



CREDITCAPITAL ASSET MANAGEMENT COMPANY
LIMITED



STATEMENT OF ACCOUNTS
FOR THE YEAR ENDED MARCH 31, 2003

Price Waterhouse

AUDITORS' REPORT

TO THE MEMBERS OF CREDITCAPITAL ASSET MANAGEMENT COMPANY LIMITED

1. We have audited the attached Balance Sheet of CreditCapital Asset Management Company Limited, as at March 31, 2003, and the related Profit and Loss Account 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.
2. We 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.
3. As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988 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 as we considered appropriate and according to the information and explanations given to us, we further report that:
 - i) a) The Company has maintained proper records to show full particulars including quantitative details and situation of its fixed assets.
 - b) The fixed assets of the Company have been physically verified during the year by the management and no material discrepancies between the book records and the physical inventory have been noticed.
 - ii) The fixed assets of the Company have not been revalued during the year.
 - iii) The Company has not taken any loans, secured or unsecured, from Companies, firms and other parties listed in the register maintained under Section 301 of the Act. In terms of sub section (6) of Section 370 of the Act, provisions of this section are not applicable to a Company on or after October 31, 1998.
 - iv) The Company has granted advance to a Company listed in the register maintained under Section 301 of the Act without any stipulation with respect to rate of interest and repayment. These advances have been partially adjusted/recovered during the year and as informed, have been fully recovered subsequent to the year-end. In the absence of any stipulation on the terms and conditions of the advances as explained above, we are unable to comment on the impact of the same on the interests of the Company. In terms of sub section (6) of Section 370 of the Act, provisions of this section are not applicable to a Company on or after October 31, 1998.
 - v) Loans or advances have been given to certain Companies in earlier years. In view of their being no stipulation as to interest or repayment we are unable to comment on the same.
 - vi) In our opinion, in general there is, an adequate internal control procedure commensurate with size of the Company and the nature of its business, for purchase of plant and machinery, equipment and similar assets and for sale of securities.
 - vii) The Company has not purchased goods and materials and sold goods, materials and services aggregating Rs. 50,000/- or more in value from/to any of the parties listed in the register maintained under Section 301 of the Act.



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- viii) The Company has not accepted any deposits from the public.
- ix) In our opinion, the Company's present internal audit system is generally commensurate with its size and nature of business.
- x) The Company has regularly deposited, during the year Provident Fund and Employees' State Insurance dues with the appropriate authorities in India.
- xi) At the last day of the financial year, there was no amount outstanding in respect of undisputed income tax, wealth tax, sales tax, customs duty and excise duty which were due for more than six months from the date they became payable.
- xii) During the course of our examination of the books of account carried out in accordance with the generally accepted auditing practices in India, we have not come across any personal expenses which have been charged to Profit and Loss Account, nor have we been informed of such case by the management other than those payable under contractual obligations and/or accepted business practices.
- xiii) In respect of services rendered:
 - a) The nature of the services rendered is such that it does not involve consumption of materials and stores.
 - b) Considering the nature of services rendered, it is not necessary to have a system of allocation of man-hours utilised to the relative jobs.
 - c) In our opinion, there is a reasonable system of authorisation at proper levels with necessary controls and the related system of internal control of the Company is commensurate with the size of the Company and the nature of its business.
- xiv) In respect of finance activities:
 - a) The Company has maintained proper records of transactions and contracts in respect of trading in shares and other securities and timely entries have been made therein. All shares and other securities have been held by the Company in its own name except for certain securities as detailed in Schedule E.
- xv) Other clauses of the Order are either not applicable or relevant to the Company and accordingly we have not reported on the matters specified in such clauses.

4. Further to our comments in paragraph 3 above, we report that:

- (a) Subject to paragraph 4.1 below, 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, subject to paragraph 4.1 below, 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 and Profit and Loss Account dealt with by this report are in agreement with the books of account;
- (d) In our opinion, subject to paragraph 4.1 below the Balance Sheet and Profit and Loss Account dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Act;
- (e) On the basis of written representations received from the directors as on March 31, 2003 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2003 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Act;

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(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 read with Notes 4 and 7 of Schedule 'N', regarding treatment of registration and other charges recoverable from the schemes of erstwhile HB Mutual Fund and subject to matter stated in paragraph 4.1 below and related Note with consequential effect on the Company's loss for the year and net assets, also give respectively, a true and fair view in conformity with the accounting principles generally accepted in India:

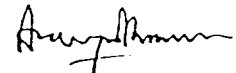
(i) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2003;

(ii) in the case of the Profit and Loss Account, of the loss for the year ended on that date

4.1 As explained in Note 5 on Schedule 'N', the title of a property, aggregating to Rs 19,800,020, not being in the name of the Company and non provision of registration cost thereof, the amount of which is currently not ascertained with consequent non provision of depreciation thereon.

