



**GILLANDERS ARBUTHNOT
& COMPANY LIMITED.**

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REPORT AND ACCOUNTS
FOR THE YEAR ENDED 31ST MARCH, 2004



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

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 / OFFICES

New Delhi, Mumbai, Chennai,

Hyderabad, Coimbatore & Kochi

**CONTENTS**

	Page
Notice	2
Directors' Report	4
Report on Corporate Governance	10
Ten Year Financial Highlights	19
Auditors' Report	20
Balance Sheet	24
Profit & Loss Account	25
Schedules forming part of the Balance Sheet	26
Schedules forming part of the Profit and Loss Account	37
Schedule on Notes on Accounts	40
Statement regarding Subsidiary Companies	52
Cash Flow Statement	53
Consolidated Financial Statements of Gillanders Arbuthnot & Co. Ltd. and its Subsidiary Companies	55
Report and Accounts of Subsidiaries (Separately attached to this Report)	S1-S68



GILLANDERS ARBUTHNOT & CO. LTD.

NOTICE

NOTICE is hereby given that the Seventieth 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 Wednesday, the 29th September, 2004 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, 2004, the Balance Sheet as at that date and the Reports of the Directors and Auditors thereon.
2. To declare dividend, if any.
3. To appoint a Director in place of Mr. G. D. Kothari, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Mr. S. C. Gladstone, 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 modification the following Resolution which will be proposed as an Ordinary Resolution :

"Resolved that Mr. A. K. Basu be and is hereby appointed a Director of the Company, whose period of office shall be liable to determination by retirement of directors by rotation."

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

23rd August, 2004

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

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 proxy/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.
- 2) The Register of Members of the Company will remain closed from 21st September, 2004 to 28th September, 2004 both days inclusive.
- 3) 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.
- 4) 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 (IEPF) of the Central Government established under Section 205C of the Act. As per the provisions of the Act as amended, unclaimed dividends pertaining to the financial year ended 31st March, 1996 has already been transferred to the IEPF and all unpaid dividends for the subsequent years will be transferred to the said IEPF from time to time. Members are hereby informed that no claims shall lie against the said IEPF 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 subsequent years are, therefore, advised to approach the Company for the payment thereof.

- 5) 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 2004-2005.
- 6) Members holding shares in physical form are requested to notify any change in their particulars including address, bank mandate, Income Tax Permanent Account Number, etc, to the Company's Registrar & Transfer Agents

Maheshwari Datamatics Pvt. Ltd.
(Unit : Gillanders Arbuthnot & Co. Ltd)
6, Mangoe Lane, 2nd Floor
Kolkata - 700 001.

Members holding shares in dematerialized form are requested to furnish these information to their respective depository participants for updation of the changes.

- 7) Members holding shares in multiple folios or joint accounts in the same order of names, are requested to consolidate their shareholdings into one folio.

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

Item No. 6

Mr. A. K. Basu was appointed a Director of the Company at the meeting of the Board of Directors held on 31st January, 2002 to fill up the vacancy in the Board of Directors of the Company caused due to resignation of Mr. S. N. Bangur from the directorship of the Company. In terms of the provisions of Section 262 of the Companies Act, 1956 Mr. A. K. Basu will hold office up to the date of the forthcoming Annual General Meeting of the Company. The Company has received a Notice from a Member under Section 257 of the Companies Act, 1956 signifying his intention to propose the appointment of Mr. A. K. Basu as a Director of the Company at the forthcoming Annual General Meeting. Mr. A. K. Basu has filed with the Company his consent to act as a Director pursuant to Section 264(1) of the Companies Act, 1956.

No Director other than Mr. A. K. Basu is interested or concerned in the Resolution.



DIRECTORS' REPORT

The Directors have pleasure in presenting their Report and the Audited Accounts for the year ended 31st March, 2004.

FINANCIAL RESULTS

	2003-2004 (Rs. in lakhs)	2002-2003 (Rs. in lakhs)
Profit/(Loss) for the year before taxation	(164.35)	262.78
(Provision for taxation)/Write back of provision	56.21	(5.78)
Profit/(Loss) after taxation/Write back of provision	(108.14)	257.00
Add :Profit brought forward	305.80	307.95
	<u>197.66</u>	<u>564.95</u>
Amount available for appropriation		
Appropriations :		
Proposed Dividend	72.71	118.91
Tax on Dividend	9.50	15.24
Transfer to General Reserve	—	125.00
Balance Carried Forward	115.45	305.80
	<u>197.66</u>	<u>564.95</u>

OPERATIONS :

Operational matters have been discussed under the heading 'Management Discussion and Analysis' elsewhere in this Report.

