

MAC CHARLES (INDIA) LIMITED

24th Annual Report 2003-04

Le MERIDIEN

BANGALORE

The International Businessman's Hotel



BOARD OF DIRECTORS

Mr. C.B. Pardhanani	Chairman
Mr. J. Matthan	Director
Mr. B.N. Garudachar	Director
Mr. K.R. Sampath	Director
Mr. P.B. Appiah	Director
Mrs. Kavita C. Pardhanani	Director
Miss. Sangeeta C. Pardhanani	Executive Director

SECRETARY & FINANCIAL CONTROLLER

Mr. M.S. Reddy *B.Com., L.L.B., MBIM, FCA, FCS*

AUDITORS

K.B. Nambiar & Associates
Bangalore

BANKS

State Bank of India
Bangalore

State Bank of Mysore
Bangalore

REGISTERED OFFICE

Le Meridien Bangalore
28, Sankey Road, Bangalore - 560 052
Tel : 22262233 / 22282828
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NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN TO THE MEMBERS THAT the 24th Annual General Meeting of **MAC CHARLES (INDIA) LIMITED** will be held at Hotel Le Meridien, No. 28, Sankey Road, Bangalore - 560 052, on Monday the 13th September, 2004 at 3.00 p.m. to transact the following business:

ORDINARY BUSINESS

1. To receive and adopt the audited accounts of the Company for the year ended 31 March 2004 together with the Directors' and Auditors' report thereon.
2. To declare a dividend.
3. To appoint a Director in place of Mr.B.N. Garudachar who retires by rotation and is eligible for re-appointment.
4. To appoint a Director in place of Miss.Sangeeta C. Pardhanani, who retires by rotation and is eligible for re-appointment.
5. To pass with or without modification the following resolution as an ordinary resolution :

"RESOLVED THAT M/s. K.B. Nambiar & Associates, Chartered Accountants, the retiring Auditors of the Company be and are hereby re-appointed Auditors of the Company to hold office from the conclusion of this 24th Annual General Meeting until the conclusion of the next Annual General Meeting of the Company on such remuneration as may be mutually agreed upon between the Board of Directors of the Company and the Auditors, plus reimbursement of service tax, out-of-pocket and travelling expense actually incurred by them in connection with the audit."

SPECIAL BUSINESS

6. To consider and if thought fit to pass with or without modification the following resolution as a special resolution:

"RESOLVED THAT subject to the provisions of Section 309(3) and other applicable provisions if any of the Companies Act, 1956, the Board of Directors be and is hereby authorised to pay Miss.Sangeeta C. Pardhanani, Executive Director of the Company, commission equivalent to 1% (one percent) of the net profits of the Company for each financial year for a period of 5 years with effect from 01.04.2003."

7. To consider and if thought fit to pass with or without modification the following resolution as a special resolution:

"RESOLVED THAT subject to the provisions of Section 314 of the Companies Act, 1956, and other applicable provisions if any of the Companies Act, 1956 and as recommended by the remuneration committee, approval of the shareholders be and is hereby accorded for payment of remuneration of Rs.40,000/- per month and other usual perquisites applicable to other Senior Executives of the Company with effect from 01.10.2004 to Miss.Sangeeta C. Pardhanani, appointed as 'Executive Director - Sales & Marketing' (Western Region)."

8. To consider and if thought fit to pass with or without modification the following resolution as a special resolution:

"RESOLVED THAT subject to the provisions of Section 314 and other applicable provisions if any of the Companies Act, 1956 consent of the members be and is hereby accorded for the payment of retainership fee of Rs.10,000/- per month to

Mr.P.B Appiah, Director in his capacity as legal advisor of the Company with effect from 01.04.2004."

9. To consider and if thought fit to pass with or without modification the following resolutions as special resolutions:

"RESOLVED THAT subject to the provisions of Section 198, 269, 310, 311 of the Companies Act, 1956 and Schedule XIII thereto, and other applicable provisions if any of the Companies Act, 1956 and as recommended by the remuneration committee, approval of the shareholders be and is hereby accorded to Mr. Suresh Kumar Badlaney, General Manager for payment of remuneration of Rs.61,698/- per month with effect from 01.04.2004 plus management fees @1% of the net profit before income tax of the previous year plus unfurnished housing and other usual perquisites applicable to other senior executives of the Company.

