



A N N U A L R E P O R T

2003-2004

The Lakshmi Vilas Bank Ltd

The Lakshmi Vilas Bank Ltd**BOARD OF DIRECTORS****A. KRISHNAMOORTHY****Chairman & Chief Executive Officer**

C. Krishnakumar
N. Malayala Ramamirtham
S.G. Prabhakaran
D.L. Suresh Babu
K.B. Krishnan
M.P. Shyam
V.N. Krishnamurthy
R. Dhandapani

SENIOR GENERAL MANAGER**B. Radhakrishnan (SBU I&II)****GENERAL MANAGERS**

N. Ramalingam (SBU III)
N. Giridharan (SBU IV)

DEPUTY GENERAL MANAGERS

M.R. Subramanian
S.R. Narayanamurthy
Naganna Prebakaran
R. Sridharan
S. Ravishanker

ASSISTANT GENERAL MANAGERS

S. Jeyaraman
S. Manoharan
L. Sadanandam
G. Regunathan
Y. Jairaj
V. Sekar
B. Kalyana Venkataraman
R.V. Ramen
S. Elangovan
S. Suresh Babu
Seshadri V Chari
S. Sankaranarayanan
Mahesh Anerao

ASST. GEN. MANAGER & COMPANY SECRETARY**S. Venkateswaran****AUDITORS**

Abarna & Ananthan
Chartered Accountants, Bangalore
S. Viswanathan
Chartered Accountants, Chennai

REGD. & ADMN. OFFICE

Salem Road, Kathapara, Karur - 639 006, Tamilnadu.
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Registrar and Share Transfer Agent

M/s Integrated Enterprises (India) Limited

II floor, "Kences Towers" No.1 Ramakrishna Street,
North Usman Road, T.Nagar, Chennai - 600 017.
Ph: 044-28140801/2/3 Fax: 28142479/28143378
Email: lvb@ieindia.com

The Lakshmi Vilas Bank Ltd**"NOTICE TO THE MEMBERS"**

Notice is hereby given that the Seventy seventh Annual General Meeting of The Lakshmi Vilas Bank Ltd will be held at Registered office of the Bank on 29th July 2004, Thursday, at 10.30 a.m. to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Directors' Report and the Audited Profit and Loss Account for the year ended 31st March 2004 and the Balance Sheet at that date and the Auditors' Report thereon.
2. To declare dividend.
3. To appoint a Director in place of Mr. N. Malayalamamirtham who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. S.G. Prabhakaran who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Mr. C. Krishnakumar who retires by rotation and being eligible, offers himself for re-appointment.
6. To appoint auditors and if thought fit, to pass with or without modification, the following resolution as an ordinary resolution.
Resolved that M/s Abarna & Ananthan, chartered Accountants, Bangalore M/s. S. Viswanathan, Chartered Accountants, Chennai be and are hereby re-appointed as Auditors of the Bank to hold office from the conclusion of this meeting to till the conclusion of the next Annual General Meeting on a remuneration & out of pocket expenses, if any, to be fixed by the Board of Directors.

SPECIAL BUSINESS

7. To consider and if thought fit, to pass with or without modification following as an ordinary resolution.
"Resolved that the Board of Directors be and is hereby authorized to apply to the Central Government under the Companies (Branch Audit Exemption) Rules, 1961 for exemption from audit of the accounts for the year ending 31.3.2005 of such branch offices of the Bank and in the event of such exemption being not granted in respect of any such branch offices, then the Board of Directors be and is hereby authorized to arrange for audit of such branches as are not exempted.
8. To consider and if thought fit to pass the following resolution, with or without modification following as an Special resolution.
"Resolved that pursuant to the SEBI (Delisting of Securities) Guidelines, 2003 and subject to the provisions of the Companies Act, 1956, Securities Contracts (Regulation) Act, 1956 the respective Listing Agreements with the stock exchanges, and all other laws, rules, regulations and guidelines as may be applicable and modifications if any made thereto from time to time and such approvals as may be necessary, consent of the Members of the Company be and is hereby accorded for delisting the equity shares of the Bank from Madras Stock Exchange Limited"
"Resolved further that for the purpose of giving effect to all or any of the foregoing, the Board be and is hereby authorized to do all such acts, deeds and things as it may consider necessary or expedient and to settle any question, difficulty or doubt that may arise in regard thereto"

