

REPORT OF THE DIRECTORS & MANAGEMENT DISCUSSION AND ANALYSIS

for the financial year ended 31st March, 2004

Your Directors submit their Report for the financial year ended 31st March, 2004.

FINANCIAL PERFORMANCE

Buoyancy in foreign arrivals flowing from smart economic growth enabled the hotels and tourism industry in India post robust growth in 2003-04. Foreign tourist arrivals grew in 2003 by 15.3% and Foreign Exchange earnings for the country crossed Rs.17,000 crores, representing a growth of 23.3%. The recovery of the travel and tourism industry in India during 2003 continued during the first three months of 2004, with foreign tourist inflows growing by 20%. ITC-Welcomgroup, with its world-class hoteliering capability and strong positioning in chosen consumer segments consolidated its leadership in the locations where present.

Favourable market conditions, together with competitively superior product and service offerings, enabled your Company earn Gross Income of Rs.168.72 crores for the year ended 31st March, 2004, representing a growth of 22% compared to the previous year. Profit before tax grew substantially to Rs.27.83 crores (previous year - Rs.1.44 crores). Your Company posted a Profit after Tax of Rs.20.16 crores for the year ended 31st March, 2004 against Rs.0.57 crores in the previous year. During the year under review, your Company earned foreign exchange of Rs.72.17 crores and utilized foreign exchange of Rs.6.50 crores.

In view of the improved results and the positive outlook for the near and the long term, your Directors are pleased to recommend a dividend of Rs.2/- (previous year - Nil) per equity share for the year ended 31st March, 2004.

The ITC-Welcomgroup hotel chain's foreign exchange earnings for the year 2003-2004 amounted to Rs.265.21 crores comprising Rs.127.21 crores earned by the hotel properties of ITC Limited; Rs.72.17 crores earned by the hotels owned and licensed by ITC Hotels Limited and Rs.65.83 crores by the other properties of the chain.

INDUSTRY SCENARIO AND HOTEL OPERATIONS

According to a recent report of the World Travel and Tourism Council, India is set to become the world's second fastest growing travel economy in the coming decade, after Turkey. Similar outlook is also contained in acclaimed publications like the 'Conde Nast Traveller' and the 'Lonely Planet', which have declared India as one of the world's most favoured tourist destinations.

Realising the significance of the Tourism and Hotels sector in contributing to economic growth and to employment generation and foreign exchange earnings in particular, a number of policy level initiatives have been announced further to those contained in the Union Budget 2003 and the Exim policy thereafter. The Government has earmarked Rs.2,500 crores for setting up world-class convention centres. Apart from cheaper domestic air travel, an open sky policy for all ASEAN countries is being contemplated, supplemented with planned outlays towards upgradation of airport infrastructure. Earnings from incoming tourists is targeted at Rs.22,000 crores for 2004 – a growth of nearly 30%. Even at these levels, travel and tourism would constitute barely 2% of India's GDP, well below the world average of 10.7%.

Despite an overall slowdown in investment over the last few years, a recent study indicated that growth in hotel room supply roughly mirrored the growth in GDP. In line with this trend, even at conservative GDP growth assumptions, the current room supply of approximately 90,000 rooms would need to increase to at least 130,000 rooms by 2008 to service growth even at minimum levels. Your Company has always maintained that the hotels sector represents essential infrastructure for the growth of tourism, trade and commerce. Prospects of high rates of economic growth therefore present attractive growth opportunities in the accommodation sector.

Successful execution of your parent company's ambitious investment programme over the last seven years enabled ITC-Welcomgroup regain its position as the fastest growing premium hotel chain in the country. The initial objective of completing the ITC-Welcomgroup chain in the super deluxe segment in all the six key locations has been accomplished. The ITC Grand Central is slated to open by end 2004. Peaking at a height of 127 meters, this super deluxe hotel will be one of the tallest hotels in India. Investments also continue to be directed by your Company at providing enhanced value addition to guests and at keeping properties contemporary through renovation and refurbishment.

A major source of competitive advantage for ITC-Welcomgroup is the chain's Food and Beverage excellence expressed through trusted brands enjoying enviable consumer franchise : Bukhara, Peshawri, DumPukht, Dakshin and PanAsian. Your Company's unwavering commitment to excellence spanning cuisine, accommodation, safety and security is manifest across 55 properties in 43 locations. Your Company's superior service and product offering continue to render your hotels the preferred destination of several world leaders including the Prime Ministers of Hungary, Brazil, Switzerland and Mauritius, the US Secretary of State Mr. Colin Powell, Ms. Madelene Albright and Ms. Benazir Bhutto.

Your Company also seeks to capture the attractive growth opportunities arising from the increase in budget travel. Towards this end, your Company

supported the growth strategy of its subsidiary Fortune Park Hotels in adding three Fortune Park hotels in Gurgaon, Chennai and Vijayawada. These mid-market hotels are expected to commence operations by end of 2004, thereby enhancing presence in this segment to 1515 rooms across 18 locations.

The service edge of your Company, together with its parent's financial resources and land bank in future growth markets like Bangalore and Chennai, represent formidable assets that strengthen your Company's capability in addressing growth challenges. Your Company is therefore well positioned to sustain leadership in this infrastructure industry, the growth of which is one of the best indicators of the nation's economic progress.

AWARDS, RECOGNITION AND ACCREDITATIONS

In a tribute to the globally benchmarked standards of operations in the ITC-Welcomgroup chain, ITC Hotel Sonar Bangla Sheraton & Towers in Kolkata was declared one of the Best Hotels of the World by ABTA Travelspirit (Association of British Travel Agents).

The commitment to consistent high quality standards continues to earn worldwide accolades. The world famous Bukhara restaurant was once again voted the 'Best Indian Eatery' by the internationally renowned 'Restaurant' magazine. Dublin, the Irish pub at ITC Hotel Maurya Sheraton & Towers in Delhi has been adjudged one of World's best 25 bars by ABTA Travelspirit.

Your Company continues to contribute towards sustainable development through a host of initiatives in the areas of environment preservation, water and energy conservation and safety. Eight hotels in the chain are currently accredited with ISO 14001 certification for Environment Management Systems. ITC Hotel Maurya Sheraton & Towers, New Delhi won the Gold category Greentech Foundation Safety Award. ITC Hotel Windsor Sheraton & Towers, Bangalore won the Golden Peacock Environment award for the Year 2003-04. WelcomHotel Mughal Sheraton and WelcomHotel Rajputana Palace Sheraton won Greentech Foundation Environment Awards. ITC Hotel Grand Maratha Sheraton & Towers, Mumbai won the 5 Star rating of the British Safety Council.

SUBSIDIARY COMPANIES

a) Srinivasa Resorts Limited

During the year 2003-04, ITC Hotel Kakatiya Sheraton and Towers maintained its leadership position in Hyderabad with a turnover of Rs.43.16 crores (previous year - Rs.35.27 crores) and a profit before tax of Rs.13.04 crores (previous year - Rs.7.19 crores). Net profit stood at Rs.8.31 crores (previous year - Rs.3.94 crores) after providing for income tax of Rs.4.73 crores (previous year - Rs.3.25 crores). The Board of Directors of the Company recommended a dividend of Re.1.00 per equity share for the year ended 31st March, 2004.

b) Fortune Park Hotels Limited

During the year 2003-04, the Company registered a turnover of Rs.236.50 lacs (previous year - Rs.149.96 lacs) and a net profit of Rs.47.19 lacs (previous year - Rs.15.61 lacs) after providing for income tax of Rs.26.37 lacs (previous year - Rs.9.92 lacs). The Board of Directors of the Company recommended a dividend of Re.1.00 per equity share for the year ended 31st March, 2004. The Company, which caters to the mid market segment, manages thirteen operating hotels. Five more hotels are currently in various stages of development.

c) Bay Islands Hotels Limited

During the year 2003-04, the Company earned an income of Rs.46.10 lacs (previous year - Rs.36.73 lacs) and a net profit of Rs.23.91 lacs (previous year - Rs.19.50 lacs) after providing for income tax of Rs.17.13 lacs (previous year - Rs.12.18 lacs). The Board of Directors of the Company recommended a maiden dividend of Rs.20.00 per equity share of Rs.100/- each for the year ended 31st March, 2004.

MAHARAJA HERITAGE RESORTS LIMITED

Maharaja Heritage Resorts Limited, a joint venture with Marudhar Hotels Private Limited currently has 31 properties operating under the "WelcomHeritage" brand. During the year under review, the Company has increased its paid-up share capital from Rs.10 lacs to Rs.1.80 crores.