AMALGAMATION :

The Jutlibari Tea Company Limited, an erstwhile subsidiary of the Company, was amalgamated with the Company, following the approval of the scheme of amalgamation by the shareholders of both the companies and the subsequent sanction thereof by the Hon'ble High Court at Calcutta vide its order dated 28th June, 2004 received by the Company on 11th August, 2004. The Appointed Date of the amalgamation is 1st April, 2003 and accordingly the financial results of the The Jutlibari Tea Company Limited for the year ended 31st March, 2004 have been incorporated in and are reflected in the Company's accounts for the same period.

In view of the amalgamation the performance and financial results of the Company as a whole for the current year are not comparable with those of the previous year.

CORPORATE GOVERNANCE :

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

DIVIDEND :

In spite of the loss suffered by the company during the year your Directors recommend dividend, in keeping with the company's policy of paying dividends consistently to the shareholders, at the rate of Rs.1.50 per share on 4847653 Ordinary Shares of Rs.10/- each inclusive of the 91107 Ordinary Shares of Rs.10/- each to be allotted to the equity shareholders of the The Jutlibari Tea Company Ltd., pursuant to the amalgamation of the said company with your Company as mentioned hereinbefore. The said dividend, if approved will absorb a sum of Rs.82.21 Lacs inclusive of tax on dividend.



MANAGEMENT DISCUSSION AND ANALYSIS

During the year under review the Company has incurred a loss of Rs. 164.35 Lacs mainly due to the losses suffered by the Tea Division. Contribution from the property division was also considerably lower. Performance of the other two divisions viz, Marketing Division and Plastic Container Division were satisfactory. The industry structure, developments, performance, opportunities, threats and outlook of each of these divisions, internal control systems and industrial relations have been discussed hereunder in detail :

Tea Division

During the year 2003 India produced about 857 Million Kgs of tea out of which about 654 Million Kgs were produced in the states of West Bengal and Assam in the east/northeast and about 188 Million Kgs were produced in the southern states of Tamil Nadu and Kerala. The remaining 15 Million Kgs were contributed by other states like Himachal Pradesh, Tripura, Karnataka and others.

As mentioned hereinbefore in view of the amalgamation of The Jutlibari Tea Co. Ltd. with the Company with effect from 1st April, 2003, The Jutlibari Tea Estate has become a division of the Company with effect from the said date. The Company now has four tea estates viz, Jutlibari Tea Estate & Betjan Tea Estate in the state of Assam and Taipoo Tea Estate & Gaikhata Tea Estate in the state of West Bengal which together produced 4574665 kgs during the year.

The year under review was a very difficult one for the Tea industry as prices continued to be depressed for the fourth year in succession severely affecting the profitability. The average price realisation during the year was Rs. 61.99 per Kg as against Rs 64.95 per Kg in the previous year.

The outlook for the current year has, however, been encouraging so far with prices firming up considerably as compared to the previous year. The steps taken by the Company to improve the quality of tea manufactured have also helped in increasing the realisation per kg and barring unforeseen circumstances, this division should perform well in the current year.

Plastic Container Division

There has been no significant change in the industry structure of this division, which manufactures plastic barrels, during the year under review.

During the year this division has recorded profit for the first time since its commencement of Rs. 3.83 Lacs. The outlook for the current year has also been encouraging as the performance so far has been better as compared to the corresponding period of the previous year.

High transportation cost continues to be the major constraint of this division in penetrating into western India which is the main market for barrels.

Property Division.

As reported last year due to the surrender of tenancy by some major tenants revenues from this division during the year fell to Rs. 290.99 Lacs as against Rs. 351.28 Lacs for the previous year. The outlook for the current year, however, has been encouraging as the Company has since been able to let out considerable portion of the vacant areas and also increase the rent being paid by the existing tenants.



GILLANDERS ARBUTHNOT & CO. LTD.