BY ORDER OF THE BOARD
S. VENKATESWARAN
COMPANY SECRETARY

Place: Karur
Date: 12-06-2004

Notes:

1. An Explanatory Statement as required under Section 173(2) of the Companies Act, 1956, pertaining to the special business contained in Item No. 7 to 8 above is annexed herewith.
2. The Additional information pursuant to clause 49 of the listing Agreement with the Stock Exchanges in respect of the Directors seeking re-election vide Item No. 3, 4 & 5 is detailed in the Explanatory Statement.
3. An abstract of revised terms of remuneration payable to Mr. A. Krishnamoorthy, Chairman and Chief Executive Officer of the Bank is annexed herewith as required u/s 302 of the Companies Act, 1956.
4. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT A MEMBER OF THE BANK. A PROXY IN ORDER TO BE EFFECTIVE MUST BE RECEIVED AT THE REGISTERED OFFICE OF THE BANK NOT LESS THAN FORTY-EIGHT HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
5. The Register of members and the Share Transfer Books of the Bank will remain closed from 20.07.2004 to 29.07.2004 (both days inclusive).
6. Dividend, if declared, will be paid to those members holding physical shares whose names stand on the Register of Members of the Bank as at 29.07.2004 and in case of dematerialized shareholding, to those Beneficial owners whose names stand on the records of the Depositories as at the close of working hours on 19.07.2004, subject to the provisions of Section 206A of the Companies Act, 1956.
7. In compliance of SEBI direction to all listed companies to maintain all works relating to share registry - both physical and electronic at single point i.e. either in house or by SEBI Registered "Registrar & Transfer Agent" (RTA), Bank has appointed M/s Integrated Enterprises (India) Limited, Chennai 600 017 as Share Transfer Agent for both physical and demat segments with effect from 30.01.2003

Address of Share Transfer Agent:
M/s Integrated Enterprises (India) Limited
11 floor, "Kences Towers" No.1 Ramakrishna Street
North Usman Road, T.Nagar, Chennai - 600 017
Ph: 044-28140801/2/3 Fax: 28142479/28143378
Email: lvb@ieplndia.com
8. Members are requested to notify any change in their address immediately to Share Transfer Agent and in case their shares are held in demat form, this information should be sent to the concerned Depository Participant.
9. Consequent upon the introduction of Section 109A in the Companies Act, 1956, members are entitled to make nomination in respect of share held by them. Members desirous of making nominations are requested to submit Form 2B (which may be downloaded from the Bank's Web Site www.lvbank.com) duly filled in and signed by them to the Share Transfer Agent M/s Integrated Enterprises (India) Limited, Chennai 600 017 in case the shares are held in physical form and to the Depository Participants in case the shares are held in electronic form.
10. With a view to provide protection against fraudulent encashment of dividend warrants, members holding shares in physical form are requested to provide, if not already provided earlier, their bank account numbers, name and address of the bank and branch, to Share Transfer Agent M/s Integrated Enterprises (India) Limited, Chennai 600 017 to incorporate the said details on the dividend warrants. Members will appreciate that the bank will not

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be responsible for any loss arising out of fraudulent encashment of the dividend warrants.

- 11 Pursuant to section 205A of the Companies Act, 1956, out of dividend remaining Unclaimed for more than seven years shall be transferred to Investor Education Protection Fund and no claims shall lie against the fund or the company in respect of dividend which were unclaimed and unpaid for a period of seven years by the shareholders. Viz., 1996-1997, 1997-1998, 1998-1999, 1999-2000, 2000-2001, 2001-2002, 2002-2003.