ANSAL HOTELS LIMITED

Your Company holds 48% equity in Ansal Hotels Limited which owns the Marriott WelcomHotel at Saket, New Delhi, managed by your Company under an Operating Services Agreement. During the year under review, the hotel's Income increased by 24% to Rs.36.76 crores. The Company is in receipt of approval from the Company Law Board for issuance of equity shares of Rs.10/- each at a discount of 35% per share, as fully paid-up to ITC Limited by way of conversion of ITC's outstanding loan as at 31st May, 2004 amounting to Rs.164.43 crores. Accordingly 25,29,65,339 equity shares of Rs.10/- each will be issued and allotted to ITC Limited subject to the approval of its members. Consequently, the equity holding of your Company would reduce to 9% in Ansal Hotels Limited.

HUMAN RESOURCE DEVELOPMENT

Your Company continues to invest in the upgradation of the quality of human resource, which makes the decisive difference in this service industry. ITC-Welcomgroup's recruitment and training programmes are recognised as benchmarks in the industry.

Your Company continued its focus on "quality of life" for its employees at all locations, particularly through the creation of quality accommodation. The housing project at Upper Worli in Mumbai has been completed, and similar initiatives are in progress at Kolkata, Agra and Jaipur.

Industrial Relations throughout the chain continued to remain cordial. During the year four Long Term Agreements were successfully concluded with employee unions at various locations. Your Company's total manpower strength currently stands at 4100.

CONSERVATION OF ENERGY

The thrust on energy conservation continues resulting in substantial savings in the cost of electrical energy.

SECURITIES

Your Company's securities are listed with The Delhi Stock Exchange Association Limited, New Delhi, The Stock Exchange, Mumbai, The Calcutta Stock Exchange Association Limited, Kolkata and The National Stock Exchange of India Limited, Mumbai. The Company is regular in paying the listing fees. The addresses of the said Stock Exchanges are stated elsewhere in this Annual Report.

DIRECTORS

Mr. S.S.H.Rehman stepped down as Director and Managing Director of the Company on 30th July, 2003. The Board of Directors at their meeting held on 30th July, 2003 appointed Mr. Nakul Anand, Executive Director and Chief Operating Officer, as the Managing Director of the Company for a period of three years effective 30th July, 2003. The Board of Directors at the said meeting appointed Mr. Rehman as an Additional Non-Executive Director of the Company. By virtue of the provisions of Section 260 of the Companies Act, 1956 read with Article 130 of the Articles of Association of the Company, Mr. Rehman will vacate office at the forthcoming Annual General Meeting. Notice has been received from a Member of the Company under Section 257 of the Companies Act, 1956 for appointment of Mr. Rehman as Director. Mr. S.S.H.Rehman has filed his consent to act as Director of the Company, if appointed. Appropriate resolutions seeking your approval for the appointment of Mr. S.S.H.Rehman and Mr. Nakul Anand are included in the notice convening the 31st Annual General Meeting of the Company.

The Board of Directors at their meeting held on 14th May, 2004 re-appointed Mr. S.C. Sekhar as a Wholetime Director of the Company effective 28th March, 2004 for a further period of three years. An appropriate resolution

seeking your approval for the re-appointment of Mr. S.C. Sekhar is included in the notice convening the 31st Annual General Meeting.

In accordance with the provisions of Article 143 of the Articles of Association of the Company, M/s. Y.C. Deveshwar, Nakul Anand and S.C. Sekhar will retire by rotation at the forthcoming Annual General Meeting, and being eligible, offer themselves for re-appointment.

AUDITORS

The Auditors of your Company, Messrs. Lovelock & Lewes, will retire at the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment.

OTHER INFORMATION

Particulars of employees required to be disclosed in accordance with the provisions of Section 217(2A) of the Companies Act, 1956 and the certificate of the Auditors, Messrs. Lovelock & Lewes confirming compliance of conditions of Corporate Governance as stipulated under Clause 49 of the Listing Agreement, are annexed to this Report.

The Audit Committee of the Company reviewed the financial statements for the year under review at its meeting held on 14th May, 2004 and recommended the same for the approval of the Board of Directors.

RESPONSIBILITY STATEMENT

In terms of Section 217(2AA) of the Companies Act, 1956, your Directors state that :

a) in the preparation of annual accounts under review the applicable accounting standards had been followed b) appropriate accounting policies were selected and applied consistently and reasonable and prudent judgements and estimates were made so as to give a true and fair view of the state of affairs of the Company at the end of the financial year under review and of the profit or loss of the Company for that period. c) proper and sufficient care was taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities. d) the annual accounts are prepared on a going concern basis. The required disclosures and the significant accounting policies followed are set out in Schedules 21 and 22 respectively, to the annual accounts.

CONCLUSION

Your Company believes that the long term prospects for the travel and tourism industry in India are attractive. Your Directors look forward to the future with confidence.

On behalf of the Board

Kolkata, 14th May, 2004

Nakul Anand *Managing Director*
K. Vaidyanath *Director*

ANNEXURES TO THE REPORT OF THE DIRECTORS

For the Financial Year Ended 31st March, 2004

Particulars of Employees under Section 217(2A) of the Companies Act, 1956 and forming part of the Report of the Directors

Name	Age	Designation/ Nature of Duties	Gross Remuneration [Rs.]	Qualifications	Experience (Years)	Date of Commencement of Employment	Previous Employment/ Position Held
Employed throughout the year and in receipt of remuneration aggregating Rs. 24,00,000/- or more							
Anand Nakul	47	Managing Director	39,51,266	B.A. (Hons.)	25	01.04.94	ITC LTD. - Hotels Division
Abouzaki Sam	62	Manager - Lebanese Restaurant - ITC Hotel Maurya Sheraton	45,20,555	High School, Lebanon	34	20.12.01	Maroush Restaurants
Bhandari Ranvir	42	General Manager - ITC Hotel Sonar Bangla Sheraton	24,45,035	B.Com. (Hons.), Diploma in Hotel Management	18	01.04.02	General Manager, Oberoi Grand
Cropp Mathew	35	Executive Chef - ITC Hotel Sonar Bangla Sheraton	59,08,439	Commercial Cookery Trade Course, Pastry Cooking Trade Course	12	14.08.00	Executive Chef, Shangri La Hotel, Bangkok
Chandrasekhar S.	51	Executive Director - Projects, Development & Investments	29,96,615	B.Sc., F.C.A.	27	01.04.94	ITC LTD. - Hotels Division
Marchetti Bill	50	Executive Chef - Italian Cuisine - ITC Hotel Maurya Sheraton	54,24,251	Specialisation in Italian Cuisine	34	25.09.01	Marchetti's Latin Restaurant
Fonseka Nalin	40	Executive Pastry Chef - ITC Hotel Maurya Sheraton	40,21,100	Diploma in Hotel Management, Diploma in Sugarcraft	22	15.06.02	Pastry Chef, Sun International Resorts, Mauritius
Quing Liang Xiao	42	Chinese Chef - ITC Hotel Grand Maratha Sheraton	39,30,818	Chinese Cooking, Cooking School of Beijing Tourism	21	16.04.99	The Great Wall Sheraton
Employed for a part of the year and in receipt of remuneration aggregating Rs. 2,00,000/- or more per month							
Anantram A.	58	Vice President - South	11,62,388	M.B.A., M.Sc. (Tourism) Scottish Hotels School, U.K.	34	01.04.94	ITC LTD. - Hotels Division
Bhattacharya S	58	Project Manager - ITC Hotel Sonar Bangla Sheraton	3,32,608	B.Tech.	31	01.04.94	ITC LTD. - Hotels Division
Datta V S	58	Vice President - North & G M - Marriott WelcomHotel	10,90,042	Diploma in Hotel Management & Catering Technology, C.H.A.	35	01.04.94	ITC LTD. - Hotels Division
Bryan Timothy	52	Beverage Manager - ITC Hotel Maurya Sheraton	17,30,109	GCE (O Levels)	35	05.10.01	Palm Beach Casino, London

Notes : 1. Gross remuneration comprises salary, allowances, bonus, cost / value of perquisites, Company's contribution to provident, pension and gratuity funds and performance bonus for Wholetime Directors.

2. All appointments are/were contractual, other terms and conditions are as per Company's Rules.

3. None of the employees is/was a relative of any Director of the Company.

Kolkata, 14th May, 2004

On behalf of the Board
Nakul Anand *Managing Director*
K. Vaidyanath *Director*

ANNEXURES TO THE REPORT OF THE DIRECTORS (Contd.)

