

## REPORT OF THE DIRECTORS FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2001

1. The Directors hereby submit their Report and Accounts for the financial year ended 31st March, 2001.
2. FINANCIAL RESULTS OF THE COMPANY  
The net profit for the financial year ended 31st March, 2001, after deducting all charges and expenses and providing for taxation amounts to Rs. 38,87,026/- to which profit brought forward from last year is added Rs. 89,07,230/- making a balance of Rs. 1,27,94,256/- which the Directors recommend be carried forward.
3. DIRECTORS  
Mr. Sudip Bandyopadhyay was appointed by the Board of Directors as Additional Director of the Company with effect from 29th May, 2000. By virtue of the provisions of Section 260 of the Companies Act, 1956, Mr. Bandyopadhyay will vacate office at the forthcoming Annual General Meeting of the Company and has filed his consent to act as Director of the Company, if appointed. Notice has been received for his appointment as Director from a Member of the Company under Section 257 of the Companies Act, 1956. In accordance with Section 256 of the Companies Act, 1956, Mr. Sanjay Virendra Shah will retire by rotation at the forthcoming Annual General Meeting, and being eligible, offers himself for re-appointment.
4. DIRECTORS' RESPONSIBILITY STATEMENT  
As per the provisions of Section 217 (2AA) of the Companies Act, 1956, the Directors state :  
i) that in the preparation of the Annual Accounts for the year ended 31st March, 2001, the applicable Accounting Standards have been followed and there are no material departures;  
ii) that the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a

- true and fair view of the state of affairs of the Company at the end of the financial year ended 31st March, 2001, and the profit of the Company for that period;
- iii) that the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv) that the Directors have prepared the Annual Accounts for the year ended 31st March, 2001, on a going concern basis.
5. STATUS OF THE COMPANY  
The Company is a Deemed Public Company by virtue of Section 43A of the Companies Act, 1956. Consequent upon the enactment of the Companies (Amendment) Act, 2000, the provisions relating to deemed public companies have been deleted from Section 43A, and Section 3(1)(iv) has been amended, by virtue of which a subsidiary of a Public Company would itself become a Public Company. Accordingly, necessary steps are being taken for conversion of the Company into a Public Company.
6. PARTICULARS OF EMPLOYEES  
None of the employees are covered under the provisions of Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975.
7. AUDITORS  
The Auditors, M/s. Basu Chatterjea & Co., Chartered Accountants, retire at the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment.
8. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO  
Considering the nature of business of the Company, no comment is made on conservation of energy and technology absorption. There has been no foreign exchange income or outflow during the year under review.

On behalf of the Board  
R. S. Naware *Chairman*  
S. Bandyopadhyay *Director*

Kolkata, 16th April, 2001

## AUDITORS' REPORT TO THE MEMBERS OF ELAN ENTERPRISES LIMITED

We have audited the attached Balance Sheet of Elan Enterprises Limited as at 31st March, 2001 and also the relative Profit and Loss Account for the year ended on that date, which are in agreement with the books of account. In our opinion and to the best of our information and according to the explanations given to us, the Balance Sheet and the Profit and Loss Account together with the Schedules, give in the prescribed manner, the information required by the Companies Act, 1956 and also give respectively a true and fair view of the state of the Company's affairs as at 31st March, 2001 and its profit for the year ended on that date. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for our audit. In our opinion, proper books of account have been kept by the Company as required by law so far as appears from our examination of the books. In our opinion, the Balance Sheet as at 31st March, 2001 and the Profit and Loss Account for the year ended on that date, comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956, to the extent applicable. On the basis of the written representations received from the Directors as on 31st March, 2001 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2001 from being appointed as a Director in terms of Clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956. As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988 and on the basis of such examination of the books and records of the Company as we considered appropriate and according to the information and explanations given to us during the course of our audit, we further report that :

a) The Company has maintained proper records to show full particulars including quantitative details and situation of its fixed assets. The fixed assets of the Company including leased assets have been physically verified by the management at reasonable intervals and no discrepancies were noticed during the verification.

b) None of the fixed assets of the Company has been revalued during the year.

c) The Company does not have any stock-in-trade.

d) The Company has not taken any loans, secured or unsecured, from companies, firms or other parties listed in the Register maintained under Section 301 of the Companies Act, 1956. The provisions of Section 370 of the Companies Act, 1956 are not applicable to a company on and from 31st October, 1998.

