



**GILLANDERS ARBUTHNOT
& COMPANY LIMITED.**

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REPORT AND ACCOUNTS

FOR THE YEAR ENDED 31ST MARCH, 2003



BOARD OF DIRECTORS

G. D. Kothari

Chairman

S. C. Gladstone

A. K. Kothari

S. Shah

R. L. Kanoria

A. K. Basu

S. S. Rathore

Managing Director (From 30-04-2003)

S. N. Singhania

Managing Director (up to 31-03-2003)

SENIOR GENERAL MANAGER & SECRETARY

S. Balakrishnan

BANKERS

State Bank of India

Centurion Bank Ltd.

Standard Chartered Bank

SOLICITORS

Khaitan & Co.

AUDITORS

Price Waterhouse

REGISTERED OFFICE

A-1, Gillander House,

Netaji Subhas Road,

Kolkata - 700 001

BRANCHES

New Delhi, Mumbai, Chennai,

Hyderabad, Coimbatore & Kochi



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NOTICE

NOTICE is hereby given that the Sixty-ninth Annual General Meeting of the Members of the Company will be held at the Williamson Magor Hall of The Bengal Chamber of Commerce & Industry, (1st Floor), Royal Exchange, 6, Netaji Subhas Road, Kolkata - 700 001 on Thursday, the 11th September, 2003 at 3-00 P.M. to transact the following business :

ORDINARY BUSINESS :

1. To receive, consider and adopt the audited Profit and Loss Account for the year ended 31st March, 2003, the Balance Sheet as at that date and the Reports of the Directors and Auditors thereon.
2. To declare dividend.
3. To appoint a Director in place of Mr. A. K. Kothari, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Mr. S. Shah, who retires by rotation and being eligible offers himself for re-appointment.
5. To appoint Auditors and to fix their remuneration.

SPECIAL BUSINESS :

6. To consider and if thought fit, to pass with or without modifications the following Resolution as Ordinary Resolution :

Resolved that pursuant to the provisions of Section 198, 269, 309 and 310, Schedule XIII and all other applicable provisions of the Companies Act, 1956, the Company hereby approves the re-appointment of Mr. S. S. Rathore as Managing Director of the Company for a period of two years with effect from 1st October, 2003 on the terms and conditions and payment of remuneration and other perquisites/benefits as set out in the draft of the Agreement to be executed between the Company and Mr. S. S. Rathore (copy whereof is placed before this Annual General Meeting and initialled by the Chairman for the purpose of identification) such remuneration, perquisites/benefits being also set out in the Explanatory Statement attached to the Notice convening this Annual General Meeting with liberty to the Board of Directors of the Company to alter and vary such terms and conditions including remuneration provided the same are in accordance with the provisions of the Companies Act, 1956 or any re-enactment thereof and/or any Rules or Regulations framed thereunder.

Registered Office :
A-1, Gillander House,
Netaji Subhas Road,
Kolkata - 700 001

By Order of the Board
For **GILLANDERS ARBUTHNOT & CO. LTD.**

31st July, 2003

S. BALAKRISHNAN
Senior General Manager & Secretary

Notes : 1) A Member entitled to attend and vote at the Meeting is entitled to appoint one or more proxies to attend and vote on a poll on his behalf. Such proxy/proxies need not be a Member of the Company. Proxies in order to be effective must be received by the Company not less than 48 hours before the commencement of the Meeting.



GILLANDERS ARBUTHNOT & CO. LTD.

- 2) An Explanatory Statement under Section 173(2) of the Companies Act, 1956, in respect of the Special Business of the Meeting is annexed hereto.
- 3) The Register of Members of the Company will remain closed from 2nd September, 2003 to 11th September, 2003 both days inclusive.
- 4) The Company has already transferred, all unclaimed dividends upto the financial year ended 31st March, 1995 to the General Revenue Account of the Central Government as required by the Companies Unpaid Dividend (Transfer to the General Revenue Account of the Central Government) Rules, 1978. Those Shareholders who have so far not claimed or collected their dividend upto the aforesaid financial year may claim their dividend from the Registrar of Companies, West Bengal.
- 5) Pursuant to the provisions of Section 205A(5) of the Companies Act, 1956 as amended with effect from 31st October, 1998, dividends for the financial year ended 31st March, 1996 and thereafter, which remain unpaid or unclaimed for a period of 7 years from the date of transfer of the same under subsection (1) of the said Section will be transferred to the Investor Education and Protection Fund of the Central Government established under Section 205C of the Act. According to the provisions of the Act as amended, no claims shall lie against the said Fund or the Company for the amounts of dividend so transferred nor shall any payment be made in respect of such claims. Shareholders who have not encashed the dividend warrants for the aforesaid period are, therefore, advised to approach the Company for the payment thereof.
- 6) The Ordinary Shares of the Company are listed on the Calcutta Stock Exchange Association Limited. The Company confirms that it has paid Annual Listing Fees to the said Exchange for the year 2003-2004.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173 (2) OF THE COMPANIES ACT, 1956.