RESOLVED FURTHER THAT in the absence or inadequacy of profits during any financial year the aforesaid remuneration shall be treated as minimum remuneration payable to Mr. Suresh Kumar Badlaney, General Manager."

10. To consider and if thought fit to pass with or without modification the following resolutions as special resolutions:

"RESOLVED THAT pursuant to the provisions of Section 372A and other applicable provisions, if any, of the Companies Act, 1956 and other statutory approvals if required, approval be and is hereby given to the Board of Directors of the Company (hereinafter referred to as "the Board"), for directly or indirectly making investments and/or by way of construction advances for setting up of Apartment Hotel in M/s. Golf Links Software Park (Pvt) Ltd., upto Rs.100 cores, not with standing that the aggregate of such proposed investment together with the existing investments made and the loans/guarantees/security given by the Company may exceed the limits as prescribed under Section 372A of the Companies Act, 1956.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to determine the actual sum to be invested/advanced and time and manner of such investment/construction advances and to do all or any of the matters arising out of and incidental thereto."

11. To consider and if thought fit to pass with or without modification the following resolutions as special resolutions:

"RESOLVED THAT pursuant to the provisions of Section 372A and other applicable provisions, if any, of the Companies Act, 1956 and other statutory approvals if required, approval be and is hereby given to the Board of Directors of the Company (hereinafter referred to as "the Board"), for directly or indirectly making investments and/or by way of construction advances for commercial space at "Umiya Landmark", NO. 10/7, Lavelle Road, Bangalore and/or elsewhere in Bangalore subject to quality approval of construction in M/s. Umiya Holdings Pvt.Ltd., Bangalore upto Rs.50 crores, not withstanding that the aggregate of such proposed investment together with the existing investments made and the loans/guarantee/security given by the Company may exceed the limits as prescribed under Section 372A of the Companies Act, 1956.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to determine the actual

MAC CHARLES (INDIA) LIMITED

sum to be invested/advanced from time to time and manner of such investment/construction advances and to do all or any of the matters arising out of and incidental thereto."

12. To consider and if thought fit to pass with or without modification the following resolutions as special resolutions:

"RESOLVED THAT pursuant to the provisions of Section 372A and other applicable provisions, if any, of the Companies Act, 1956 and other statutory approvals if required, approval be and is hereby given to the Board of Directors of the Company (hereinafter referred to as "the Board"), for directly or indirectly making investments and/or lease and/or Management Contract advances/deposits for acquiring or taking on lease or Management Contract in a new mini Hotel property in a shopping complex in Ahmedabad recently constructed by M/s. Phase Holdings Ltd., Ahmedabad upto Rs.50 crores, not with standing that the aggregate of such proposed investment together with the existing investments made and the loans/guarantees/security given by the Company may exceed the limits as prescribed under Section 372A of the Companies Act, 1956.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to determine the actual sum to be invested and/or advances and/or deposits and time and manner of such investment and/or advances and/or deposits and to do all or any of the matters arising out of and incidental thereto".

By Order of the Board of Directors

Bangalore
17 July 2004

M.S. REDDY
Company Secretary

NOTES:

- A member entitled to attend and vote is entitled to appoint a proxy (whether a member or not) to attend and vote instead of himself but a proxy so appointed has no right to speak at the meeting. **Children accompanying a member/proxy will not be allowed inside the meeting hall.**
- Proxy form duly completed and signed should be deposited at the Registered Office of the Company not less than forty-eight hours before the commencement of the Meeting. Blank proxy form is annexed thereto.
- The Register of Members and Share Transfer Books of the Company remain closed from 9th September, 2004 to 13th September, 2004 (both days inclusive) in connection with this Annual General Meeting.
- The dividend on Equity Shares as recommended by the Board, if declared at the meeting will be payable to those shareholders whose names shall appear in the Company's Register of Members on 13th September 2004.
- To avoid the possibility of the dividend warrant being stolen or illegally misappropriated, it is requested to indicate Bank Account Number, Bank Name and its Branch details for incorporation on the dividend warrants. The said Bank Mandate should reach the Registered Office of the Company on or before 10th September, 2004.