Place: New Delhi
Dated: 18/5/2003

(C)



Anupam Dhawan
Partner
For and on behalf of
Price Waterhouse
Chartered Accountants

CREDITCAPITAL ASSET MANAGEMENT COMPANY LIMITED

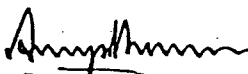
BALANCE SHEET AS AT 31ST MARCH 2003


SOURCES OF FUNDS	SCHEDULE AMOUNT (RS.)		AMOUNT (RS.)	AMOUNT (RS.)
			As at 31-03-2003	As at 31-03-2002
Shareholders' funds				
Share Capital	A		125,400,000	125,400,000
Reserves and Surplus	B		2,100,000	2,100,000
Secured Loan	C			84,243
Deferred Tax Liability			1,455,370	
Total			<u>128,955,370</u>	<u>127,584,243</u>
APPLICATION OF FUNDS				
Fixed Assets				
Gross Block	D	25,692,008		25,891,934
Less: Depreciation		5,531,641		4,722,958
Net Block			20,160,367	21,168,976
Investments	E		38,614,396	40,856,483
Current Assets, Loans and Advances				
Interest accrued on Investments and Fixed Deposits	F	238,420		218,047
Cash and Bank Balances	G	3,442,570		1,457,496
Sundry Debtors	H	734,581		701,220
Current Assets, Loans and Advances	I	44,187,695		50,919,658
		48,603,266		53,296,421
Less: Current Liabilities & Provisions				
-Current Liabilities	J			7,329,061
-Provisions		1,126,478		413,190
		417,231		
Net Current Assets		1,543,709	47,059,557	7,742,251
Profit and Loss Account				45,554,170
Total			23,121,050	20,004,614
Significant Accounting Policies and Notes to Accounts	N		<u>128,955,370</u>	<u>127,584,243</u>

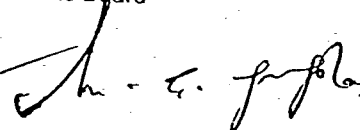
Schedules referred to above form an integral part of the Balance Sheet

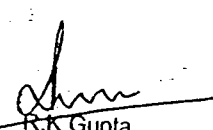
This is the Balance Sheet referred to in our report of even date

For and on behalf of the Board


Anupam Dhawan
Partner
For and on behalf of
Price Waterhouse
Chartered Accountants


Director


Director


R.K. Gupta
Chief Executive Officer

Place : New Delhi
Date : 18/8/2003


Siddharth Sharma
Company Secretary

CREDITCAPITAL ASSET MANAGEMENT COMPANY LIMITED

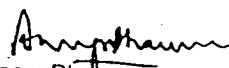
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2003


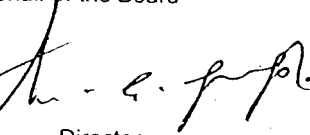
	SCHEDULE	AMOUNT (RS.) For the year ended 31-03-2003	AMOUNT (RS.) For the year ended 31-03-2002
INCOME			
Investment Management and Advisory Fees (Gross. Tax Deducted at Source Rs.613,618 Previous year Rs:444,117)		11,321,851	8,708,170
Other Income	K	1,683,967	3,649,617
		<u>13,005,818</u>	<u>12,357,787</u>
EXPENDITURE			
Personnel	L	4,715,231	5,123,653
Administration and Other Expenses	M	8,401,985	20,815,639
Depreciation		888,111	927,006
Diminution in value of investments		236,170	
		<u>14,241,497</u>	<u>26,866,298</u>
Profit/ (Loss) before taxation		(1,235,679)	(14,508,511)
Prior Period Adjustments - Legal and Professional Expenses		(152,534)	-
Provision for taxation -Current -Deferred		(1,366,573)	-
Profit/ (Loss) After Taxation		(2,754,786)	(14,508,511)
(Short)/ Excess provision for tax of earlier years		(272,853)	558,136
Profit/ (Loss) for the year		(3,027,639)	(13,950,375)
Loss Brought Forward from Previous Year		(20,004,614)	(6,054,239)
Add: Deferred Tax adjustment for earlier years (Refer Note 10 of Schedule N)		(88,797)	-
Balance Carried to the Balance Sheet		<u>(23,121,050)</u>	<u>(20,004,614)</u>
Basic and Diluted earnings per share (Refer Note 14 of Schedule N)		(0.30)	(1.39)
Significant Accounting Policies and Notes to Accounts	N		