AUDITOR'S CERTIFICATE ON COMPLIANCE WITH THE CONDITIONS OF CORPORATE GOVERNANCE UNDER CLAUSE 49 OF THE LISTING AGREEMENT

To the Members of
ITC Hotels Limited

- We have reviewed the implementation of Corporate Governance procedures by ITC Hotels Limited (the Company) during the year ended March 31, 2004, with the relevant records and documents maintained by the Company, furnished to us for our review and the report on Corporate Governance as approved by the Board of Directors.
- The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company. We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.
- On the basis of our review and according to the information and explanations given to us, the conditions of Corporate Governance as stipulated in Clause 49 of the listing agreement with the Stock Exchanges have been complied with in all material respect by the Company.
- As required by the Guidance Note issued by the Institute of Chartered Accountants of India, we state that no investor grievances were pending exceeding a period of one month as at March 31, 2004, as per the records maintained by the Shareholders / Investor Grievance Committee.

Kaushik Dutta
Partner
Membership No. F88540
For and on behalf of
LOVELOCK & LEWES
Chartered Accountants

Kolkata, 14th May, 2004

REPORT OF THE AUDITORS TO THE MEMBERS

- We have audited the attached Balance Sheet of ITC Hotels Limited, as at March 31, 2004, and the related Profit and Loss Account and Cash Flow Statement for the year ended on that date annexed thereto, which we have signed under reference to this report. 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 have conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
- As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of Section 227 of 'The Companies Act, 1956' of India (the 'Act') and on the basis of such checks of the books and records of the company as we considered appropriate and according to the information and explanations given to us, we further report that :
 - (a) The company is maintaining proper records showing full particulars including quantitative details and situation of fixed assets.
 - (b) The fixed assets of the company have been physically verified by the management during the year and no material discrepancies between the book records and the physical inventory have been noticed. In our opinion, the frequency of verification is reasonable.
 - (c) In our opinion and according to the information and explanations given to us, a substantial part of fixed assets has not been disposed of by the company during the year.
 - (ii) (a) The inventory has been physically verified by the management during the year. In our opinion, the frequency of verification is reasonable.
 - (b) In our opinion, the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
 - (c) On the basis of our examination of the inventory records, in our opinion, the company is maintaining proper records of inventory. The discrepancies noticed on physical verification of inventory as compared to book records were not material.
 - (iii) The Company has neither granted nor taken any loans, secured or unsecured, to/from companies, firms or other parties covered in the register maintained under Section 301 of the Act.
 - (iv) In our opinion, there are 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. Further, on the basis of our examination of the books and records of the company, and according to the information and explanations given to us, we have neither come across nor have been informed of any major weaknesses in the aforesaid internal control procedures.
 - (v) (a) In our opinion and according to the information and explanations given to us, the transactions that need to be entered into the register in pursuance to Section 301 of the Act, have been so entered.
 - (b) In our opinion and according to the information and explanations given to us, there are no transactions made in pursuance of contracts or arrangements entered into the register in pursuance of Section 301 of the Act exceeding the value of Rupees Five Lakhs in respect of any party during the year.
 - (vi) The company has not accepted any deposits from the public within the meaning of Sections 58A and 58AA of the Act and the rules framed thereunder.
 - (vii) In our opinion, the company has an internal audit system commensurate

with its size and nature of its business.

- (viii) The Central Government of India has not prescribed the maintenance of cost records under clause (d) of sub-section (1) of Section 209 of the Act for any of the products of the company.
- (ix) (a) According to the information and explanations given to us and the records of the company examined by us, in our opinion, the company is generally regular in depositing the undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth tax, customs duty, excise duty, cess and other material statutory dues, as applicable, with the appropriate authorities.
- (b) According to the information and explanations given to us and the records of the company examined by us, the particulars of dues of income-tax which have not been deposited on account of a dispute [without considering cases wherein the disputed dues have been paid under protest and net of demands raised which have been adjusted by the appropriate authorities against the refund of some other year(s) due to the Company], are as follows :-

Name of the statute	Nature of dues	Amount (Rs.)	Period to which the amount relates	Forum where the dispute is pending
Income Tax Act, 1961	Income tax and interest thereon	24,78,369	Assessment Year 1991-92	Joint Commissioner of Income Tax
Income Tax Act, 1961	Income tax and interest thereon	17,63,57,783	Assessment Year 1995-96	Commissioner of Income-Tax (Appeals). Also refer Note (ii) (a) of Schedule 21-Notes to the Accounts.

- (x) The company has no accumulated losses as at March 31, 2004 and it has not incurred any cash losses in the financial year ended on that date or in the immediately preceding financial year.
- (xi) According to the records of the company examined by us and the information and explanations given to us, the company has not defaulted in repayment of dues to any financial institution or bank or debenture holders as at the balance sheet date.
- (xii) The Company is in the process of obtaining a pledge in their favour in respect of a loan granted on the basis of security by way of pledge of shares.
- (xiii) The provisions of any special statute applicable to chit fund / nidhi / mutual benefit fund / societies are not applicable to the company.
- (xiv) In our opinion, the company is not a dealer or trader in shares, securities, debentures and other investments.
- (xv) In our opinion, and according to the information and explanations given to us, the company has not given any guarantee for loans taken by others from banks or financial institutions during the year.
- (xvi) In our opinion, and according to the information and explanations given to us, in our opinion on an overall basis, the term loans have been applied for the purposes for which they were obtained.
- (xvii) On the basis of an overall examination of the balance sheet of the company, in our opinion and according to the information and explanations given to us, there are no funds raised on a short-term basis which have been used for long-term investment, and vice versa.
- (xviii) The company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Act during the year.

- (xix) The company has not issued any debentures which have remained outstanding at the year end.
- (xx) The company has not raised any money by public issues during the year.
- (xxi) During the course of our examination of the books and records of the company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the company, noticed or reported during the year, nor have we been informed of such case by the management.
4. Further to our comments in paragraph 3 above, we report that :
- (a) 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;
- (b) 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;
- (c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
- (d) In our opinion, the Balance Sheet, Profit and Loss Account, Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Act;
- (e) On the basis of written representations received from the directors, as on March 31, 2004 and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2004 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act;
- (f) In our opinion and to the best of our information and according to the explanations given to us, the said financial statements together with the notes thereon and attached thereto give in the prescribed manner the information required by the Act and give a true and fair view in conformity with the accounting principles generally accepted in India :
- (i) in the case of the Balance Sheet, of the state of affairs of the company as at March 31, 2004;
- (ii) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
- (iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Kaushik Dutta
Partner
Membership No. F88540
For and on behalf of
LOVELOCK & LEWES
Chartered Accountants

Kolkata, 14th May, 2004

BALANCE SHEET AS AT 31ST MARCH, 2004

	Schedule	(Rs.)	31st March, 2004 (Rs.)	(Rs.)	31st March, 2003 (Rs.)
I. SOURCES OF FUNDS					
1. Shareholders' Funds					
a) Capital	1	30,21,00,420		30,21,00,420	
b) Reserves and Surplus	2	<u>1,94,21,64,704</u>	<u>2,24,42,65,124</u>	<u>1,80,87,80,121</u>	2,11,08,80,541
2. Loan Funds					
a) Secured Loans	3	7,54,370		13,15,518	
b) Unsecured Loans	4	—	<u>7,54,370</u>	<u>22,50,00,000</u>	22,63,15,518
3. Deferred Tax Liability - Net					
	5		<u>23,61,85,530</u>		19,87,74,930
Total			<u>2,48,12,05,024</u>		<u>2,53,59,70,989</u>
II. APPLICATION OF FUNDS					
1. Fixed Assets					
a) Gross Block	6	2,06,40,39,134		2,02,71,66,058	
b) Less: Depreciation		<u>71,17,41,343</u>		<u>65,56,84,512</u>	
c) Net Block		<u>1,35,22,97,791</u>		<u>1,37,14,81,546</u>	
d) Capital Work-in-Progress		<u>4,13,65,196</u>	<u>1,39,36,62,987</u>	<u>1,75,19,165</u>	1,38,90,00,711
2. Investments					
	7		<u>68,20,13,410</u>		67,35,21,410
3. Current Assets, Loans and Advances					
a) Inventories	8	1,86,72,510		2,44,13,763	
b) Sundry Debtors	9	12,05,19,581		10,05,71,944	
c) Cash and Bank Balances	10	16,96,31,643		4,99,47,417	
d) Other Current Assets	11	25,48,41,057		25,97,97,158	
e) Loans and Advances	12	<u>30,22,32,104</u>		<u>33,88,82,359</u>	
		<u>86,58,96,895</u>		<u>77,36,12,641</u>	
Less :					
4. Current Liabilities and Provisions					
a) Liabilities	13	34,59,16,038		26,98,38,820	
b) Provisions	14	<u>11,44,52,230</u>		<u>3,03,24,953</u>	
		<u>46,03,68,268</u>		<u>30,01,63,773</u>	
Net Current Assets			<u>40,55,28,627</u>		<u>47,34,48,868</u>
Total			<u>2,48,12,05,024</u>		<u>2,53,59,70,989</u>
Notes to the Accounts	21				
Significant Accounting Policies	22				

The Schedules referred to above form an integral part of the Balance Sheet.