Dividend declared in the year 1997 for the financial year 1996-97 and remaining unclaimed will be transferred to Investor Education Protection Fund after conclusion of this Annual General Meeting.

Hence, Share holders and Beneficial owners who have not so far claimed the dividend warrants issued from 1997 to 2003 hereby advised to submit the dividend warrants to the Share Transfer Agent M/s Integrated Enterprises (India) Limited, Chennai 600 017, for receiving the proceeds. If the warrant is lost, shareholders may execute undertaking letter in the format, which has been already sent to the concerned shareholders.

12. Physical shareholders are requested to furnish the Bank Account details in the format enclosed, to the Share Transfer Agent M/s Integrated Enterprises (India) Limited, Chennai 600 017 and demat shareholders to their respective Depository Participants.

Additional Information pursuant to Clause 49 of the listing agreement with Stock Exchanges in respect of the Directors seeking re-election

Item No.3

Mr.N.Malayalamamirtham B.com represents, Trade - minority Sector. Hailing from promoter family, he served the Bank for the 13 years as Director of the Bank. He is part of the reputed and renowned Textile Export House of Karur and travelled widely.

Item No. 4

Mr.S.G. Prabhakaran B.com, B.L. A.C.S represents Law - majority Sector. He was an instrumental in setting up the first private Sector Mutual Fund in collaboration with Pioneer Mutual Fund, Boston, USA in 1993. He is a realtor having had sterling practise of Law from 1978 to 1994 and widely traveled.

Item No.5

Mr.C.Krishnakumar, B.com represents Trade - minority Sector. Hailing from promoter family, he served the Bank for the 14 years as Director of the Bank and his business interest hovering over jewellery, Yarn and Finance.

Explanatory Statement as required under Section 173(2) of the Companies Act, 1956.

Item No.6

M/s Abarna & Ananthan, chartered Accountants, Bangalore and M/s S.Viswanathan, Chartered Accountants, Chennai are retiring at this Annual General Meeting.

Notice has been received from a shareholder proposing the names of M/s Abarna & Ananthan, chartered Accountants, Bangalore and M/s S.Viswanathan, Chartered Accountants, Chennai, as statutory auditors of the Bank for the year 2004-2005 and approval of the Reserve Bank of India under section 30(1A) of the Banking Regulation Act, 1949 is being sought for.

The remuneration and out of pocket expenses, if any payable to M/s Abarna & Ananthan, chartered Accountants, Bangalore and M/s S.Viswanathan, Chartered Accountants, Chennai shall be fixed by Board of Directors of the Bank.

None of the Directors is concerned or interested in this resolution.

Item No.7

The passing of this resolution is necessary in order to meet the requirement of 228(4) of the Companies Act, 1956, under which the accounts of every branch office is required to be audited either by Bank's auditors or by a person qualified to act as Auditors.

The Bank has made satisfactory arrangement for their inspection by responsible and competent officers of the bank.

This resolution is proposed to enable the Directors to seek exemption of such of the branches as are not to be audited. None of the Directors is interested in this resolution.

Item No.8

Pursuant to "Securities and Exchange Board of India (Delisting of Securities) Guidelines - 2003" listed companies may seek voluntary delisting of its securities from the Stock Exchanges, without giving an exit opportunity to the shareholders of those regions where the Stock Exchanges are situated from which delisting is sought, in case such securities continue to be listed in a Stock Exchange having nation wide trading terminals i.e. presently The National Stock Exchange. However for this purpose approval of members is required to be obtained through a Special Resolution.

The majority of trading volumes in the Shares of our Bank is registered in NSE which have extensive network across the Country. The trading in MSE is NIL in the last years.

In view of the above, the Bank is proposing to delist the equity shares from Madras Stock Exchange Limited with a view to reduce the regulatory formalities in complying with the listing agreement of Madras Stock Exchange which duplicates the work of the Bank and to reduce the substantial expenditure of the Bank. However the shares will continue to be listed in NSE.