- An explanatory statement pursuant to section 173 of the Companies Act, 1956 as set out in the notice is annexed hereto.
- As a measure of economy, copies of Annual Report will not be distributed at the Annual General Meeting. Shareholders are requested to bring their copies to the meeting.

ANNEXURE TO NOTICE

Explanatory Statement pursuant to Section 173 of the Companies Act, 1956.

ITEM No.6 :

The shareholders are aware that Miss. Sangeeta C. Pardhanani, Executive wholetime director has been devoting considerable time towards the affairs of the Company especially Sales & Marketing in the Western Region. In view of the rich experience gained in the hotel industry, the Board of Directors felt that her continued involvement should be most beneficial to the Company. In the recognition of her contribution made to the Company, the Board is of the opinion that Miss. Sangeeta C. Pardhanani should be given an incentive commission and hence proposal to pay her a commission based on the net profits of the Company. The remuneration committee recommended to the payment of commission @ 1% (one percent) to the Executive wholetime Director. Such payment of commission on net profits requires the authority of the shareholders in the general meeting. Hence, the special resolution is placed before you, which the Board recommends adoption of this resolution by the shareholders in the best interest of the Company. Except Mr.C.B. Pardhanani, Mrs.Kavita C. Pardhanani, Miss.Sangeeta C. Pardhanani, no other Director is concerned or interested in the resolution.

ITEM No.7 :

Miss. Sangeeta C. Pardhanani was appointed a Director of the Company with effect from 23.03.1990 and re-appointed from time to time wherever she retired by rotation. She was appointed as Executive wholetime Director – Sales & Marketing (Western Region) w.e.f. from 01.10.2002 on a monthly remuneration of Rs.22,000/- and which was enhanced to Rs.30,000/- w.e.f 01.10.2003 with usual perquisites applicable to other Senior Executives of the Company. Further with effect from 01.04.2004, she is taking more interest and initiative to oversee the operations of the Hotel at Bangalore apart from holding charge of sales and Marketing at Mumbai. The Board of Directors propose to increase her salary to Rs.40,000/- w.e.f. 01.10.2004. As per the provisions of the Companies Act, the shareholders approval by way of special resolution is necessary for payment of salary. Hence, this special resolution is commended for the shareholders approval. The Board of Directors may be authorised to revise the present salary of Rs.30,000/- to Rs.40,000/- with effect from 01.10.2004. The said remuneration has been recommended by the Remuneration Committee constituted by the Board. The remuneration payable to her is commensurate with her qualification and experience which she would otherwise have been entitled to. The remuneration is within the limits prescribed under Schedule XIII to the Companies Act, 1956, and therefore requires no further permission or approval. The Board recommends adoption of this special resolution in the best interest of the Company. None of the Directors except herself, Mr. C.B. Pardhanani and Mrs. Kavita C. Pardhanani, is concerned or interested in this resolution.

ITEM No.8 :

Mr. P.B. Appiah, Advocate has been retained as Company's Advocate for more than 11 years on a monthly retainership fees which has been fixed from time to time. He has been appointed as an outside independent non-executive Director with effect from 26.08.2000. Mr.P.B. Appiah has been handling the Company's legal matters on a regular basis for which a retainership fees of Rs.7,000/- per month was being paid to him upto 31.03.2004 and the same fees has been enhanced to Rs.10,000/- with effect from 01.04.2004. As per provisions of the Companies Act, 1956, it is necessary to seek the shareholders approval/ratification for the enhanced retainership fees being paid with effect from 01.04.2004. In the circumstances, a special resolution is commended for the shareholders approval. None of the Directors except Mr.P.B. Appiah is concerned or interested in this resolution.