This is the Balance Sheet referred to in our Report of even date.

Kaushik Dutta
Partner
Membership No. F-88540
For and on behalf of
LOVELOCK & LEWES
Chartered Accountants
Kolkata, 14th May, 2004

On behalf of the Board
Managing Director
Director
Company Secretary &
Corporate Financial Controller

Nakul Anand
K. Vaidyanath
M. Riaz Ahmed

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2004

	Schedule	For the year ended 31st March, 2004 (Rs.)	For the year ended 31st March, 2003 (Rs.)
I. INCOME			
Gross Income from Operations		1,68,72,35,357	1,37,77,58,367
Less : Taxes		<u>10,98,13,410</u>	<u>16,05,70,750</u>
Net Income from Operations	15	1,57,74,21,947	1,21,71,87,617
Other Income	16	<u>2,96,21,187</u>	90,92,349
		<u>1,60,70,43,134</u>	<u>1,22,62,79,966</u>
II. EXPENDITURE			
Food, Beverage etc. Consumed	17	12,24,26,812	10,93,21,384
Operating and Administrative Expenses	18	1,09,78,64,434	99,91,25,344
Depreciation		<u>10,84,12,025</u>	<u>10,34,42,105</u>
		<u>1,32,87,03,271</u>	<u>1,21,18,88,833</u>
III. PROFIT			
Profit before Taxation		27,83,39,863	1,43,91,133
Provision for Taxation	19	7,67,79,320	86,85,351
Profit after Taxation		20,15,60,543	57,05,782
Profit brought Forward		<u>7,38,27,405</u>	<u>6,81,21,623</u>
		27,53,87,948	7,38,27,405
Transfer to Foreign Exchange Earnings Reserve		<u>(2,25,00,000)</u>	—
Available for Appropriation		<u>25,28,87,948</u>	<u>7,38,27,405</u>
IV. APPROPRIATIONS			
General Reserve		2,00,00,000	—
Proposed Dividend		6,04,32,984	—
Income Tax on Proposed Dividend		77,42,976	—
Profit Carried Forward		<u>16,47,11,988</u>	<u>7,38,27,405</u>
		<u>25,28,87,948</u>	<u>7,38,27,405</u>
Basic and Diluted Earnings Per Share (Rs.)	20	6.67	0.19
Notes to the Accounts	21		
Significant Accounting Policies	22		

The Schedules referred to above form an integral part of the Profit and Loss Account.

This is the Profit and Loss Account referred to in our Report of even date.

Kaushik Dutta
Partner
Membership No. F-88540
For and on behalf of
LOVELOCK & LEWES
Chartered Accountants
Kolkata, 14th May, 2004

Nakul Anand
K. Vaidyanath
M. Riaz Ahmed

On behalf of the Board
Managing Director
Director
Company Secretary &
Corporate Financial Controller

CASH FLOW STATEMENT

(Figures for the previous year have been rearranged to conform with the revised presentation)

	31st March, 2004		31st March, 2003	
	(Rs.)	(Rs.)	(Rs.)	(Rs.)
A. NET PROFIT/LOSS BEFORE TAX		27,83,39,863		1,43,91,133
ADJUSTMENTS FOR				
Depreciation	10,84,12,025		10,34,42,105	
Interest etc. (Net)	5,95,238		1,52,29,262	
Income from Investments	(1,68,30,478)		(60,000)	
Fixed Assets – Loss on Sale/Write off – Net	1,98,23,743		47,31,196	
Unrealised Loss on Exchange – Net	43,095		(1,27,577)	
Provision for doubtful debts written back	(6,93,286)	11,13,50,337	—	12,32,14,986
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES		38,96,90,200		13,76,06,119
ADJUSTMENTS FOR				
Trade and Other Receivables	(2,88,87,731)		(3,18,00,192)	
Inventories	57,41,253		61,09,316	
Trade Payables	9,44,06,011	7,12,59,533	(55,76,457)	(3,12,67,333)
CASH GENERATED FROM OPERATIONS		46,09,49,733		10,63,38,786
Income Tax Paid		(1,42,11,000)		(53,55,427)
NET CASH FROM OPERATING ACTIVITIES		44,67,38,733		10,09,83,359
B. CASH FLOW FROM INVESTING ACTIVITIES				
Purchase of Fixed Assets	(17,08,29,421)		(5,22,27,467)	
Sale of Fixed Assets	4,14,32,298		40,49,491	
Sale of Investments	8,000		—	
Income from Investments	1,68,30,478		60,000	
Interest Received	97,88,939		85,75,408	
Loans Realised	1,50,00,000		—	
NET CASH USED IN INVESTING ACTIVITIES		(8,77,69,706)		(3,95,42,568)
C. CASH FLOW FROM FINANCIAL ACTIVITIES				
Proceeds from Long Term / Other Borrowings	—		7,29,14,679	
Repayment of Long Term / Other Borrowings	(22,55,61,148)		(11,84,24,069)	
Interest etc. Paid	(1,30,88,301)		(2,59,49,301)	
Dividend Paid	(6,35,352)		(95,067)	
Income Tax on Dividend Paid	—		—	
NET CASH FLOW USED IN FINANCING ACTIVITIES		(23,92,84,801)		(7,15,53,758)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		11,96,84,226		(1,01,12,967)
OPENING CASH AND CASH EQUIVALENTS		4,99,47,417		6,00,60,384
CLOSING CASH AND CASH EQUIVALENTS		16,96,31,643		4,99,47,417
CASH AND CASH EQUIVALENTS COMPRISE :				
Cash and Bank Balances	9,96,31,643		4,95,40,267	
Cash and Cash Equivalents	7,00,00,000	16,96,31,643	4,07,150	4,99,47,417

This is the Cash Flow Statement referred to in our Report of even date.

Kaushik Dutta

Partner

Membership No. F-88540

For and on behalf of

LOVELOCK & LEWES

Chartered Accountants

Kolkata, 14th May, 2004

On behalf of the Board

Nakul Anand

K. Vaidyanath

M. Riaz Ahmed

Managing Director

Director

Company Secretary &
Corporate Financial Controller

SCHEDULES TO THE ACCOUNTS

(Figures for the previous year have been rearranged to conform with the revised presentation)

	As at 31st March, 2004	As at 31st March, 2003		As at 31st March, 2004	As at 31st March, 2003
	(Rs.)	(Rs.)		(Rs.)	(Rs.)
1. CAPITAL			1. CAPITAL (Contd.)		
Authorised			Subscribed and Paid-up		
5,00,00,000 Equity Shares of Rs. 10/- each	50,00,00,000	50,00,00,000	* 3,02,16,492 Equity Shares of Rs.10/- each	30,21,64,920	30,21,64,920
50,000 – 15% Cumulative Redeemable Preference Shares of Rs. 100/- each	50,00,000	50,00,000	Less: Amount in arrears	64,500	64,500
	50,50,00,000	50,50,00,000		30,21,00,420	30,21,00,420
Issued			* Includes		
3,02,40,157 Equity Shares of Rs. 10/- each	30,24,01,570	30,24,01,570	— 2,17,74,362 (Previous Year- 2,15,24,360) Equity Shares of Rs.10/- each fully paid up held by the Holding Company, ITC Limited.		
			— Nil (Previous Year- 2,50,002) Equity Shares of Rs. 10/- each fully paid up held by Russell Credit Limited, a wholly owned subsidiary of Holding Company, ITC Limited.		
			— 23,94,000 Equity Shares of Rs.10/- each allotted in 1992/93 as fully paid up Bonus Shares by way of capitalisation of Capital Reserve and General Reserve.		

SCHEDULES TO THE ACCOUNTS (Contd.)