The delisting of equity shares from the Madras Stock Exchange Limited will not in any way affect the trading of the shares of the Bank or cause any inconvenience to the Investors, as they have access to online trading of the shares of the Bank across the Country, through NSE.

None of the Directors of the Bank is concerned or interested in this resolution.

Abstract of variation in the terms of remuneration payable to Mr. A. Krishnamoorthy, Chairman and Chief Executive Officer of the Bank

The Members of our Bank accorded their consent by resolution at the 75th Annual General Meeting held on 14.08.2002, for appointment of Mr.A.Krishnamoorthy, Chairman and Chief Executive Officer subject to approval of Reserve Bank of India and to revise the remuneration and perquisites payable to him from time to time subject to approval of Reserve Bank of India in terms of Section 35B of Banking Regulation Act, 1949.

Accordingly, Board at their meeting held on 31.01.2004 has resolved to approve upward revision in the remuneration payable to Mr.A.Krishnamoorthy, Chairman and Chief Executive Officer with effect from 01.01.2004 and obtained the approval of Reserve Bank of India in terms of Section 35B of Banking Regulation Act, 1949.

The abstract of remuneration payable to him together with memorandum of concern or interest of the directors is given below as required under Section 302 of the Companies Act, 1956.

Salary (Pay) : Rs.1,00,000 per month with effect from 01.01.2004
Rs.1,10,000 per month with effect from 21.08.2004

All the other terms of remuneration approved by shareholders in the 75th Annual General Meeting of Bank held on 14.08.2002 remain unchanged.

None of the Directors of the Bank is concerned or interested except Mr. A. Krishnamoorthy as it relates to him.

Place: Karur
Date: 12-06-2004

BY ORDER OF THE BOARD
S.VENKATESWARAN
COMPANY SECRETARY

The Lakshmi Vilas Bank Ltd



DIRECTORS' REPORT

TO THE MEMBERS

Your Directors have great pleasure in presenting the Seventy Seventh Annual Report on the business and operations of your Bank together with the Audited Accounts for the year ended 31st March, 2004.

PERFORMANCE

During the year, the Bank has registered Gross Income of Rs. 372.82 Crore and Gross Profit of Rs. 99.89 Crore. The Operating Profit has increased from Rs. 80.05 Crore to Rs. 91.00 Crore. The Bank has made a Net Profit of Rs. 41.05 Crore after making necessary provisions as against Rs. 34.16 Crore during the previous year.

During the year, the Bank appointed M/s Deloitte Touche Tohmatsu, Consultants to articulate on the long term objectives and advise on the re-structuring of the Bank in the context of the changing banking environment. The strategic initiatives were approved by the Board and are being implemented to give better customer focus and enhanced business opportunities. Consequently the concept of Strategic Business Units (SBU) has been put in place covering all operational areas of the Bank.

APPROPRIATIONS

Appropriations from operating profit have been effected as detailed below:

Particulars	(Rs. in crore)	
	For the year ended	
	31 st Mar 2004	31 st Mar 2003
Operating Profit	91.00	80.05
Provisions and contingencies	49.95	45.89
Net Profit	41.05	34.16
Profit brought forward	0.09	0.07
Amount available for appropriation	41.14	34.23
Transfer to:		
Statutory Reserve	14.00	11.50
Capital Reserve	5.43	3.90
Investment Fluctuation Reserves	13.75	11.00
Other Reserve	1.25	1.25
Proposed Dividend	5.75	5.75
Corporate Dividend Tax	0.74	0.74
Balance of Profit Carried forward	0.22	0.09

DIVIDEND

Your Directors are pleased to recommend dividend at 50 % on the equity shares of the Bank, as approved by RBI.