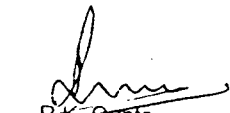
Schedules referred to above form an integral part of the Profit and Loss Account

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

For and on behalf of the Board


Anupam Dhawan
Partner
For and on behalf of
Price Waterhouse
Chartered Accountants

 Director
 Director


R.K. Gupta
Chief Executive Officer

Place : New Delhi
Date : 18/8/2003


Siddharth Sharma
Company Secretary

CREDITCAPITAL ASSET MANAGEMENT COMPANY LIMITED

SCHEDULES FORMING PART OF THE ACCOUNTS AS AT MARCH 31, 2003

SCHEDULE 'A' : SHARE CAPITAL

	AMOUNT (RS.) As at 31-03-2003	AMOUNT (RS.) As at 31-03-2002
Authorised		
13,000,000 Equity Shares of Rs. 10 each	130,000,000	130,000,000
3,000,000 6% Non -Cumulative Redeemable Preference Shares of Rs. 10 each	30,000,000	30,000,000
	<u>160,000,000</u>	<u>160,000,000</u>
Issued and Subscribed		
Equity Share Capital		
10,040,000 Equity Shares (Previous year 10,040,000) of Rs. 10 each fully paid up	100,400,000	100,400,000
6% Non- Cumulative Redeemable Preference Shares 2,500,000 (Previous year 2,500,000) of Rs. 10 each fully paid up	25,000,000	25,000,000
	<u>125,400,000</u>	<u>125,400,000</u>

Notes:

1. Of the above, 5,040,000 Equity Shares of Rs. 10 each have been allotted as fully paid up, pursuant to the Scheme of Amalgamation, for consideration other than cash.
2. Non-Cumulative Redeemable Preference Shares are redeemable at par on July 6, 2004

SCHEDULE 'B' : RESERVES AND SURPLUS

Amalgamation Reserve	<u>2,100,000</u>	<u>2,100,000</u>
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SCHEDULE 'C' : SECURED LOAN

Car Loan	<u>-</u>	<u>84,243</u>
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Note:

Secured by hypothecation of specific vehicle

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CREDITCAPITAL ASSET MANAGEMENT COMPANY LIMITED
SCHEDULES FORMING PART OF BALANCE SHEET AS AT MARCH 31, 2003

SCHEDULE 'D' : FIXED ASSETS
(Refer Notes 1(b), 1(c) and 5 of Schedule N)

Particulars	As at 1/4/2002		Gross Block		Depreciation		Net Block	
	Rs.	Rs.	Additions during the year	Deductions during the year	For the year	On Deductions	As at 31/3/03	As at 31/3/02
			Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
BUILDING (Refer Note 1 below)	19,800,020	-	-	-	322,740	-	17,388,261	17,711,001
AIR CONDITIONERS	493,280	49,840	-	-	25,642	-	415,875	391,677
DATA PROCESSING EQUIPMENT	3,257,475	125,350	-	-	415,688	-	1,151,303	1,441,641
ELECTRIC INSTALLATION	193,449	-	-	-	9,189	-	134,558	143,747
OFFICE EQUIPMENT	557,064	45,884	21,000	-	24,346	3,428	335,126	331,160
FURNITURE AND FIXTURES	666,844	-	-	-	40,745	-	386,445	427,190
VEHICLES	923,802	-	400,000	-	49,761	76,000	348,799	722,560
TOTAL	25,891,934	221,074	421,000	25,692,008	888,111	79,428	20,160,367	21,168,976
PREVIOUS YEAR	25,739,802	185,150	33,018	25,891,934	927,006	20,764	21,168,976	-

Note:
1. Building is pending registration in the name of the Company.