	(Rs.)	As at 31st March, 2004 (Rs.)	(Rs.)	As at 31st March, 2003 (Rs.)
2. RESERVES AND SURPLUS				
Capital Redemption Reserve		30,00,000		30,00,000
Share Premium				
At the Commencement of the year	1,05,00,64,890		1,05,00,64,890	
Less : Amount in Arrears	<u>2,79,500</u>	1,04,97,85,390	<u>2,79,500</u>	1,04,97,85,390
General Reserve				
At the Commencement of the year	60,31,06,245		60,31,06,245	
Add : From Profit and Loss Account	<u>2,00,00,000</u>	62,31,06,245	—	60,31,06,245
Capital Reserve		1,71,081		1,71,081
Foreign Exchange Earnings Reserve				
At the Commencement of the year	7,88,90,000		7,88,90,000	
Add : From Profit and Loss Account	<u>2,25,00,000</u>	10,13,90,000	—	7,88,90,000
Balance in Profit and Loss Account		<u>16,47,11,988</u>		<u>7,38,27,405</u>
		<u>1,94,21,64,704</u>		<u>1,80,87,80,121</u>
3. SECURED LOANS				
From Banks*		<u>7,54,370</u>		<u>13,15,518</u>
		<u>7,54,370</u>		<u>13,15,518</u>
* Secured by hypothecation of the Vehicles purchased. Payable Rs. 5,61,148/- within one year (Previous Year - Rs. 5,61,148/-).				
4. UNSECURED LOANS				
Short Term Loan				
Inter Corporate Loan from Holding Company, ITC Limited		—		22,50,00,000
		—		<u>22,50,00,000</u>
5. DEFERRED TAX LIABILITY (NET)				
Deferred Tax Liability				
Depreciation - Timing difference		24,70,62,559		25,74,95,622
		<u>24,70,62,559</u>		<u>25,74,95,622</u>
Less :				
Deferred Tax Assets				
Unabsorbed Depreciation / Losses		—		2,89,07,609
Issue expenses - Timing difference		3,71,475		7,60,967
VRS expenses - Timing difference		48,19,307		53,26,887
MAT Credits		—		1,62,61,238
Others		56,86,247		74,63,991
		<u>1,08,77,029</u>		<u>5,87,20,692</u>
Net Deferred Tax Liability		<u>23,61,85,530</u>		<u>19,87,74,930</u>

6. FIXED ASSETS

Particulars	Original Cost as at 1.4.2003 (Rs.)	Additions during the year (Rs.)	Withdrawals during the year (Rs.)	Original Cost as at 31.3.2004 (Rs.)	Depreciation for the year (Rs.)	Depreciation on Withdrawals (Rs.)	Depreciation upto 31.3.2004 (Rs.)	Net Block as at 31.3.2004 (Rs.)
Freehold Land	11,45,72,464	—	2,12,34,344	9,33,38,120	—	—	—	9,33,38,120
Leasehold Land	22,50,462	—	—	22,50,462	88,718	—	10,43,918	12,06,544
Buildings	45,38,87,827	2,50,45,771	36,70,612	47,52,62,986	75,68,568	6,53,372	6,54,10,552	40,98,52,434
Licensed Properties								
— Building Improvement	17,64,22,490	51,92,652	71,88,084	17,44,27,058	1,09,43,233	16,53,405	5,24,30,536	12,19,96,522
Plant and Machinery	78,06,83,481	5,65,15,168	3,91,66,686	79,80,31,963	4,40,54,617	2,26,88,521	32,23,74,829	47,56,57,134
Computers etc.	12,35,24,993	1,70,97,918	96,23,526	13,09,99,385	1,39,61,147	89,91,246	8,77,80,660	4,32,18,725
Furniture & Fixtures	34,59,30,819	2,92,96,504	2,35,68,665	35,16,58,658	2,84,69,961	1,35,21,714	17,53,49,624	17,63,09,034
Motor Vehicles etc.	2,98,93,522	1,73,36,298	91,59,318	3,80,70,502	33,25,781	48,46,936	73,51,224	3,07,19,278
	<u>2,02,71,66,058</u>	<u>15,04,84,311</u>	<u>11,36,11,235</u>	<u>2,06,40,39,134</u>	<u>10,84,12,025</u>	<u>5,23,55,194</u>	<u>71,17,41,343</u>	<u>1,35,22,97,791</u>
Capital Work-in-Progress	1,75,19,165	12,32,98,330	9,94,52,299	4,13,65,196	—	—	—	4,13,65,196
Total	<u>2,04,46,85,223</u>	<u>27,37,82,641</u>	<u>21,30,63,534</u>	<u>2,10,54,04,330</u>	<u>10,84,12,025</u>	<u>5,23,55,194</u>	<u>71,17,41,343</u>	<u>1,39,36,62,987</u>
Previous Year	<u>2,01,38,84,349</u>	<u>8,05,76,123</u>	<u>4,97,75,249</u>	<u>2,04,46,85,223</u>	<u>10,34,42,105</u>	<u>1,71,47,602</u>	<u>65,56,84,512</u>	<u>1,38,90,00,711</u>

SCHEDULES TO THE ACCOUNTS (Contd.)

	As at 31st March, 2004 (Rs.)	As at 31st March, 2003 (Rs.)	As at 31st March, 2004 (Rs.)	As at 31st March, 2003 (Rs.)
7. INVESTMENTS - AT COST				
Unquoted - Long Term				
(a) Trade Investments				
— Ansal Hotels Limited (2,72,79,310 Equity Shares of Rs. 10/- each fully paid including Stamp Duty of Rs. 5,22,023/- and Premium of Rs. 20/- per share on 1,04,12,950 Equity Shares) {Refer note (xvii) of Schedule 21}	48,15,74,123	48,15,74,123		
— Maharaja Heritage Resorts Limited (90,000 Equity Shares of Rs.100/- each fully paid includes 85,000 Equity Shares of Rs. 100/- each fully paid acquired during the year)	90,00,000	5,00,000		
— Bihar Hotels Limited (40,000 Equity Shares of Rs.10/- each fully paid)	4,00,000	4,00,000		
(b) Subsidiary Companies				
— Srinivasa Resorts Limited (1,63,20,477 Equity Shares of Rs. 10/- each fully paid including Stamp Duty of Rs. 1,56,084/- and Premium of Rs. 7.50 per share on 29,21,198 Equity Shares)	18,52,69,839	18,52,69,839		
— Fortune Park Hotels Limited (4,50,001 Equity Shares of Rs. 10/- each fully paid)	45,00,010	45,00,010		
— Bay Islands Hotels Limited (11,875 Equity Shares of Rs. 100/- each fully paid including Stamp Duty of Rs. 5,938/-)	11,93,438	11,93,438		
(c) Government Securities – National Savings Certificates/ Indira Vikas Patras (Deposits with or for deposit with various authorities)	76,000	84,000		
	<u>68,20,13,410</u>	<u>67,35,21,410</u>		
8. INVENTORIES				
Food, Beverage etc.	74,91,689	92,45,731		
Stores and Spare Parts	1,11,80,821	1,51,68,032		
	<u>1,86,72,510</u>	<u>2,44,13,763</u>		
9. SUNDRY DEBTORS				
Over 6 months old				
Good and Secured	4,53,191	11,64,462		
Good and Unsecured	2,17,87,443	1,70,56,098		
Doubtful and Unsecured	5,62,330	12,55,616		
Other Debts				
Good and Secured	2,90,641	4,78,290		
Good and Unsecured				
— From Subsidiaries	37,62,555	30,34,084		
— From Others	9,49,69,583	8,04,81,762		
	<u>12,18,25,743</u>	<u>10,34,70,312</u>		
Less: Provision for Doubtful Debts	5,62,330	12,55,616		
	<u>12,12,63,413</u>	<u>10,22,14,696</u>		
Less: Deposits from normal Trade Debtors - Contra	7,43,832	16,42,752		
	<u>12,05,19,581</u>	<u>10,05,71,944</u>		
10. CASH AND BANK BALANCES				
Cash and Cheques on hand	4,05,67,259	1,87,11,780		
With Scheduled Banks				
On Current Accounts etc.	5,90,64,384	3,08,28,487		
On Margin Money	—	1,92,000		
On Deposit Accounts	7,00,00,000	2,15,150		
	<u>16,96,31,643</u>	<u>4,99,47,417</u>		
11. OTHER CURRENT ASSETS				
Good and Unsecured				
Deposits with Government, Public Bodies and Others	25,47,56,239	25,96,03,384		
Interest accrued on Deposits/Investments	84,818	1,93,774		
	<u>25,48,41,057</u>	<u>25,97,97,158</u>		
12. LOANS AND ADVANCES				
Good and Unsecured				
Loans to Others*	7,68,83,373	8,98,03,612		
Advances recoverable in cash or in kind or for value to be received**	11,93,40,115	17,15,49,396		
Advances with Government and Public Bodies***	9,89,95,206	6,48,56,707		
Advances with Subsidiaries	70,13,410	1,26,72,644		
	<u>30,22,32,104</u>	<u>33,88,82,359</u>		
* Includes Loans and Advances to Wholtime Directors and to Company Secretary - Rs. 46,48,275/- (Previous Year - Rs. 48,53,915/-). The maximum indebtedness during the year was Rs. 48,53,915/- (Previous Year - Rs. 50,27,569/-).				
** Includes Capital Advances of Rs.15,44,064/- (Previous Year - Rs. 49,44,985/-).				
*** Includes an amount of Rs. 8,46,12,223/- (Previous Year - Rs. 4,98,63,046/-) being advance payment of Income Tax less provision for Income Tax of Rs. 3,93,68,721/- (Previous Year - Rs. 11,33,302/-). Also includes capital advances of Nil (Previous Year - Rs.1,00,000/-).				
	As at 31st March, 2004 (Rs.)	As at 31st March, 2003 (Rs.)		
13. LIABILITIES				
Sundry Creditors	32,62,42,728	25,53,76,329		
Sundry Deposits	1,84,68,067	1,17,35,598		
Unclaimed Dividend	19,49,075	25,84,427		
Interest accrued but not due on Loans	—	17,85,218		
	<u>* 34,66,59,870</u>	<u>* 27,14,81,572</u>		
Less : Deposits from normal Trade Debtors - Contra	7,43,832	16,42,752		
	<u>34,59,16,038</u>	<u>26,98,38,820</u>		
* There is no outstanding amount to be credited to Investor Education and Protection Fund				
14. PROVISIONS				
Provision for Retirement Benefits	4,62,76,270	3,03,24,953		
Proposed Dividend	6,04,32,984	—		
Income Tax on Proposed Dividend	77,42,976	—		
	<u>11,44,52,230</u>	<u>3,03,24,953</u>		
	For the year ended 31st March, 2004 (Rs.)	For the year ended 31st March, 2003 (Rs.)		
15. NET INCOME FROM OPERATIONS				
Rooms	74,37,25,452	53,17,83,956		
Food and Beverage	42,36,38,801	36,59,55,850		
Recreation and Services	7,63,08,998	7,22,45,914		
Management Consultancy and Other Services	33,37,48,696	24,72,01,897		
	<u>1,57,74,21,947</u>	<u>1,21,71,87,617</u>		