- e) The Company has not granted any loans, secured or unsecured, to companies, firms or other parties listed in the Register maintained under Section 301 of the Companies Act, 1956. The provisions of Section 370 of the Companies Act, 1956 are not applicable to a company on and from 31st October, 1998.
- f) In respect of loans given by the Company where stipulations have been made, the parties have repaid the principal amount and interest as stipulated during the year.
- g) In our opinion and in accordance with the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business for the purchase of goods and assets and for the sale of goods.
- h) There were no transactions during the year of purchase of goods and materials and sale of goods, materials and services, made in pursuance of contracts or arrangements entered in the Register maintained under Section 301 of the Companies Act, 1956.
- i) In our opinion, the Company has an internal audit system commensurate with its size and the nature of its business.
- j) There were no amounts outstanding as at 31st March, 2001 in respect of undisputed Income Tax, Sales Tax, Customs Duty and Excise Duty which were due for more than six months from the date they became payable.
- k) According to the information and explanations given to us and the records of the Company examined by us, no personal expenses have been charged to the Profit and Loss Account.
- l) The Company is not an industrial company and hence the provisions of the Sick Industrial Companies (Special Provisions) Act, 1985 is not applicable to the Company.
- m) The other items of the aforesaid Order are, in our opinion, not applicable in the case of this Company.

For Basu, Chatterjea & Co.  
*Chartered Accountants*  
Sourabh Chakravarti  
*Partner*

Kolkata, 16th April, 2001

## BALANCE SHEET AS AT 31ST MARCH, 2001

I. SOURCES OF FUNDS	Schedule	(Figures for the previous year have been rearranged to conform with revised presentation)			
		31st March, 2001		31st March, 2000	
		(Rs.)	(Rs.)	(Rs.)	(Rs.)
1. Shareholders' Funds					
a) Share Capital	1		4,88,56,260		4,88,56,260
b) Reserves and Surplus					
General Reserve		5,28,687		5,28,687	
Profit and Loss Account		1,27,94,256	1,33,22,943	89,07,230	94,35,917
TOTAL			6,21,79,203		5,82,92,177
II. APPLICATION OF FUNDS					
1. Fixed Assets	2				
Gross Block		1,35,85,481		1,35,85,481	
Less: Depreciation		81,02,304		79,53,654	
Net Block			54,83,177		56,31,827
2. Investments at Cost	3		—		5,05,50,295
3. Current Assets, Loans and Advances					
Cash and Bank Balances	4	2,04,63,706		3,88,420	
Other Current Assets	5	3,58,14,332		88,124	
Loans and Advances	6	24,03,557		28,26,921	
		5,86,81,595		33,03,465	
Less :					
Current Liabilities and Provisions	7	20,12,569		12,29,410	
		20,12,569	5,66,69,026	12,29,410	20,74,055
4. Miscellaneous Expenditure					
Preliminary Expenses		36,000		45,000	
Less: Written Off		9,000	27,000	9,000	36,000
TOTAL			6,21,79,203		5,82,92,177

Notes to Accounts (Schedule 9)

Significant Accounting Policies (Schedule 10)

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.

For Basu, Chatterjea & Co.  
*Chartered Accountants*  
Sourabh Chakravarti, *Partner*  
Kolkata, 16th April, 2001

On behalf of the Board  
R. S. Naware *Director*  
S. Bandyopadhyay *Director*  
S. Banerjee *Secretary*

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2001

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

I. INCOME	Schedule	For the year ended 31st March, 2001		For the year ended 31st March, 2000	
		(Rs.)	(Rs.)	(Rs.)	(Rs.)
Interest Income		26,03,291		35,72,117	
Dividend Income		13,59,089		35,51,979	
Profit on sale of Investments		17,08,180		29,839	
Rent		3,25,000		3,00,000	
Miscellaneous Income		43,810	60,39,370	1,30,723	75,84,658
			<u>60,39,370</u>		<u>75,84,658</u>
II. EXPENDITURE					
Salaries, Bonus and Gratuity			59,763		1,27,794
Interest			—		6,41,206
Auditors' Remuneration					
– Audit Fees		8,000		8,000	
– Special Certification		2,500		2,500	
– Out of pocket Expenses		400	10,900	125	10,625
Operating and Establishment Expenses	8		1,74,031		2,40,607
Depreciation			1,48,650		1,57,763
Preliminary Expenses Written Off			9,000		9,000
			<u>4,02,344</u>		<u>11,86,995</u>
III. PROFIT BEFORE TAXATION			56,37,026		63,97,663
Provision for Taxation			17,50,000		11,10,796
IV. PROFIT AFTER TAXATION			38,87,026		52,86,867
Balance Brought Forward From Last Year			89,07,230		2,58,41,230
V. PROFIT AVAILABLE FOR APPROPRIATION			1,27,94,256		3,11,28,097
VI. APPROPRIATIONS					
General Reserve			—		5,28,687
Dividend - Interim			—		1,95,42,504
Income Tax on Interim Dividend			—		21,49,676
VII. BALANCE CARRIED FORWARD			1,27,94,256		89,07,230