Marketing Division

The Marketing Division of the Company is engaged in the marketing of Paints and Paint related products and Office Systems. During the year this Division recorded a turnover of Rs. 160.00 Lacs as against Rs. 151.69 Lacs in the previous year.

The Company has a significant share of the highly competitive Cement Paint market in the southern states of Tamil Nadu and Kerala and is confident that with its aggressive sales/marketing efforts and its efficient services it will be able to improve its market share in the coming years.

Internal control systems and their adequacy

The Company has adequate systems of 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 units/divisions.

Material development 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 qualification/ observation made by the Auditors in their Report have been dealt with in the Notes on Accounts.

FIXED DEPOSIT

The Company did not have any Fixed Deposit outstanding in its books as at 31st March, 2004.

SUBSIDIARY COMPANIES

The financial results of Subsidiary Companies for the year ended 31st March, 2004 were as follows:

	Profit /(Loss) before tax Rs. in Lakhs	Profit/(Loss) after tax Rs. in Lakhs
The Tengpani Tea Co. Ltd.	(155.14)	(148.70)
Waldies Ltd.	107.42	62.63
Gillanders Investments & Services Ltd.	3.42	3.32

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

The Company had no employee of the category referred to in Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors confirm that :

- a) in the preparation of the Annual Accounts, the applicable accounting standards have been followed.
- b) the Directors have 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 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

Mr. A. K. Basu who was appointed as a Director on 31st January, 2002 to fill up the casual vacancy caused by the resignation of Mr. S. N. Bangur will hold office upto the date of the forthcoming Annual General Meeting. Your directors consider that his continuation on the Board will be beneficial to the Company and hence recommend passing the resolution for his appointment as a rotational director at the forthcoming Annual General Meeting.

Mr. G. D. Kothari and Mr. S. C. Gladstone retire by rotation under Articles 109 and 110 of the Articles of Association of the Company and are eligible for reappointment.

PERSONNEL

Your Directors wish to record their appreciation of the cooperation received from all employees.

AUDITORS

Messrs. Price Waterhouse retire, and being eligible, offer themselves for re-appointment.

For and on behalf of the Board

G. D. KOTHARI
Chairman

Kolkata, 23rd August, 2004.

**ANNEXURE - I TO DIRECTORS' REPORT**

INFORMATION AS PER SECTION 217(1) (e) OF THE COMPANIES ACT, 1956 READ WITH THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES 1988.

FORM "A"**(A) CONSERVATION OF ENERGY :**

A. Power and Fuel Consumption :	2004	2003
1. Electricity		
(a) Purchased :		
Unit	3426895	2683141
Total Amount (Rs. '000)	18734	12904
Rate/Unit (Rs.)	5.46	4.81
(b) Own Generation :		
i) Through Diesel Generator		
Unit	867358	489371
Unit per Ltr. of Diesel Oil	2.49	2.63
Fuel Cost/Unit (Rs.)	7.63	7.18
ii) Through Steam Turbine/Generator	Nil	Nil
2. Coal (Grade B Coal used in Drier)		
Quantity (M.T.)	1910	1406
Total Cost (Rs. '000)	4534	3475
Avg. Rate (Rs/M.T.)	2373.06	2471.29
3. Furnace Oil		
Quantity (K.L.)	254	329
Total Cost (Rs. '000)	3488	4453
Avg. Rate (Rs.)	13.74	13.53
4. Others/Internal Generation		
i) Natural Gas		
Quantity (C.M.)	1588761	6738909
Total Cost (Rs. '000)	2801	961
Rate/Unit (Rs.)	1.76	1.43
B. Consumption per Unit of Production :		
Products - Tea (Gross) ('000 kgs)	4629	3418
Electricity Unit		
(including own generation)	0.93	0.93
Coal (kgs)	0.98	0.98
Furnace Oil	0.27	0.27
Natural Gas (C.M.)	0.85	0.76

FORM "B"**(B) TECHNOLOGY ABSORPTION :****(a) Research & Development :**

- Specific areas in which R & D carried out by the Company
- Benefits derived as a result of the above R & D
- Future Plan of Action
- Expenditure on R & D

The Company subscribes to Tea Research Association which is registered under Section 35 (i) (ii) of the Income Tax Act, 1961.

(b) Technology absorption, adaptation and innovation

Not applicable