SCHEDULES TO THE ACCOUNTS (Contd.)

	For the year ended 31st March, 2004 (Rs.)	For the year ended 31st March, 2003 (Rs.)		For the year ended 31st March, 2004 (Rs.)	For the year ended 31st March, 2003 (Rs.)
16. OTHER INCOME			17. FOOD, BEVERAGE ETC. CONSUMED		
Miscellaneous Income	40,55,420	37,46,550	Opening Stock	92,45,731	1,21,11,918
Insurance Claims	10,41,136	11,83,514	Add : Purchases	12,06,72,770	10,64,55,197
Doubtful Debts and Claims - previous years	6,50,000	—		12,99,18,501	11,85,67,115
Income from Investments			Less : Closing Stock	74,91,689	92,45,731
— Trade	60,000	60,000		12,24,26,812	10,93,21,384
— Subsidiary	1,67,70,478	—			
Interest on Loans and Deposits etc.*	69,21,505	38,87,517			
Gain on Exchange (Net)	1,22,648	2,14,768			
	<u>2,96,21,187</u>	<u>90,92,349</u>			

* The Income from Interest on Loans and Deposits etc. is stated gross, the amount of Income Tax deducted thereon is Rs. 2,58,666/- (Previous Year - Rs. 1,70,819/-)

		For the year ended 31st March, 2004 (Rs.)		For the year ended 31st March, 2003 (Rs.)
18. OPERATING AND ADMINISTRATIVE EXPENSES				
Salaries, Wages and Bonus		59,80,34,465		53,76,15,653
Contribution to Provident and Other Funds		8,42,59,658		6,90,52,974
Workmen and Staff Welfare Expenses		10,19,78,394		10,27,71,749
		<u>78,42,72,517</u>		<u>70,94,40,376</u>
Less : Recoveries		44,22,11,680	34,20,60,837	39,70,51,946
Consumption of Stores and Supplies			8,35,96,886	7,63,91,016
Power and Fuel			16,44,62,799	15,73,29,969
Rent (including licence fees)			8,96,89,232	8,02,60,602
Rates and Taxes			2,18,24,694	2,39,94,765
Insurance			2,29,94,807	2,19,00,025
Repairs — Building			1,95,81,272	1,31,72,896
— Machinery			3,26,64,094	2,98,75,124
— Others			2,16,73,943	1,54,76,779
Advertising/Sales Promotion			5,14,49,278	4,21,90,343
Doubtful and Bad Debts			45,71,064	4,50,539
Electronic Data Processing			98,08,734	50,95,617
Travelling and Conveyance			5,56,79,084	5,09,61,841
Training			98,12,764	99,80,569
Legal Expenses			12,85,687	20,50,487
Postage, Telephone, Fax etc.			2,43,80,498	2,55,51,035
Commission paid to Travel Agents			34,95,784	22,18,918
Bank Charges			5,86,248	7,81,855
Interest etc. Paid		1,13,03,083		2,53,54,353
Less : Interest Received on Trading Debts, Deposits with Government Bodies etc.*		<u>37,86,340</u>	75,16,743	<u>62,37,574</u>
Technical and Consultancy Fees			4,51,72,169	3,18,15,283
Miscellaneous Expenses			7,25,66,343	7,57,36,891
Fixed Assets Discarded - Net			1,98,23,743	47,31,196
			<u>1,10,46,96,703</u>	<u>1,00,14,70,959</u>
Deduct : Transfers to Fixed Assets etc. Accounts			68,32,269	23,45,615
			<u>1,09,78,64,434</u>	<u>99,91,25,344</u>
Miscellaneous Expenses include :				
Auditors' Remuneration and Expenses :				
As Auditors :				
— Audit Fees			15,00,000	12,50,000
— Certification Fees			6,49,435	5,72,615
Services Tax			3,07,200	40,000
Reimbursement of Expenses			5,65,000	2,65,500

* Interest received on Trading Debts, Deposits with Govt. Bodies etc. is stated gross, the amount of Income Tax deducted thereon is Rs. 7,69,196/- (Previous Year - Rs. 12,77,252/-)

SCHEDULES TO THE ACCOUNTS (Contd.)