NETWORTH AND CAPITAL ADEQUACY

Your Directors have proposed net transfer of Rs. 34.55 Crore to reserve, which would increase the net worth of your bank from Rs. 192.09 Crore to Rs. 226.64 Crore.

Your Bank has raised Rs. 50 crore by way of Unsecured, Redeemable, Non-convertible Subordinated bonds - Series III rated "A" by CARE. Instruments with this rating are considered upper medium grade instruments and have many favourable investment attributes indicating adequate safety for principal and interest.

The Bank's Capital Adequacy Ratio (CAR) stood at a healthy 13.79 % as on March 31, 2004, well above the regulatory minimum of 9.00%.

The Tier-I and Tier-II components of Capital Adequacy Ratio were 8.49 % and 5.30 % respectively as on March 31, 2004.

LISTING AGREEMENT WITH STOCK EXCHANGES

As you aware, the Bank shares are listed on the National Stock Exchange and Madras Stock Exchange and the requisite annual listing fees have been paid. The entire trading of our Bank shares was transacted through NSE only, which has an extensive network across the country; no transactions were reported in the Madras Stock Exchange.

In view of the above, the Bank is proposing to delist the equity shares from Madras Stock Exchange Limited.

RESOURCES AND LENDINGS

The overall performance during the financial year 2003-04 remained good. The Bank's total business crossed Rs. 5400

crore. Aggregate deposits reached Rs. 3295.82 Crore with net accretion of Rs. 525.32 Crore. Bank's credit portfolio, net of provisions, increased to Rs. 2038.70 Crore from Rs. 1763.70 Crore in the previous year.

Advances under Priority Sector during the year were at Rs. 815.06 Crore, constituting 44.82 % of the adjusted net bank credit, as against the stipulated norm of 40%.

QUALITY OF LOAN ASSETS

Concerted efforts on the recovery front, initiated in the previous year by the Bank, were continued with encouraging results. The recovery measures took the form of vigorous follow-up of the suit filed accounts with courts, Debt Recovery Tribunals and Lok Adalat, judicious recourse to the provisions of the SARFAESI Act and compromise settlement through negotiations.

As a result of all these efforts, the gross NPAs reduced from 11.47 % in the previous year to 10.15 % and the net NPAs from 7.15 % to 5.40 %.

INVESTMENT OPERATIONS

The Bank's total investments expanded by Rs. 302 Crore from Rs. 1036.58 Crore as at 31st March 2003 to Rs. 1338.17 Crore as at end-March 2004. Due to poor credit take-off owing to persisting sluggishness in the economy despite the downward movement of interest rates, the bank is continued to bestow greater attention, to efficient funds and investment management as an alternative to shore up declining margins. The Bank's investment cell at Mumbai thus generated an arbitrage profit of Rs. 24 Crore during the year.

FOREX OPERATIONS

The Bank's merchant reporting as Imports and Exports in foreign exchange transactions were at the level of Rs. 1402.29 Crore as compared to Rs. 1222 Crore during the previous year.

NETWORK EXPANSION

The bank added 8 new branches during the year to its branch network. Three branches were converted into satellite branches during the year. The number of branches rose to 224, spread across 9 States and the Union Territory of Pondicherry. Plans are afoot to open 6 Branches in Gurgaon, Noida, Ghatgopar (E), Ghatgopar (W), Anna Nagar, Velachery, T. Nagar and Karim Nagar for which licenses from RBI have been received.

INFORMATION TECHNOLOGY

The year 2003-2004 has been a watershed in the technological front for the bank. A dedicated team of the bank is engaged in developing a core banking solution in association with M/s ICICI InfoTech which is in the final stages of completion and will be rolled out at pilot branches shortly. The establishment of inter branch network to connect pilot locations at Chennai is in full swing. The Data Center for locating the bank's central server is ready and a remote management facility has been set up at the bank's Divisional Office at Chennai.

The bank had procured its own Transaction Processing Switch for ATM transactions and is geared up to interconnect its ATMs and branches after the inter branch network is established. The bank has installed SWIFT software at the designated branches for speedier and smoother international transactions; and has complied with all the stipulations laid out by RBI with regard to implementation of RTGS.