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CREDITCAPITAL ASSET MANAGEMENT COMPANY LIMITED

SCHEDULES FORMING PART OF THE ACCOUNTS AS AT MARCH 31, 2003

SCHEDULE 'E' : INVESTMENTS

Long Term, Non Trade, Fully Paid Up (Refer Notes 1(e) and 13 of schedule N)	Face Value AMOUNT (RS.)	As at 31-03-2003 AMOUNT (RS.)	As at 31-03-2002 AMOUNT (RS.)
Unquoted			
<u>Non-Convertible Debentures</u> #			
26,838 (Previous Year 26,838) 13% DCM Shriram Consolidated Ltd. (Previous Year Face Value Rs.100)	66	1,530,630	2,312,236
Nil (Previous Year 4,400) 10.5% Jindal Iron and Steel Ltd. (Previous Year Face Value Rs.167)	0	-	532,730
Nil (Previous Year 153,587) 15% Pasupathi Spinning and Weaving Mills Ltd. (Previous Year Face Value Rs.9)	0	-	1,411,317
Sub-Total (A)		<u>1,530,630</u>	<u>4,256,283</u>
<u>Non -Cumulative Preference Shares</u> #			
250,000 (Previous Year 250,000) 12.50% CFL Securities Ltd. (Previous Year Face Value Rs.100)	100	25,010,000	25,010,000
Sub-Total (B)		<u>25,010,000</u>	<u>25,010,000</u>
<u>Units of Mutual Funds</u>			
Nil (Previous Year 1,000,000) Libra Leap (Previous Year Face Value Rs.10)			8,950,000
1,037,513.398 (Previous Year Nil) Bonanza Exclusive Growth-Open	10	9,680,000	
653,451.81 (Previous Year 653,451.81) Discovery Stock Fund (Previous Year Face Value Rs.10)	10	5,000,000	5,000,000
Sub-Total (C)		<u>14,680,000</u>	<u>13,950,000</u>
Quoted			
<u>Equity Shares</u>			
Nil (Previous Year 100) Federal Bank Ltd. (Previous Year Face Value Rs.10)	10	-	10,264
50(Previous Year 50) State Bank Of India ** (Previous Year Face Value Rs.10)	10	16,229	16,229
40,000 (Previous Year 40,000) Industrial Finance Corporation of India Ltd. (Previous Year Face Value Rs.10)	10	1,211,400	1,211,400
Sub-Total (D)		<u>1,227,629</u>	<u>1,237,893</u>
Total (A + B + C + D)		42,448,259	44,454,176
Less: Diminution in value of investments		(3,833,863)	(3,597,693)
		<u>38,614,396</u>	<u>40,856,483</u>

Aggregate value of unquoted investments is Rs.41,220,630

(Previous year Rs.43,216,283)

Aggregate value of Quoted investments is Rs.1,227,629

(Previous year Rs.1,237,893)

Market Value of Quoted Equity shares is Rs.165,495

(Previous year Rs.179,440)

Market Value of units of Mutual fund is Rs. 12,229,900

(Previous year Rs.12,635,789)

** 50 shares are in objection

Listed but not quoted.

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CREDITCAPITAL ASSET MANAGEMENT COMPANY LIMITED

SCHEDULES FORMING PART OF THE ACCOUNTS AS AT MARCH 31, 2003

SCHEDULE 'F' : INTEREST ACCRUED ON INVESTMENTS AND FIXED DEPOSITS

	AMOUNT (RS.) As at 31-03-2003	AMOUNT (RS.) As at 31-03-2002
Interest Accrued		
-On Investments		
Considered good	188,362	213,849
Considered doubtful	1,188,354	1,188,354
	<u>1,376,716</u>	<u>1,402,203</u>
Less: Amount Written Off	1,188,354	1,188,354
Less: Provision for Doubtful Interest	-	-
	<u>188,362</u>	<u>213,849</u>
-On Fixed Deposits	3,394	4,198
-On Income Tax Refund	46,664	-
	<u>238,420</u>	<u>218,047</u>

SCHEDULE 'G' : CASH AND BANK BALANCES

Cash in Hand	3,349	2,620
Deposit with Scheduled Bank *	1,924,801	1,011,759
Balances with Scheduled Banks in Current Account	1,514,420	443,117
	<u>3,442,570</u>	<u>1,457,496</u>

* Includes Fixed Deposit of Rs. 100,000 (Previous Year Rs.100,000) held under lien against issue of Bank Guarantee

