDING CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

The Company is not engaged in manufacturing activity, and as such particulars relating to conservation of energy and technology absorption are not applicable. In the offices etc. adequate measures are being taken to conserve energy as far as possible.

Since the Company is not making any exports or earning any foreign exchange therefore, the provisions of Section 217(1)(e) read with Rule 2C of Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 with regard to disclosure of

information regarding activities relating to exports, initiatives taken to increase exports, development of new export markets and export plans are not applicable to the Company.

RESPONSIBILITY STATEMENT OF THE BOARD OF DIRECTORS

In terms of provisions of Section 217 (2AA) of the Companies Act, 1956, your directors confirm as under:

- (i) That in preparation of the annual accounts for the year ended 31st March, 2005, the applicable accounting standards had been followed.
- (ii) That the directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give true and fair view of the state of affairs of the Company as at 31st March, 2005 and of the profit or loss of the Company for the year ended 31st March, 2005.
- (iii) That the directors had 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.
- (iv) That the directors had prepared the annual accounts for the year ended 31st March, 2005 on a going concern basis.

AUDIT COMMITTEE

As required by the provisions of Section 292A of the Companies Act, 1956, the Board of Directors has constituted an Audit Committee comprising of Prof. S.C. Kuchhal, Prof. Asish Bhattacharyya and Mr. Lalit K. Khanna, directors of the Company.

The Committee is chaired by Prof. S.C. Kuchhal.

ACKNOWLEDGEMENT

Your Directors acknowledge the support received from Securities and Exchange Board of India, Reserve Bank of India and its Bankers. They also take this opportunity to record their appreciation of the contribution made by the employees to the operations of the Company during the year.

For and on behalf of the Board

Lalit K. Khanna
(DIRECTOR)

Asish Bhattacharyya
(DIRECTOR)

Place: New Delhi
Date: 12.09.2005

CERTIFIED TRUE COPY

For Escorts Asset Management Limited

V. Chandra
Company Secretary

B. K. ANAND & CO.

CHARTERED ACCOUNTANTS

FLAT NO. 103, 22 FEROCZE SHAH ROAD, NEW DELHI-110001

e-mail : bkanandco68@hotmail.com

REFERENCE :

AUDITORS' REPORT

PHONES : 3357878

3357879

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To the Members of

ESCORTS ASSET MANAGEMENT LIMITED

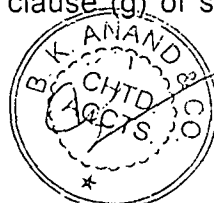
We have audited the attached Balance Sheet of **ESCORTS ASSET MANAGEMENT LIMITED**, as at March 31, 2005, the Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed there to. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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.

As required by the Companies (Auditor's Report) Order, 2003 (as amended) issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, to the extent applicable, 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 above, we report that:

- (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 appears from our examination of those books.
- (iii) The Balance Sheet, the Profit & 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 & Loss Account and the Cash Flow Statement of the Company dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 to the extent applicable.
- (v) On the basis of written representations received from the directors, as on March 31, 2005 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2005 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.



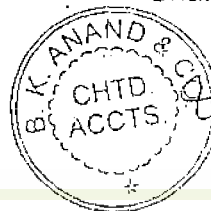
(vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts, read with other notes & significant accounting policies give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity 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 at March 31, 2005 and

(b) In the case of the Profit and Loss Account, of the profit 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.

For B.K Anand and Company
Chartered Accountants



(S. K. Khattar)
Partner
M. No. 84993

Place : New Delhi

Date : 12.09.2005

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**ANNEXURE REFERRED TO IN PARAGRAPH 3 OF OUR REPORT OF EVEN DATE
ON THE ACCOUNTS OF ESCORTS ASSET MANAGEMENT LIMITED FOR THE
YEAR ENDED MARCH 31, 2005**

- (i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) All the assets have been physically verified by the management during the year and there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.
- (c) In our opinion and according to the information and explanations given to us, the Company has not disposed off any of its fixed assets during the year.
- (ii) (a) As explained to us, Investments were physically verified during the year by the management at reasonable intervals.
- (b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of Investments followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (d) On the basis of our examination of the records, we are of the opinion that the Company is maintaining proper records in respect of the transactions and contracts in respect to its dealing in shares, securities, debentures and other Investments and timely entries have been made therein. All the Investments have been held by the Company in its own name. No discrepancies were noticed on verification between the physical stocks and the book records.
- (iii) (a) The Company has not granted any loans, secured or unsecured to companies, firms or their parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly sub clause b,c and d of clause (iii) are not applicable
- (iv) The company has not taken any loans, secured or unsecured from companies, firms or other parties covered under the register maintained under section 301 of the companies act. Accordingly sub clause f and g of clause (iii) are not applicable.
- (v) 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 Investments/ Stock in Trade and Fixed Assets. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in the internal controls.