ITEM No.9:

As per Section 269 of the Companies Act, 1956, a public limited company with a share capital of Rs.5 crores or more should have managing/wholtime director or a manager. The Board has accordingly appointed Mr.Suresh Kumar Badlaney, General Manager as a "Manager" within the meaning of the Companies act, 1956, which has been approved by the shareholders at the Annual General Meeting held on 23rd September, 1999 and further extension approved at the AGM held on 30.09.2003. In view of the revision of salary given to all senior executives, the remuneration payable to Mr.Suresh Kumar Badlaney has also been revised with effect from 01.04.2004. The revised remuneration has been recommended by the Remuneration Committee constituted by the Board. The revised remuneration payable to him is what he would otherwise have been entitled to as General Manager of the Company, which is commensurate with his qualification and experience. The revised remuneration is within the limits prescribed under Schedule XIII to the Companies Act, 1956, and therefore requires no further permission or approval. The Board recommends adoption of the said resolution in the best interest of the Company. None of the Directors is concerned or interested in this resolution.

ITEM No. 10

The company has considered an investment opportunity in Apartment Hotel business by acquiring 1/3rd of land and building with Embassy Group M/s.Golflinks Software Park (Private) Ltd., Bangalore and Mr.S.N. Ladhani group at Golflinks Software Park, Challaghatta, near Intermediate Ring Road between Indiranagar and Koramangala, Bangalore towards construction of an Apartment Hotel. Construction advances have to be made to M/s.Golflinks Software Park (Pvt) Ltd., Bangalore from time to time. The Company has entered into an agreement with M/s.Golflinks Software Park (Private) Ltd., and

Mr.S.N. Ladhani, according to which the Apartment Hotel building will be constructed by M/s. Golflinks Software Park (Private) Ltd., Bangalore. M/s. Mac Charles (India) Ltd., will take care of managing the Apartment Hotel and Mr. S.N. Ladhani to be in charge of Finance and Audit of the Hotel Operations. The total project construction of the Apartment Hotel is expected about Rs.180 crores and 1/3 share of the same comes to Rs.60 crores which is being invested by the Company.

With a view to comply with the provisions of Section 372A of the Companies Act, 1956, these resolutions under consideration have been proposed. None of the Directors of the Company is concerned or interested in these resolutions. The directors recommend the resolutions for adoption.

ITEM No. 11

The Company has considered an investment opportunity in land development or investing in commercial space or joint development for which construction advances have to be made from time to time in order to take advantage of growing investment opportunities in Bangalore. The Company would like to avail the opportunities in the said investments. The aggregate of the existing investment together with proposed investment will exceed the percentages mentioned in Section 372A of the Companies Act, 1956.

With a view to comply with the provisions of Section 372A of the Companies Act, 1956, these Resolutions under consideration have been proposed. None of the Directors of the Company is concerned or interested in these Resolutions. The directors recommend the resolutions for adoption.

ITEM NO. 12

The Company has considered an investment opportunity in a newly constructed mini Hotel property in a shopping complex at Ahmedabad by acquiring or taking it on lease or Management Contract which is recently constructed by M/s. Phase Holdings Ltd., Ahmedabad. As the Hotel business in Ahmedabad is picking up, this is a good investment opportunity to synchronize marketing, operational and financial benefits to the Company. In view of the said investment opportunity, the Board of Directors have proposed these resolutions in the best interest of the Company. The aggregate of the existing investment together with proposed investment will exceed the percentages mentioned in Section 372A of the Companies Act, 1956.

With a view to comply with the provisions of Section 372A or other applicable provisions, if any of the Companies Act, 1956, these resolutions under consideration have been proposed. None of the Directors of the Company is concerned or interested in these Resolutions. The Directors recommend the resolutions for adoption.

MAC CHARLES (INDIA) LIMITED**DIRECTORS' REPORT TO THE MEMBERS**

Your Directors have pleasure in presenting the 24th Annual Report of the Company together with the Audited Statement of Accounts for the year ended 31 March 2004

FINANCIAL RESULTS

In Rupees

Sales Turnover	397,231,779
Other Income	73,050,273
Expenditure	257,681,668
Provision for Diminution in Value of Investment	64,930,000
Foreign Exchange Earnings Reserve	21,000,000
Provision for Taxation	57,808,106
Profit for the year	66,943,172
Profit brought forward from previous year	26,454,208
Dividend including Corporate Dividend Tax	33,254,155
Transfer to General Reserve	30,000,000
Profit transferred to Balance Sheet	30,143,225

HOTEL OPERATIONS

The strong economic growth in general coupled with the IT and BPO boom in Bangalore helped the Hotels to attain high room occupancy and better average room rates. The sales turnover has increased considerably and the profit after tax has increased to Rs.66,943,172/-. At the same time, the Hotel renovation especially the Hotel building exterior has been done substantially to stand in the evergrowing competition scenario.