A comprehensive I.T. strategy was charted out in association with M/s KPMG, reputed International Consultant which envisages the I.T. Road map for the bank. Various short and long term goals have been fixed and the bank is in the process of implementation of the I.T. strategy.

LBS 2001, the bank's in-house developed total branch automation software was extended to another 49 more branches during 2003-2004, taking the total number of totally automated branches to 105. The partial branch automation software developed in-house has been extended to 99 branches and 1 extension counter.

HUMAN RESOURCES

Appreciating and recognizing the value of human resources, the Bank continued to focus on training its employees on a

The Lakshmi Vilas Bank Ltd



continuing basis on-job and through training programs conducted with internal and external faculty to keep them abreast of the changing competitive environment. As on 31st March 2004, the bank had a staff strength of 1946 including 731 officers. Business per Employee increased to Rs. 228 lacs from Rs.212.00 lacs as at the previous year. During the year, as part of the continuous efforts of the Bank to motivate and reward performing employees, 78 employees, in different cadres, were promoted. Bank also directly recruited the required employees in specific fields and placed in appropriate positions during the year. The relationship with staff has been smooth and cordial. Bank has conducted Campus interviews at the Institute of Chartered Accountants of India, Chennai and at Management Institutes at Mumbai.

FEE BASED VENTURES

The bank in tune with the market demand and as value addition to customers has diversified into distribution of products of life insurance business as Corporate Agent for AVIVA life insurance, one of the world's largest life insurance Company, which is yet another milestone in its commendable history. 42 insurance trained personnel of the Bank are covering 115 branches in marketing the AVIVA's customized insurance products. During the year under perusal, about 4200 proposals have been procured for a coverage quantum of Rs.36 crore. The Bank has collected a gross insurance premium of around Rs.3.50 crore and received a commission payment of Rs.40 lakhs, in the first year of operation. The bank has plans to activate insurance marketing in Andhra Pradesh and Karnataka in the year 2004-05.

For distribution of a variety of general insurance products the Bank has signed letter of intent with M/s. Royal Sundaram Alliance Company Ltd., Chennai, a Joint venture of premier Non-banking finance company of India, M/s. Sundaram Finance Ltd and Royal & Son Alliance Inc, the largest general insurance company in the world, headquartered in U K, and operating in over 40 countries.

The Bank has signed an MOU with M/s Reliance Capital Asset Management Ltd., (the financial arm of M/S Reliance Industries Ltd.), in March 2004, to distribute the mutual fund products of the company through the select branches of the Bank, among the existing and prospective clients.

RISK MANAGEMENT

The steps initiated by the Bank during the previous year in the area of risk management continued to receive focussed attention, particularly in the background of the financial sector reforms in the last decade, accentuated by competitive macro-economic environment and characterized by steep fall in interest rates and a host of other features. The Bank has taken proactive steps to implement risk management best practices in tune with the strategic perspective, size and complexity of bank's business and RBI guidelines.

The Integrated Risk Management Policy highlighting the risk management philosophy, risk identification criteria, risk measurement systems, risk quantification techniques, risk mitigation and regulatory compliance has been put in place during the year.

The Integrated Risk Management Committee (IRMC) of the Board meets regularly at quarterly intervals to review the risk policies, and oversee adherence to prudential limits and laid down policy. The Integrated Risk Management Committee (IRMC) of Executives is continuing to meet regularly at monthly intervals to review the risk profile of the bank, determine product pricing, and review risk limits and initiate suitable remedial action.

DIRECTORS

Mr. N. Malayalamamirtham, Mr. S.G. Prabhakaran and Mr. C. Krishnakumar, Directors are due to retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for reappointment.