SCHEDULE 'H' : SUNDRY DEBTORS
(Unsecured, Considered Good)

Debts outstanding for a period exceeding six months	734,581	701,220
Other Debts	-	-
	<u>734,581</u>	<u>701,220</u>

SCHEDULE 'I' : CURRENT ASSETS, LOANS AND ADVANCES
(Unsecured, Considered Good unless otherwise stated)
(Refer Notes 4 & 7 of Schedule N)

Advances recoverable in cash or in kind or for value to be received	45,137,831	50,478,116
Less: Advances Written off (Considered Doubtful Rs. Nil, Previous Year Rs.2,457,392)	<u>3,839,675</u>	<u>50,478,116</u>
	41,298,156	50,478,116
Advance Income Tax	1,568,230	2,594,229
Recoverable from Schemes (Net)	1,321,309	304,705
	<u>44,187,695</u>	<u>53,377,050</u>
Less: Provision for Doubtful Advances / Interest	-	(2,457,392)
	<u>44,187,695</u>	<u>50,919,658</u>

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CREDITCAPITAL ASSET MANAGEMENT COMPANY LIMITED

SCHEDULES FORMING PART OF THE ACCOUNTS AS AT MARCH 31, 2003

SCHEDULE 'J' : CURRENT LIABILITIES AND PROVISIONS
 (Refer Notes 1(f), 1(g) and 1(h) of Schedule N)

	AMOUNT (RS.) As at 31-03-2003	AMOUNT (RS.) As at 31-03-2002
CURRENT LIABILITIES		
Sundry Creditors		
- Total outstanding dues to small scale undertakings	969,604	7,207,853
- Total outstanding dues of creditors other than small scale undertakings		
Other Liabilities	156,874	121,208
	<u>1,126,478</u>	<u>7,329,061</u>
PROVISIONS		
Leave Encashment	187,877	244,290
(Refer Notes 1(g) & 11 of Schedule N)		
Gratuity	229,354	168,900
	<u>417,231</u>	<u>413,190</u>
	<u>1,543,709</u>	<u>7,742,251</u>

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CREDITCAPITAL ASSET MANAGEMENT COMPANY LIMITED

SCHEDULES FORMING PART OF THE ACCOUNTS AS AT MARCH 31, 2003

SCHEDULE 'K' : OTHER INCOME
(Refer Note 1(d) of Schedule N)

	AMOUNT (RS.) For the year ended 31-03-2003	AMOUNT (RS.) For the year ended 31-03-2002
Dividend (Gross, Tax Deducted at Source Rs 40, Previous Year Nil)	350	188
Interest		
- on Investments (Gross, Tax Deducted at Source Rs 80,854, Previous Year Rs 94,556)	407,822	933,235
- on Fixed Deposits (Gross, Tax Deducted at Source Rs 2,344, Previous Year Rs 37,458)	4,499	180,111
- on Income tax Refunds	195,514	
	<u>607,835</u>	<u>1,113,346</u>
Profit on sale/ switch over of investments (Net)	640,725	
Profit on redemption of debentures (Net)	297,020	176,261
Provision no longer required written back	56,412	1,812,873
Creditors written back and Bad Debts recovered	49,363	511,197
Miscellaneous Income	32,262	35,752
	<u><u>1,683,967</u></u>	<u><u>3,649,617</u></u>

SCHEDULE 'L' : PERSONNEL

Salaries and Allowances	4,142,361	4,443,510
Contribution to Provident Fund and other funds	499,881	544,722
Staff Welfare	72,989	135,421
	<u><u>4,715,231</u></u>	<u><u>5,123,653</u></u>

SCHEDULE 'M': ADMINISTRATION AND OTHER EXPENSES

Advertisement and Business Promotion	136,410	1,936,745
Legal and Professional	333,864	480,631
Board Meeting	30,000	33,411
Director's sitting fees	217,500	255,000
Electricity	361,776	302,488
Travelling and Conveyance	634,397	840,722
Repair and Maintenance (Others)	1,144,657	1,054,297
Insurance	13,604	15,031
Printing and Stationary	236,847	436,889
Subscription & Membership	1,065,124	713,486
Communication	558,562	1,163,409
Rent	1,715,780	1,775,820
Rates and Taxes	13,695	160,210
Interest-others	6,942	24,174
Excess expenses of schemes borne by the Company (Refer Note 6 of Schedule N)	445,087	2,474,363
Loss on sale of investments (Net)		2,580,476
Loss on sale of assets	64,000	
Advances and Interest Receivable written off	1,382,283	
Fixed assets written off	17,572	
Provision for Doubtful Advances / Interest		1,563,789
Scheme Management Expenses (Refer Notes 1(d)(iv) of Schedule N)	23,072	4,991,255
Miscellaneous	813	13,443
	<u><u>8,401,985</u></u>	<u><u>20,815,639</u></u>