Item No. 6

Subject to the approval of the Members of the Company in General Meeting the Board of Directors of the Company at its Meeting held on 31st July, 2003 reappointed Mr. S. S. Rathore, as the Managing Director of the Company for a further period of two years with effect from 1st October, 2003 on the terms and conditions and at a remuneration as set out in the draft Agreement to be entered into between the Company and Mr. S. S. Rathore. The present term of Mr. S. S. Rathore as Managing Director expires on 30th September, 2003.

The re-appointment of Mr. S. S. Rathore, as the Managing Director of the Company and remuneration payable to him is in accordance with the conditions specified in Parts I and II of Schedule XIII of the Companies Act, 1956.

In compliance of Section 302 of the Companies Act, 1956 an abstract of the terms and conditions of the re-appointment of Mr. S. S. Rathore, as Managing Director of the Company as embodied in the draft Agreement to be entered into with him is set out below :

1. DUTIES AND RESPONSIBILITIES :

Mr. S. S. Rathore as the Managing Director shall, subject to the provisions of the Companies Act, 1956 perform such duties and exercise such powers as have been or may from time to time be entrusted to or conferred on him by the Board of Directors of the Company.

2. REMUNERATION :

- a) Salary Rs. 85,000/- per month subject to such periodical increments as the Board of Directors of the Company may approve up to a total of Rs. 1,25,000/- per month.
- b) Apart from salary Mr. S. S. Rathore will also be entitled to the perquisites classified into the following three categories, Part A, B and C.



PART – A

- i) a) The Company shall provide rent free furnished accommodation with free gas, electricity and water. The perquisite value of provision of or reimbursement of expenditure incurred by the Company on gas, electricity, water and furnishings will be valued as per Income Tax Rules, 1962.
- b) In case no accommodation is provided by the Company the Managing Director shall be entitled to house rent allowance limited to 60 percent of his salary.
- ii) Reimbursement of medical expenses actually incurred for self and family.
- iii) Leave Travel Assistance: In accordance with the Rules of the Company.
- iv) Fees of Clubs : Up to a maximum of two clubs. This will not include any life membership or admission fees.
- v) Personal Accident Insurance : Premium not exceeding Rs. 6,000/- per annum.

PART – B

- i) Company's contribution to Provident Fund as per Rules of the Company.
- ii) Company's contribution to Superannuation Fund as per Rules of the Company.
- iii) Gratuity on retirement at the rate of one half-month's salary for each completed year of service.
- iv) Leave with full pay and allowances. Encashment of leave will be permitted.

PART – C

- i) Free use of car with driver.
- ii) Free telephone facility at residence.
- iii) Provision of car for use on Company's business will not be considered as perquisite. Use of car with driver for private purposes will be valued as per Income Tax Rules, 1962.

3. MINIMUM REMUNERATION :

In the event of absence or inadequacy of profits in any year Mr. S. S. Rathore, as the Managing Director shall be entitled to the same Salary and Perquisites as stated hereinbefore.

The remaining provisions of the Agreement set out the mutual rights and obligations of the parties thereto and other administrative details.

The Board of Directors is of the opinion that the above remuneration payable to Mr. S. S. Rathore, as the Managing Director, as approved and recommended by the Remuneration Committee is commensurate with his duties and responsibilities and is within the limits specified in Part II of Schedule XIII of the Companies Act, 1956. The Resolution set out in the Notice is to be considered accordingly and the Board recommends that the same be passed. A draft of the Agreement referred to in the Resolution is available for inspection by the Members at the Registered Office of the Company between 10-00 A.M. and 12-00 Noon on any working day other than Saturdays till 11th September, 2003 and will also be available for inspection at the Meeting.

No Director of the Company other than Mr. S. S. Rathore is interested or concerned in the Resolution.



GILLANDERS ARBUTHNOT & CO. LTD.

DIRECTORS' REPORT

The Directors have pleasure in presenting their Report and the Audited Accounts for the year ended 31st March, 2003.

FINANCIAL RESULTS

	2002-2003 (Rs. in lakhs)	2001-2002 (Rs. in lakhs)
Profit for the year	262.78	864.01
Less : Provision for taxation	5.78	62.41
Profit after taxation	257.00	801.60
Add : Profit brought forward	307.95	160.09
Amount withdrawn from Investment Allowance Reserve	—	3.00
Amount available for appropriation	564.95	964.69
Appropriations :		
Interim Dividend	—	356.74
Proposed Dividend	118.91	—
Tax on Dividend	15.24	—
Transfer to General Reserve	125.00	300.00
Balance Carried Forward	305.80	307.95
	564.95	964.69

OPERATIONS :

Operational matters have been analysed in detail under the heading 'Management Discussion and Analysis' elsewhere in this Report and repetition is being avoided here.

CORPORATE GOVERNANCE :

A detailed report on the implementation of the code on Corporate Governance forms part of this Annual Report.

DIVIDEND :

Your Directors are pleased to recommend Dividend on the Ordinary Shares of the Company at the rate of Rs. 2.50 per share.