AUDITORS

The statutory audit of the Bank was carried out by M/s. Abarna & Ananthan, Chartered Accountants, Bangalore and M/s S.Viswanathan, Chartered Accountants, Chennai whose report is attached herewith. The Statutory Central and Branch Auditors, audited all the branches and other offices of the Bank.

M/s. Abarna & Ananthan, Chartered Accountants, Bangalore and M/s S.Viswanathan, Chartered Accountants, Chennai are eligible to undertake the audit for the current year as well, and have offered themselves for re-appointment for another year, subject to the approval of RBI, under Section 30 (1A) of the Banking Regulation Act, 1949. Considering their professionalism and the quality of the audit carried out by them, the Board recommends their re-appointment for another year.

Explanation is offered below on the auditors' qualifications on Note 1 Schedule 17 to the audited annual accounts. Unadjusted items in Inter - Bank accounts adjusted till date have not materially affected the published accounts. Reconciliation of entries and elimination and adjustments are being carried out in terms of RBI directive.

STATUTORY DISCLOSURE

Given the nature of the Bank's operations, the requirement of disclosure of steps taken for conservation of energy and technology absorption does not apply to the Bank. The Bank is fully cognizant of the need to step up the country's exports and accordingly endeavors to enlarge its export financing. None of the Bank's employees falls within the purview of section 217(2A) of the Companies Act, 1956.

CORPORATE GOVERNANCE

The basic philosophy of Corporate Governance in the Bank is to enhance shareholder value keeping in view the needs and interests of other stakeholders. The Bank has fully complied with the code of corporate governance as enumerated in Clause 49 of the Listing Agreement. Pursuant to Clause 49 of the Listing Agreement, a Management Discussion and Analysis is presented in Annexure-A, Report on Board Committees is furnished in Annexure-B. Composition of the Board of Directors together with the attendance of Directors at various meetings of the Board, its Committees and Annual General Meeting and the number of directorships held by them alongwith the details of Audit Committee and Share Transfer Grievances Committee are furnished in Annexure-C. General Shareholders' information is furnished in Annexure-D.

DIRECTORS' RESPONSIBILITIES STATEMENT

The Directors confirm that in the preparation of the annual accounts for the year ended March 31, 2004:

- ★ the applicable accounting standards have been followed along with proper explanation relating to material departures, if any;
- ★ the accounting policies, framed in accordance with the guidelines of the Reserve Bank of India, were applied consistently;
- ★ reasonable and prudent judgement and estimates were made wherever required so as to present a true and fair view of the state of affairs of the Bank as at the end of the financial year and the profit of the Bank for the year ended on March 31, 2004;
- ★ proper and sufficient care was taken for the maintenance of adequate accounting records in accordance with the provisions of applicable laws governing banks in India; and
- ★ the accounts have been prepared on a 'going concern' basis.

ACKNOWLEDGEMENT

The Board places on record its sincere thanks to the shareholders, depositors and other clientele for their continued support. Board gratefully extends its thanks for the support and guidance accorded by RBI, Government Agencies and host of other institutions.

Your Directors express their appreciation for the commendable contributions made by staff at all levels.