FUTURE PROSPECTS

During the current financial year, the hotel business has been further improving and good working results are likely to be achieved barring unforeseen events.

FINANCE

During the year under report, the financial position of the Company has been further consolidated with significantly improved reserves and surplus.

DIVIDEND

The Board of Directors have recommended a dividend of Rs.4.50 per share on share capital of Rs.6.55 crores divided into 65,50,526 equity shares of Rs.10/- each. The dividend, if approved at the ensuing Annual General Meeting, will be paid to those shareholders whose names appear in the Register of Members as on 13th September 2004.

DIRECTORS' RESPONSIBILITY STATEMENT

The Board of Directors of the Company confirms:

- Applicable accounting standards have been followed in the preparation of annual accounts. Material departures therefrom, if any, are properly explained in the notes on accounts.
- The Board of Directors has 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 of the Company for the period.

- The Board has taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safe-guarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- The Annual Accounts have been prepared for the financial year ended March 31' 2004 on a going concern basis.

FOREIGN EXCHANGE EARNINGS

Foreign Exchange Earnings during the year were Rs.2687 lacs which is 68% of the Hotel Sales Turnover. The Foreign Exchange utilisation during the year was Rs.373 lacs.

SUBSIDIARY COMPANIES

During the year under review, your Company has dis-invested in the shares at a profit in M/s. Vaswani Properties Private Limited and M/s. Vaswani Investments and Holdings Private Limited.

DUES TO SMALL SCALE UNDERTAKINGS

There are no dues payable to small scale undertakings.

CORPORATE GOVERNANCE

Members are aware that the Corporate Governance code has become a statutory requirement as per listing guidelines framed by the Stock Exchanges. Members will be happy to know that their Company is complying with the stipulations of the new code as on date. In line with this requirement of the code, a Corporate Governance Report and a Management Discussion and Analysis Report of the Company is furnished elsewhere in this Annual Report.

ENERGY CONSERVATION

Conservation of energy continues to be on top priority of the management. The following energy conservation measures have been taken:

- an effective key-tag system is in vogue in all guest rooms to switch off lights & power connections automatically.
- substantially switched over to PL lamps from conventional lamps with a view to saving energy upto 60% on lighting.
- installed solar panels which are feeding hot water required for the guest rooms.
- imported and installed three highly fuel efficient screw chillers for our AC plant.
- replaced windows with double glazed reflective glass which is supposed to save 10% power on AC consumption.
- installed two on load tap charger transformers for stabilising voltage fluctuations and thereby to save power and prevent damage to electric motors and other installations.
- thermostatic Controls, Timers and Photo Cell Switches have been installed wherever necessary to control power consumption.
- imported and installed two temperature control system to reduce power consumption.
- constituted an energy conservation committee to monitor power consumption regularly.

TECHNOLOGY ABSORPTION

In the opinion of the Board, the required particulars, pertaining to *technology absorption in terms of Rule 2 of the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988* are not applicable as a hotel forms part of the service industry and the Company does not have any significant manufacturing operations. However, the management has been adopting the latest technology like interactive TV systems, high speed internet installed in all the guest rooms, latest high speed computers, modern guest amenities, best audio-video equipment, newest model transport vehicles for complimentary transport of hotel guests, video conferencing facility and various latest hotel operational equipments. Further the Hotel has been conforming to the Le Meridien's International Standards.

PARTICULARS OF EMPLOYEES

Information under section 217(2A) of the Companies Act, 1956, read with Companies (particulars of employees) Rules, 1975, is not applicable.

EMPLOYEES

The wage settlement agreement is expiring on 31.03.2005. A fresh wage settlement agreement for three years is to be initiated after 31.03.2005. The relationship with employees has been cordial. The total number of persons employed by the Company is 358 as at 31 March 2004.