MANAGEMENT DISCUSSION AND ANALYSIS

The Company has four major divisions viz. Tea Division, Plastic Container Division, Property Division and Marketing Division. The industry structure, developments, performance, opportunities, threats and outlook of each of these divisions, internal control systems and industrial relations have been discussed hereunder :

Tea Division

India produced about 826 Million Kgs of tea in the year 2002 out of which about 622 Million Kgs was produced in the states of West Bengal and Assam in the east/northeast and about 189 Million Kgs was produced in the southern states of Tamil Nadu and Kerala. The remaining 15 Million Kgs was contributed by other states like Himachal Pradesh, Tripura, Karnataka and others.

The three Tea Estates of the Company viz. Taipoo Tea Estate and Gairkhata Tea Estate both in the state of West Bengal and Betjan Tea Estate in the state of Assam together produced about 3380241 Kgs of tea during the year under review as against 3331967 kgs in the previous year.

Tea industry continued to be plagued by depressed tea prices for the third year in succession while costs continued to increase severely affecting the results of most of the companies in the industry. The average price realisation during the year was Rs. 64.95 per kg as against Rs. 65.47 per kg in the previous year.

The outlook for the current year has also been very discouraging so far as the declining trend in tea prices have not shown any signs of reversal. Unless some concerted action is taken at the industry level to boost the demand for tea, both in the domestic and export markets, the results are not likely to improve.

Plastic Container Division

There has been no significant change in the industry structure of this division during the year. The performance of this division improved with total revenues at Rs. 412.70 Lacs recording an increase of 13% over the previous year's figure of Rs. 364.79 Lacs. All out efforts are being made to improve the performance of this division.

Property Division

Revenues from this division during the year was lower at Rs. 351.28 Lacs as against Rs. 355.06 Lacs for the previous year mainly because of surrender of tenancy by some of the reputed tenants of the Company in Gillander House which is the main asset of this division. The outlook for the current year is also not very encouraging as a few more tenants have surrendered their tenancy or are in the process of winding up their operations. Demand for office space has come down considerably in the past few years because of computerization and the modern office concept of having lesser space and fewer manpower. However, in view of the general improvement in the economic scenario the company is hopeful that it will be able to attract reputed tenants for its vacant premises.

Marketing Division

In spite of severe competition this division has been able to marginally increase its sales to Rs. 1498 Lacs as against Rs. 1476 Lacs in the previous year. The Company is making all efforts to increase its market share by venturing into new territories besides consolidating its existing strongholds.

Internal control systems and their adequacy

The Company has adequate internal control in all areas of its operation and outside firm of Chartered Accountants are appointed to carry out thorough Internal Audit of all the major



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units/divisions.

Material developments in Human Resources and Industrial Relations

There were no significant developments on the Human Resources and Industrial Relations front in any of the units/divisions of the Company during the year under review. Relations with employees/workers were by and large cordial throughout the year.

AUDITORS' REPORT

The observations in the Auditors' Report have been dealt with at appropriate places.

FIXED DEPOSIT

The Company did not have any Fixed Deposit outstanding in its books as at 31st March, 2003

SUBSIDIARY COMPANIES

The financial results of Subsidiary Companies for the year ended 31st March, 2003 were as follows:

	Profit /(Loss) before tax Rs. in Lakhs	Profit/(Loss) after tax Rs. in Lakhs
✓ The Jutlibari Tea Co. Ltd.	(171.08)	(158.51)
✓ The Tengpani Tea Co. Ltd.	(67.48)	(61.84)
✓ Waldies Ltd.	71.48	52.56
Gillanders Investments & Services Ltd.	5.76	5.16

Particulars relating to the Subsidiary Companies, as required under Section 212 of the Companies Act, 1956 are annexed to the Balance Sheet of your Company.

ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

As required under Section 217 (1) (e) of the Companies Act, 1956, details relating to Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo are given in the Annexure attached hereto and forming part of the Directors' Report.

PARTICULARS OF EMPLOYEES

Information in accordance with the provisions of Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended, regarding employees is given in the Annexure attached hereto and forming part of the Directors' Report.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors confirm that :

- in the preparation of the Annual Accounts, the applicable accounting standards have been followed ;
- the Directors have selected such accounting policies and applied them consistently and made judgments 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 or loss of the Company for the period;



- c) that they have 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 fraud and other irregularities; and
- d) that they have prepared the Annual Accounts on a going concern basis.

DIRECTORS

After heading the Company for more than a decade Mr. S. N. Singhania retired as the Managing Director of the Company upon the expiry of his term on 31st March 2003. He also relinquished his office as Director of the Company with effect from the same date. The Board wishes to place on record its appreciation for the services rendered by Mr. S. N. Singhania during his long tenure as Managing Director of the Company.

As already informed to the Members at the Board Meeting held on 30th April, 2003 the designation of Mr. S. S. Rathore was changed from Executive Director to Managing Director with effect from the same date.

Mr. A. K. Kothari and Mr. S. Shah retire by rotation under Articles 109 and 110 of the Articles of Association of the Company and are eligible for re-appointment.

PERSONNEL

Your Directors wish to record their appreciation of the co-operation received from all employees.

AUDITORS

Messrs. Price Waterhouse retire, and being eligible, offer themselves for reappointment.

For and on behalf of the Board

G. D. KOTHARI
Chairman

Kolkata, 31st July, 2003.