Notes to Accounts (Schedule – 9)

Significant Accounting Policies (Schedule – 10)

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.

For Basu, Chatterjea & Co.

Chartered Accountants

Sourabh Chakravarti, Partner

Kolkata, 16th April, 2001

On behalf of the Board

R. S. Naware Director  
S. Bandyopadhyay Director  
S. Banerjee Secretary

SCHEDULES TO THE ACCOUNTS

SCHEDULE 1 – SHARE CAPITAL

Authorised:

50,00,000 Ordinary Shares of Rs. 10/- each

Issued, Subscribed and Paid up:

48,85,626 (31.3.2000 – 48,85,626) Equity Shares of Rs. 10/- each, fully paid up

(All shares are held by the Holding Company, I.T.C. Limited)

SCHEDULE 2 – FIXED ASSETS

	Original Cost as at 31st March, 2000 (Rs.)	Additions during the year (Rs.)	Withdrawals during the year (Rs.)	Original Cost as at 31st March, 2001 (Rs.)	Depreciation for the year (Rs.)	Depreciation up to 31st March, 2001 (Rs.)	Net Book Value as at 31st March, 2001 (Rs.)
Plant and Machinery	78,70,428	—	—	78,70,428	55,495	77,92,513	77,915
Building	57,15,053	—	—	57,15,053	93,155	3,09,791	54,05,262
Total	<u>1,35,85,481</u>	—	—	<u>1,35,85,481</u>	<u>1,48,650</u>	<u>81,02,304</u>	<u>54,83,177</u>
Previous Year	<u>1,31,81,182</u>	<u>4,88,883</u>	<u>84,584</u>	<u>1,35,85,481</u>	<u>1,57,763</u>	<u>79,53,654</u>	<u>56,31,827</u>

SCHEDULE 3 – INVESTMENTS AT COST

	As at 31st March, 2001 Value (Rs.)	As at 31st March, 2000 Value (Rs.)
UNQUOTED		
Current		
Other Investments		
(All of Face Value at Rs. 10/- each)		
Prudential ICICI Mutual Fund - Prudential ICICI Gilt Plan		
Nil (2000 – 19,71,915.148) units @ Rs. 10.041 each, fully paid up	—	1,98,00,000
Nil (2000 – 44,219.073) units @ Rs. 10.034 each, fully paid up	—	4,43,681
Nil (2000 – 56,991.804) units @ Rs. 10.259 each, fully paid up	—	5,84,679
Templeton Funds – Templeton India Government Securities Fund		
Nil (2000 – 25,66,585.956) units @ Rs. 10.325 each, fully paid up	—	2,65,00,000
Nil (2000 – 1,64,553.286) units @ Rs. 10.331 each, fully paid up	—	17,00,000
Nil (2000 – 60,950.836) units @ Rs. 10.082 each, fully paid up	—	6,14,506
Nil (2000 – 88,305.691) units @ Rs. 10.276 each, fully paid up	—	9,07,429
Total	—	<u>5,05,50,295</u>

SCHEDULE 4 – CASH AND BANK BALANCES

	As at 31st March, 2001 (Rs.)	As at 31st March, 2000 (Rs.)
Balance with Scheduled Banks		
- On Current Accounts	1,13,706	3,88,420
- On Deposit Account	2,03,50,000	—
Total	<u>2,04,63,706</u>	<u>3,88,420</u>

SCHEDULE 5 – OTHER CURRENT ASSETS

	As at 31st March, 2001 (Rs.)	As at 31st March, 2000 (Rs.)
(Unsecured – considered good)		
Deposit with ICICI Limited	3,52,00,000	—
Deposit with Others	56,563	56,563
Interest Receivable	5,51,552	—
Others	6,217	31,561
Total	<u>3,58,14,332</u>	<u>88,124</u>

SCHEDULE 6 – LOANS AND ADVANCES

	As at 31st March, 2001 (Rs.)	As at 31st March, 2000 (Rs.)
(Unsecured – considered good)		
Advance Payment of Income Tax (Net of Provision)	24,03,557	28,15,421
Other Advances	—	11,500
Total	<u>24,03,557</u>	<u>28,26,921</u>

SCHEDULES TO THE ACCOUNTS (Contd.)