DIRECTORS

Out of the present Directors, Mr. B.N. Garudachar and Miss. Sangeeta C. Pardhanani will retire by rotation at the 24th Annual General Meeting and being eligible offer themselves for re-appointment.

AUDIT COMMITTEE

The Audit Committee comprising of Mr. C.B. Pardhanani, Mr. J. Matthan, Mr. B.N. Garudachar and Mr. P.B. Appiah all Directors of the Company with Mr. J. Matthan as the Chairman, undertook in consultation with the Internal and Statutory Auditors:

(a) To review the adequacy of the internal control system and internal Audit Reports and their compliance thereof: (b) To oversee the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible: and (c) To review with the management, the financial statements before submission to the Board.

AUDITORS' REPORT

The Auditor's observations are explained suitably in the respective notes on accounts.

AUDITORS' REPORT ON CORPORATE GOVERNANCE

As required by Clause 49 of the Listing Agreement, the Auditor's Certificate is given as an annexure to Directors Report.

AUDITORS

M/s. K.B. Nambiar & Associates, Chartered Accountants, retire at the forthcoming Annual General Meeting and being eligible offer themselves for re-appointment.

INTERNAL AUDITORS

M/s. B.P. Rao & Company, Internal Auditors have been conducting quarterly audits of all operations of the Company and their findings have been reviewed regularly by the Audit Committee. Your Directors note with satisfaction that no material deviations from the prescribed policy and procedures have been observed.

FUND

"Investors Education & Protection Fund in terms of Section 205C of the Companies Act, 1956 – There is no amount to be credited to the fund as on date. As such the question of remitting any amount to the Investors Education & Protection Fund does not arise".

ACKNOWLEDGEMENTS

The Directors are grateful to the Shareholders for their support, patience and co-operation extended to the Company for many years. The Directors also thank the Banks namely State Bank of India and State Bank of Mysore for their co-operation and support. The Directors wish to place on record the support and encouragement received from the Department of Tourism, Government of India, Karnataka State Government and Foreign collaborators M/s. Le Meridien. The Directors also acknowledge the dedicated services rendered by the officers and all the staff of the Company.

For and on behalf of the Board

Bangalore
16 August 2004

C.B. Pardhanani
Chairman

MAC CHARLES (INDIA) LIMITED**REPORT OF THE AUDITORS TO THE MEMBERS**

We have audited the attached Balance Sheet of **MESSRS. MAC CHARLES (INDIA) LIMITED** as at 31 March 2004 and also the Profit and Loss Account and Cash Flow Statement for the year ended on that date annexed thereto. 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 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 financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides reasonable basis for our opinion.

As required by the Companies (Auditor's Report) Order, 2003, issued by the Central Government in terms of sub-section (4A) of section 227 of the Companies Act, 1956, 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, subject to Note No.18 of Schedule – 19 – Notes on Accounts – regarding non-confirmation of balances;
- (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 and Profit and Loss Account dealt with by this report are in agreement with the books of account;
- (iv) In our opinion, the Balance Sheet and the Profit and Loss Account dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956, except that interest due to holding Company has not been provided for (Refer Note No.3 of Schedule – 19 – Notes on Accounts);
- (v) On the basis of written representation received from the Directors, as on 31 March 2004 and taken on record by the Board

of Directors, we report that none of the Directors is disqualified as on 31 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;

- (vi) In our opinion, and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956 in the manner so required subject to:
 - (1) Note No.3 of Schedule – 19 – Notes on Accounts – regarding non-provision of interest on share application money amounting to Rs.1,71,92,792/-. Had the interest been provided in the previous years, reserves and surplus would have been lower by Rs.1,71,92,792/- and the current liabilities would have been higher by Rs.1,71,92,792/-.
 - (2) Note No.4 of Schedule – 19 – Notes on Accounts, in the absence of valuation reports as on 31-03-2004 we are unable to express an opinion regarding provision for diminution in value of investment in M/s. Bramha Bazaz Hotels Limited for the year.
 - (3) Commission to a Director Rs.21,39,194/- is not approved by the Shareholders, in terms of Section 309 of the Companies Act, 1956.
 - (4) Note No.10 of Schedule – 19 – Notes on Accounts – regarding foreign exchange encashments which do not represent the income of the Company, having been included under "Earnings in Foreign Exchange":

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 31 March 2004;
 - (b) in the case of the Profit and Loss Account, of the PROFIT for the year ended on that date; and
 - (c) in the case of Cash Flow Statement, of the Cash Flow for the year ended on that date.