	For the year ended 31st March, 2004 (Rs.)	For the year ended 31st March, 2003 (Rs.)		9,93,77,475	8,77,24,209
19. PROVISION FOR TAXATION			(i) Provisions, Beverages (excluding Wine and Liquor)		
– Income Tax on Current Year's Profits	3,93,68,721	—	(ii) Wine and Liquor	2,30,49,338	2,15,97,175
– Minimum Alternate Tax on Current Year's Profits	—	11,33,302		<u>12,24,26,813</u>	<u>10,93,21,384</u>
– Deferred Tax Expense	<u>3,74,10,599</u>	<u>75,52,049</u>	The Company has been exempted from disclosing the quantitative details per above mentioned Order issued by Ministry of Finance & Company Affairs, (Department of Company Affairs), Government of India for the financial years ending on 31.3.2002, 31.3.2003 and 31.3.2004.		
	<u>7,67,79,320</u>	<u>86,85,351</u>		Current Year (Rs.)	Previous Year (Rs.)
20. EARNINGS PER SHARE			vi) (1) CIF Value of Imports :		
Profit after Taxation	20,15,60,543	57,05,782	a) Capital Goods	2,00,17,037	97,59,518
Weighted average number of equity shares outstanding	3,02,16,492	3,02,16,492	b) Other Goods	14,269	15,010
Basic and diluted earnings per share in rupees (Face Value - Rs. 10/- per share)	6.67	0.19	(2) Value of consumption of Raw Materials, Stores and Supplies :		
21. NOTES TO THE ACCOUNTS				Current Year (Rs.)	Previous Year (Rs.)
i) The estimated amount of contracts remaining to be executed on capital account not provided for Rs. 1,48,72,699/- (Previous Year - Rs. 2,01,44,317/-).			Raw Materials :	%	%
ii) (a) Claims against the Company not acknowledged as debt - Rs. 7,64,76,702/- (Previous Year - Rs. 1,51,63,418/-). This amount does not include an amount of Rs. 14,90,27,114/- forming part of the demand raised by the Income Tax Authorities in respect of the Assessment Year 1995-96 which is considered to be not tenable in view of an apparent error in the relevant Assessment Order. The matter is under appeal.			– Imported	61,17,799	5.00
(b) Corporate Guarantees outstanding - Nil (Previous Year - Rs. 20,00,00,000/-). [Outstanding loan as at 31st March, 2004 Nil (Previous Year-Rs.13,00,00,000/-)]. Bank Guarantee outstanding - Rs. 65,00,000/- (Previous Year - Nil).			– Indigenous	11,63,09,013	95.00
iii) The Suit filed by a third party in September, 1980 for cancellation of lease in respect of Bangalore land appurtenant to ITC Hotel Windsor Sheraton is still sub-judice. In the opinion of the Management based upon legal advice, the Company's title is tenable.				<u>12,24,26,812</u>	<u>100.00</u>
iv) Freehold Land includes land at Jaipur (Rs. 9,32,87,095/-), for which mutation is under progress.			Stores and Supplies :		
v) Information per Order No. 46/154/2002-CL-III dated 10th October, 2002, issued by the Ministry of Finance & Company Affairs, (Department of Company Affairs), Government of India :			– Imported	2,48,120	0.30
(a) Income from :	Current Year (Rs.)	Previous Year (Rs.)	– Indigenous	8,33,48,766	99.70
(i) Wine and Liquor	7,00,19,080	6,00,60,989		<u>8,35,96,886</u>	<u>100.00</u>
(ii) Telephone and Telex	3,36,66,253	3,17,75,065	vii) Earnings in Foreign Currency - * Rs. 72,17,27,854/- (Previous Year - Rs. 51,05,95,426/-)		
(b) Consumption of :			* As reported by the Company to the Department of Tourism, Government of India and includes Rs.61,00,10,515/- (Previous Year - Rs. 42,72,14,459/-) being Indirect Foreign Exchange Earnings during the year through Credit Cards and Travel Agencies, etc., as certified by the Bankers.		
			viii) Expenditure in Foreign Currency : (On payment basis)	Current Year (Rs.)	Previous Year (Rs.)
			Foreign Travel - Promotional Tours	27,59,533	18,90,560
			Advertising, Marketing and Publicity	3,34,17,946	3,15,17,160
			Training	9,52,725	16,67,361
			Technical and Consultancy Fees and Others	78,85,408	1,00,86,348
				<u>4,50,15,612</u>	<u>4,51,61,429</u>
ix) Directors' Remuneration :				Current Year (Rs.)	Previous Year (Rs.)
(i) Wholtime Directors' Remuneration			a) Salaries	35,01,613	30,75,000
a) Salaries			b) Performance Bonus to Wholtime Directors	14,50,807	13,12,500
b) Performance Bonus to Wholtime Directors			c) Other perquisites	9,79,898	8,65,478
c) Other perquisites			d) Contribution to Provident and other Funds	10,15,565	9,18,750
d) Contribution to Provident and other Funds				<u>69,47,883</u>	<u>61,71,728</u>
Note : a) The above excludes contribution to the approved group pension and gratuity fund which are actuarially determined on an overall basis at the year end.					
b) Mr. S.S.H. Rehman, Managing Director (till 30th July, 2003), did not receive any remuneration from the Company in view of his whole time Directorship with the Holding Company, ITC Limited.					
c) Mr. Nakul Anand has been appointed as Managing Director with effect from 30th July, 2003. His appointment and remuneration (amounting to Rs. 27,78,310/- for the period 30th July, 2003 to 31st March, 2004) is subject to the approval of the members in the Annual General Meeting.					
d) Mr. S.C. Sekhar's appointment and remuneration from 28th March, 2004 is subject to the approval of the members in the Annual General Meeting.					
				(Rs.)	(Rs.)
(ii) Non-Executive Directors' Commission				* 13,50,000	3,00,000
* Includes Rs. 6,00,000/- for the financial year 2002-03 paid during the current year upon receipt of Central Government approval.					

SCHEDULES TO THE ACCOUNTS (Contd.)

Notes to the Accounts (Contd.)

	(Rs.)	Current Year (Rs.)	(Rs.)	Previous Year (Rs.)
(iii) Computation of Directors' Commission :				
Profit Before Taxation		27,83,39,863		1,43,91,133
Add : Directors' Remuneration	82,97,883		64,71,728	
Book Depreciation	10,84,12,025		10,34,42,105	
Provision/(Write Back) for Doubtful Debts	(6,93,286)		—	
Adjusted Loss on Sale of Fixed Assets	1,98,23,743	13,58,40,365	47,31,196	11,46,45,029
Less : Depreciation u/s 350 of the Companies Act, 1956		10,84,12,025		10,34,42,105
Profit for the purpose of Directors' Commission		30,57,68,203		2,55,94,057
Non-Executive Directors' Commission at 1% of above		30,57,682		2,55,941
Restricted to		7,50,000		** 6,00,000

** Paid during the current year on receipt to Central Government approval.

- x) Retirement Benefits in respect of Pension, Gratuity etc. are provided for based on Actuarial Valuations as at the Balance Sheet date.
- xi) The Company operates in one operating segment i.e., Hoteliering.
- xii) In view of the Company's current financial performance and the future profit projections, the Company expects to fully recover the deferred tax assets.
- xiii) The Company's significant leasing arrangements are in respect of operating leases for premises. These leasing arrangements which are not non-cancellable range between 11 months and 9 years generally, or longer, and are usually renewable by mutual consent on mutually agreeable terms. The aggregate lease rentals payable are charged as Rent under Schedule 18.
- xiv) The outstanding liabilities as at the close of the year do not include any amounts due to any small scale industrial undertaking as defined under Section 3(j) of the Industries (Development & Regulation) Act, 1951.
- xv) The Company holds 50% of the paid up equity share capital in Maharaja Heritage Resorts Limited, a Joint Venture Company incorporated in India with M/s. Marudhar Hotels Private Limited. The aggregate amounts of the Company's interest in the assets, liabilities, income and expenses of M/s. Maharaja Heritage Resorts Limited, as given below, have not been considered in these financial statements.

	Current Year (Rs.)	Previous Year (Rs.)
Income from Operations	50,73,687	51,53,015
Operating and Administrative Expenses etc.	59,45,498	56,68,620
Net Block of Fixed Assets	7,02,851	9,75,268
Current Assets	43,60,338	40,19,888
Current Liabilities	9,91,053	84,86,896
Profit and Loss Account	47,86,778	41,20,945

- xvi) Related party disclosures under Accounting Standard 18
- i) Holding Company : ITC Limited
- ii) Parties where control exists :
- Subsidiaries : Srinivasa Resorts Ltd., Bay Islands Hotels Ltd. and Fortune Park Hotels Ltd.
- iii) Other related parties with whom transactions have taken place during the year :
- a) Fellow Subsidiary Companies : Landbase India Ltd., Russell Credit Ltd. and ITC Infotech India Ltd.
- b) Associate Company : Ansal Hotels Ltd.
- c) Joint Venture Company : Maharaja Heritage Resorts Ltd.

iv) Key Management Personnel :

<u>Board of Directors</u>	<u>Management Committee</u>	
	<u>Members</u>	<u>Permanent Invitees</u>
Y.C. Deveshwar	Nakul Anand	H.M. Jha
S.D. Kulkarni*	S.C. Sekhar	Ashoke Bhalla
R. Subramanian	Pawan Verma	B. Hariharan
K.L. Thapar	Mohan Bhatnagar	Ashok Anantram**
K.J. Reddy	M. Riaz Ahmed	
S.H. Khan		
R. Vasudevan		
K. Vaidyanath		
S.S.H. Rehman		
Nakul Anand		
S.C. Sekhar		

* Ceased to be Director with effect from 12th May, 2003.

** Ceased to be Permanent Invitee with effect from 9th Sept., 2003, consequent to his retirement.

SCHEDULES TO THE ACCOUNTS (Contd.)