SCHEDULE 7 – CURRENT LIABILITIES AND PROVISIONS

	As at 31st March, 2001 (Rs.)	As at 31st March, 2000 (Rs.)
<b>Current Liabilities</b>		
Sundry Creditors for Expenses	12,569	10,256
Security Deposit	20,00,000	12,00,000
	<u>20,12,569</u>	<u>12,10,256</u>
<b>Provisions</b>		
Provision for Gratuity	—	19,154
<b>Total</b>	<u>20,12,569</u>	<u>12,29,410</u>

SCHEDULE 8 – OPERATING AND ESTABLISHMENT EXPENSES

	For the Year ended 31st March, 2001 (Rs.)	For the Year ended 31st March, 2000 (Rs.)
Insurance	5,429	8,024
Rates and Taxes	3,325	5,775
Travelling and Conveyance	4,918	19,213
Postage, Telephone, Telex, etc.	—	4,533
Repairs and Maintenance	43,260	27,438
Printing and Stationery	2,724	7,037
Fixed Assets Written Off	—	51,206
Professional, Contractual Fees, etc.	83,400	62,250
Filing Fees	4,295	700
Miscellaneous Expenses	26,680	54,431
<b>Total</b>	<u>1,74,031</u>	<u>2,40,607</u>

SCHEDULE 9 – NOTES TO ACCOUNTS

- a) Interest income is stated gross, the amount of Income Tax deducted at source is Rs. 5,35,232/- (2000 – Rs. 6,52,427/-).  
b) Other additional information : not applicable.

SCHEDULE 10 – SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The financial statements are prepared on accrual basis under historic cost convention.

FIXED ASSETS

Fixed Assets are stated at cost of acquisition inclusive of inward freight, duties, taxes and incidental expenses related to acquisition.

DEPRECIATION

Depreciation on Fixed Assets is provided on "straight line" basis at the rates prescribed in Schedule XIV to the Companies Act, 1956.

INVENTORIES

The inventories are normally valued at cost or below, the average cost being computed on the basis of weighted average method.

BORROWING COSTS

Interest and other costs incurred by the Company in connection with the borrowing of funds are recognised as an expense in the period in which they are incurred unless activities that are necessary to prepare the qualifying asset for its intended use or sale are in progress.

MISCELLANEOUS EXPENDITURE

Miscellaneous Expenditure have been amortised over a period of ten years.

For Basu, Chatterjea & Co.

Chartered Accountants

Sourabh Chakravarti, Partner

Kolkata, 16th April, 2001

On behalf of the Board

R. S. Naware Director

S. Bandyopadhyay Director

S. Banerjee Secretary

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE  
(As per Schedule VI, Part IV of the Companies Act, 1956)

I. Registration Details

Registration No. 0087149 State Code 21  
Balance Sheet Date 31/03/2001  
Date Month Year

II. Capital raised during the year (Amount in Rs. Thousands)

Public Issue Rights Issue  
N I L N I L  
Bonus Issue Private Placement  
N I L N I L

III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)

Total Liabilities 62179 Total Assets 62179  
Sources of Funds Reserves & Surplus  
Paid up Capital 48856 13323  
Secured Loans Unsecured Loans  
N I L N I L  
Application of Funds Investments  
Net Fixed Assets 5483 N I L

Net Current Assets

56669

Misc. Expenditure

27

Accumulated Losses

N I L

IV. Performance of Company (Amount in Rs. Thousands)

Turnover (Net) 6039 Total Expenditure 402  
Profit/Loss before Tax 5637 Profit/Loss after Tax 3887  
Earning per Share in Rs. 0.80 Dividend Rate % N I L  
(Please tick the appropriate box + for Profit, - for Loss)

V. Generic Names of Principal Products/Services of Company

Item Code No. (ITC Code) 240110.01  
Product Description FLUORECURED VIRGINIA TOBACCO  
Item Code No. (ITC Code) 240110.04  
Product Description BURLEY TOBACCO