For **K.B. Nambiar & Associates**
Chartered Accountants

Bangalore
16 August 2004

K.B. Nambiar
- Partner

ANNEXURE TO THE AUDITORS' REPORT

- (i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) The fixed assets have been physically verified by the management during the year and no material discrepancies were noticed during such verification.
- (c) Fixed Assets disposed off during the year were not substantial.
- (ii) (a) We are informed that physical verification has been conducted by the management at reasonable intervals in respect of provisions, food supplies and beverages, crockery, cutlery, glassware, other stores and operational supplies.
- (b) In our opinion, the procedure, as informed to us, of physical verification of stocks followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) The Company is maintaining proper records of inventory. The discrepancies noticed on physical verification of stocks as compared to book records are not material and have been properly dealt with in the books of account.
- (iii) The Company has neither taken nor granted any loans, secured or unsecured to/from Companies, Firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956.
- (iv) In our opinion, there is adequate internal control procedures commensurate with the size of the Company and the nature of its business for the purchase of inventory, fixed assets and for the sale of goods. No major weaknesses in internal control were noticed during the year.
- (v) (a) To the best of our knowledge and belief and according to the information and explanations given to us, the transaction that need to be entered in the Register maintained under Section 301 of the Companies Act, 1956, has been entered.
- (b) The Company has transferred its investments in shares of M/s. Vaswani Properties Private Limited of Rs.3,47,33,604/- and M/s. Vaswani Investments and Holdings Private Limited of Rs.1,92,96,446/- to a Director of the Company for a sum of Rs.3,60,00,000/- and Rs.2,00,00,000/- respectively. Since these investments are not quoted in the market, we are unable to express our opinion on the reasonableness of such transaction with regard to the prevailing market price.
- (vi) The Company has not accepted deposits to which the directives issued by Reserve Bank of India and provisions of Section 58A & 58AA of the Companies Act, 1956 and the rules framed thereunder apply.
- (vii) The Company has an internal audit system commensurate with its size and nature of its business.
- (viii) The Central Government has not prescribed maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956, for the Company.
- (ix) (a) According to the records of the Company and the information and explanations given to us, the Company is regular in depositing undisputed statutory dues including Provident Fund, Investors' Education and Protection Fund, Employees State Insurance, Income Tax, Sales Tax, Wealth Tax, Customs Duty, Excise Duty, Cess and any other statutory dues with the appropriate authorities during the year.
- (b) To the best of our knowledge and belief and according to the information and explanations given to us, there are no disputed statutory dues in the case of Sales Tax, Income Tax, Customs Tax, Wealth Tax, Excise Duty and Cess.
- (x) The Company has neither accumulated losses as at 31 March 2004 nor it has incurred any cash losses during the financial year ended on that date or in the immediately preceding financial year.
- (xi) The Company has not defaulted in repayment of dues to a financial institution or bank.
- (xii) According to the information and explanations given to us, the Company has not granted loans and advances on the basis of security, by way of pledge of shares, debentures and other securities.
- (xiii) The provisions of any special statute as specified under clause (xiii) of paragraph 4 of the Order are not applicable to the Company.
- (xiv) In our opinion and according to the information and explanations, given to us, the Company is not a dealer or trader in securities.
- (xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from bank or financial institutions.
- (xvi) The Company has not taken any term loans during the year.
- (xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that no funds raised on short term basis have been used for long term investments by the Company. The Company has not raised any long term funds during the year.
- (xviii) The Company has not made any preferential allotment of shares during the year.
- (xix) The Company has not issued any debentures during the year.
- (xx) The Company has not raised money by public issue during the year.
- (xxi) According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the year.

For K.B. Nambiar & Associates
Chartered Accountants

Bangalore
16 August 2004

K.B. Nambiar
Partner