Notes to the Accounts (Contd.)

v) Summary of transactions during the year (Rupees in Lakhs) :

	Holding Company		Subsidiary Companies		Fellow Subsidiaries		Associates/ Joint Venture Companies		Key Mgmt. Personnel		Relatives of Key Mgmt. **Personnel		Total	
	C.Year	L.Year	C.Year	L.Year	C.Year	L.Year	C.Year	L.Year	C.Year	L.Year	C.Year	L.Year	C.Year	L.Year
	1. – Gross Sale of Hotel Services	175	213	6	8	26	18	1	—	—	—	—	—	208
– Receipt of Management & Consultancy fee	1932	1354	*447	*332	—	—	#236	#167	—	—	—	—	2614	1853
– Reimbursement received towards cost of staff on deputation to Managed hotel properties	3987	3532	166	132	2	—	140	165	—	—	—	—	4296	3829
2. Interest Received	—	—	—	—	—	—	7	13	13	—	—	—	20	13
3. Purchase of Goods and Services														
– Goods	25	20	—	—	—	—	0.22	—	—	—	—	—	25	20
– Hotel Services	3	7	0.10	0.31	—	—	0.90	1	—	—	—	—	4	8
– Others	4	—	—	—	—	13	—	0	—	—	—	—	4	13
– Fee paid towards Licenced hotel properties	376	288	63	50	—	—	9	9	—	—	—	—	448	347
– Rent towards company leased accommodation	3	3	—	—	—	—	—	—	2	2	7	7	12	12
– Professional Services	—	—	—	—	—	—	—	—	—	—	0.48	0.48	0.48	0.48
4. Interest paid	113	237	—	—	—	—	—	—	—	—	—	—	113	237
5. Purchase of fixed assets	2	1	—	—	—	—	—	—	—	—	—	—	2	1
6. Investment made during the year														
– Maharaja Heritage Resorts Limited	—	—	—	—	—	—	85	—	—	—	—	—	85	—
7. Sale of fixed assets	212	—	—	—	—	—	—	—	43	—	—	—	255	—
8. Expenses recovered during the year (Amount recovered on account of payments made on behalf of related parties).	572	360	105	128	0.75	1	85	66	—	—	—	—	762	555
9. Expenses reimbursed during the year (Amount paid to related parties on account of payment made by them on Company's behalf).	310	228	49	46	6	1	23	62	—	—	—	—	388	337
10. Loan taken during the year	—	450	—	—	—	—	—	—	—	—	—	—	—	450
11. Loan given during the year	—	—	—	—	—	—	—	—	0.35	—	—	—	0.35	—
12. Payment towards loan repayments	2250	700	—	—	—	—	—	—	—	—	—	—	2250	700
13. Receipt towards loan repayments	—	—	—	—	—	—	—	—	7	—	—	—	7	—
14. Balance outstanding at the year end :														
– Loans taken	—	2250	—	—	—	—	—	—	—	—	—	—	—	2250
– Accounts receivable	180	155	38	30	6	14	67	199	—	—	—	—	291	398
– Advances recoverable	251	280	70	127	—	—	371	334	—	—	—	—	692	741
– Loans given	—	—	—	—	—	—	—	—	94	84	—	—	94	84
– Security deposits paid towards :														
– Licenced hotel properties	2025	2025	—	—	—	—	—	—	—	—	—	—	2025	2025
– Company leased accommodation	—	—	—	—	—	—	—	—	22	22	33	33	55	55
– Sundry creditors	125	130	—	—	—	4	0.49	0.34	—	—	—	—	125	134
– Interest payable	—	18	—	—	—	—	—	—	—	—	—	—	—	18
15. Dividend Paid	—	—	168	—	—	—	—	—	—	—	—	—	168	—
16. Corporate guarantee provided	—	—	—	2000	—	—	—	—	—	—	—	—	—	2000

Note : — Details of remuneration to Directors are given in the note (ix) of the Notes to Accounts and for other members/permanent invitees of the Management Committee the remuneration for the year is Rs. 106 lakhs (Previous Year - Rs. 104 lakhs).

— * Received from Srinivasa Resorts Ltd.

— # Received from Ansal Hotels Ltd. - Rs. 225 Lakhs (Previous Year - Rs. 156 Lakhs).

— ** Mrs. Timsy Anand, wife of Mr. Nakul Anand, Mrs. Lalitha Sekhar, wife of Mr. S.C. Sekhar, Mrs. Kamni Jha, wife of Mr. H.M. Jha and Mrs. Guramrit Bhalla, wife of Mr. Ashoke Bhalla.

xvii) Ansal Hotels Limited, an associate of the Company has taken approval from the Company Law Board to issue shares to ITC Limited at Rs. 6.50 per share through conversion of outstanding loan and interest thereon. In the opinion of the management, the said value of Rs. 6.50 per share does not amount to a permanent diminution in the carrying value of shares in the books of the Company based on the long term potential of the business, reduction in interest costs and the inherent value of the property. Hence no impact has been considered in these accounts.

xviii) Previous Year's figures have been regrouped/rearranged wherever necessary.

SCHEDULES TO THE ACCOUNTS (Contd.)

22. SIGNIFICANT ACCOUNTING POLICIES

i) **BASIS OF PREPARATION OF FINANCIAL STATEMENTS**

To prepare financial statements in accordance with the historical cost convention, generally accepted accounting principles in India and relevant presentational requirements of the Companies Act, 1956.

ii) **TURNOVER**

To state Gross Income from Operations, which represents invoiced value of goods sold and services rendered, net of sales tax but inclusive of all applicable taxes.

iii) **INVESTMENT INCOME**

To account for Income from Investments on an accrual basis, inclusive of related tax deducted at source.

iv) **FIXED ASSETS**

To state Fixed Assets at cost of acquisition inclusive of inward freight, duties and taxes and incidental expenses related to acquisition. In respect of major projects involving construction, related pre-operational expenses form part of the value of the assets capitalised.

v) **DEPRECIATION**

To calculate depreciation on Fixed Assets in a manner that amortises the cost of the assets after commissioning, over their estimated useful lives or lives based on the rates specified in Schedule XIV to the Companies Act, 1956, whichever is lower, by equal annual installments. Leasehold land is amortised over the period of the lease.

vi) **INVENTORIES**

To value all inventories at lower of cost and net realisable value. Cost includes freight and other related incidental expenses and is computed on weighted average method.

vii) **RETIREMENT BENEFITS**

To make regular monthly contributions to various Provident Funds, Pension Funds and Gratuity Funds which are charged against revenue. To also charge against revenue, actual disbursements made, when due, under the Workers' Voluntary Retirement Scheme.

To administer through duly constituted and approved independent trusts, various funds with the exception of Provident Fund with regard to Non-Management Staff the contributions in respect of which are statutorily deposited with the Government.

viii) **PROPOSED DIVIDEND**

To provide for Dividend as proposed by the Directors in the books of account, pending approval at the Annual General Meeting.

ix) **FOREIGN CURRENCY TRANSLATIONS**

To record transactions in foreign currencies at the exchange rates prevailing on the date of the transaction. Gains/Losses arising out of fluctuations in the exchange rates are recognised in profit and loss in the period in which they arise. Liability/Receivables on account of foreign currency are converted at the exchange rates prevailing as at the end of the year.

x) **INVESTMENTS**

To state Long Term Investments at cost. Where applicable, provision is made where there is a permanent fall in valuation of investments.

xi) **BORROWING COSTS**

To capitalise the borrowing costs that are directly attributable to the acquisition or construction of that capital asset. Other borrowing costs are recognised as an expense in the period in which they are incurred.

xii) **TAXES ON INCOME**

To provide and determine Current tax as the amount of tax payable in respect of taxable income for the period.

To provide and recognise Deferred tax on timing differences between taxable income and accounting income subject to consideration of prudence.

Not to recognise Deferred tax assets on unabsorbed depreciation and carry forward of losses unless there is virtual certainty that there will be sufficient future taxable income available to realise such assets.

xiii) **FINANCIAL AND MANAGEMENT INFORMATION SYSTEMS**

To practice an integrated Accounting System which unifies both Financial Books and Costing Records. The books of account and other records have been designed to ensure compliance of the relevant provisions of the Companies Act, 1956 on the one hand, and meet the internal requirements of information and systems for Planning, Review and Internal Control (designed and based on 'Uniform System of Accounts for Hotels'), on the other.

On behalf of the Board

Nakul Anand *Managing Director*
K. Vaidyanath *Director*
M. Riaz Ahmed *Company Secretary &
Corporate Financial Controller*

Kolkata, 14th May, 2004