For and on behalf of the Board of Directors

A. KRISHNAMOORTHY
Chairman

Place: KARUR
Date: 12-08-2004



The Lakshmi Vilas Bank Ltd

AUDITORS' REPORT

ABARNA & ANANTHAN
CHARTERED ACCOUNTANTS
BANGALORE

S VISWANATHAN
CHARTERED ACCOUNTANTS
CHENNAI

- 1) We have audited the attached Balance Sheet of THE LAKSHMI VILAS BANK LIMITED, KARUR as at 31st March 2004, the annexed Profit and Loss Account and also the Cash Flow Statement for the year ended on that date in which are incorporated the returns of 50 Branches, 8 Divisional Offices, 6 Service Branches, audited by us and 174 Branches audited by Branch auditors appointed u/s. 228(4) of the Companies Act, 1956. There are no unaudited branches or other offices. These financial statements are the responsibility of the Bank's management. Our responsibility is to express our 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 management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
- 3) The Balance Sheet and the Profit & Loss account have been drawn up in accordance with the provisions of Section 29 of Banking Regulation Act, 1949 read with Section 211 of the Companies Act, 1956.
- 4) The reports on the accounts of the branches audited by Branch auditors have been dealt with in preparing our report in the manner considered necessary by us.
- 5) 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 and have found them to be satisfactory.
- 6) The transactions of the Bank, which have come to our notice, have been within the powers of the Bank.
- 7) In our opinion, proper books of accounts as required by law have been kept by the Bank so far as appears from our examination of those books and proper returns adequate for the purpose of our audit have been received from the branches of the Bank.
- 8) The Bank's Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account and audited returns from the branches of the Bank.
- 9) In our opinion, the Balance Sheet and Profit and Loss Account dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of the Section 211 of the Companies Act, 1956.
- 10) On the basis of written representations received from the Directors and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2004 from being appointed as a Director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.
- 11) **Subject to Note no. 1 of Schedule 17 to the accounts regarding the effect of adjustments arising from reconciliation of inter-branch transactions and tallying of balances in the accounts as per General Ledger with those of subsidiary ledgers, the quantum of which is not ascertained**, in our opinion and to the best of our information and according to the explanations given to us, the said accounts together with notes thereon, give the information required by the Companies Act, 1956 in the manner so required for Banking Companies and on such basis:
 - (i) The said Balance Sheet gives a true and fair view of the State of Affairs of the Bank as at 31st March 2004;
 - (ii) The Profit & Loss Account shows true balance of Profit for the year ended on that date; and
 - (iii) The Cash Flow Statement gives a true and fair view of the cash flows for the year then ended and are in conformity with the Accounting Principles generally accepted in India.

for M/s Abarna & Ananthan
 Chartered Accountants
S Sankararaman
 Partner
 Membership No:10042

for M/s S Viswanathan
 Chartered Accountants
R M Narayanan
 Partner
 Membership No: 25650

Place: Karur
 Date: 30th April 2004

The Lakshmi Vilas Bank Ltd**BALANCE SHEET AS ON 31-MAR-2004**

(Rs. in 000s)

I. CAPITAL & LIABILITIES	SCHEDULE	AS AT 31/03/2004	AS AT 31/03/2003
a. Capital	1	115089	115089
b. Reserves & Surplus	2	2151339	1805772
c. Deposits	3	32958191	27705016
d. Borrowings	4	302285	641143
e. Other Liabilities & Provisions	5	2686602	1700376
	TOTAL...	38213506	31967396
II. ASSETS			
a. Cash & Balances with Reserve Bank of India	6	2303940	1660558
b. Balances with Banks and Money at Call & Short Notice	7	497313	669193
c. Investments	8	13381881	10365752
d. Advances	9	20387040	17636982
e. Fixed Assets	10	313135	298975
f. Other Assets	11	1330397	1335936
	TOTAL...	38213506	31967396
Contingent Liabilities	12	8761595	7338779
Bills for collection		1659409	1157184
Significant Accounting Policies and Notes on Accounts	17		

Schedules 1 to 12 and 17 form part of this Balance Sheet.

As per our report of date annexed
For **M/s. Abarna & Ananthan**
Chartered Accountants
S. Sankararaman
Partner
M.No. 10042

For **M/s. S. Viswanathan**
Chartered Accountants
R.M. Narayanan
Partner
M.No. 25650

R. Sridharan
Deputy General Manager

N. Giridharan
General Manager

N. Ramalingam
General Manager

B. Radhakrishnan
Sr. General Manager

A. Krishnamoorthy
Chairman

DIRECTORS

C. Krishnakumar

N. Malayala Ramamirtham

S.G. Prabhakar

D.L. Suresh Babu

K.B. Krishnan

M.P. Shyam

V.N. Krishnamurthy

R. Dhandapani

Karur
30th April 2004