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CREDITCAPITAL ASSET MANAGEMENT COMPANY LIMITED

SCHEDULES FORMING PART OF THE ACCOUNTS AS AT MARCH 31, 2003

SCHEDULE 'N' NOTES TO ACCOUNTS

1. Significant Accounting Policies

a) Basis of Accounting

The financial statements are prepared under the historical cost convention on accrual basis and comply with the Accounting Standards referred to in section 211(3C) of the Companies Act, 1956.

b) Fixed Assets

Fixed Assets are stated at cost of acquisition inclusive of duties, taxes, incidental expenses and interest etc. up to the date the asset is put to use.

c) Depreciation

i) Depreciation on fixed assets located at Mumbai Office is consistently provided on the written down value method at the rates prescribed in Schedule XIV to the Companies Act, 1956.

ii) Depreciation on fixed assets located at the Delhi Office is consistently provided on the straight-line method at the rates prescribed in Schedule XIV to the Companies Act, 1956.

iii) Depreciation on additions / disposals of fixed assets during the year is provided on a pro-rata basis.

d) Revenue Recognition

i) Management fees, which are accounted for on an accrual basis, are calculated with reference to the average weekly net asset values of the managed schemes as certified by them.

ii) Interest Income is accounted for on an accrual basis.

iii) Dividend is accounted for as income when the Company's right to receive it is established.

iv) Expenses incurred in launching the new schemes are being charged to revenue account in the year in which the scheme is launched.

e) Investments

Long Term Investments are valued at cost. Any permanent diminution in value is recognised in the year of such diminution.

f) Gratuity

For employees of the Delhi Office, provision for gratuity is being made on actuarial basis as on the Balance Sheet date. Contribution in respect of Mumbai Office employees is made to Life Insurance Corporation of India in the form of premium under the Group Gratuity Scheme. All contributions are charged to profit and loss account as they become due.

g) Leave Encashment

Provision for Leave Encashment is being made on actuarial basis as on the Balance Sheet date.

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h) Superannuation

Contributions are made to Life Insurance Corporation of India in the form of premium under the Superannuation Scheme. All contributions are charged to Profit and Loss Account as they become due.

i) Leases

Lease Rentals in respect of assets taken on "Operating Lease" are charged to the profit and loss account on an accrual basis.

j) Taxation

Current Tax

The tax expense on account of tax is charged to the profit and loss account for the year. Current tax is calculated in accordance with the tax laws applicable to the current financial year.

Deferred Tax

The tax expense/saving on account of deferred tax is charged or credited to the profit and loss account for the year. The Company provides for deferred tax using the liability method based on the tax effect of timing differences resulting from recognition of items in the financial statements. The deferred tax charge or credit is recognized using the tax rates and tax laws that have been enacted by the balance sheet date. Deferred tax assets are recognized only if there is virtual certainty of realization of such assets. At each balance sheet date, recognized and unrecognized deferred tax assets are reviewed.

2. The Company is contingently liable for Rs. 1,218,893 (Previous year Rs. 1,218,893), excluding interest, in respect of an income tax assessment order, which has been appealed against.
3. Deposits with bank includes Rs. 100,000 against which Bank Guarantee has been issued to Tata Share Registry for transfer of 1040 shares of TISCO lodged in Taurus the Starshare Scheme.
4. Advances recoverable in cash or in kind or for value to be received, include Rs. 73,628 (Previous year Rs.653,943) towards one time registration charges of the schemes of the erstwhile HB Mutual Fund with the Securities and Exchange Board of India (SEBI), which is being recovered annually over the period of the schemes on the basis of higher of 0.05% of the corpus of each scheme or 1/10th of such expenses.
5. The erstwhile HBAMC purchased an office in Mumbai in earlier years for Rs. 19,800,020, the title to which is yet to be transferred in the name of the Company.
6. Expenses of the schemes in excess of the limits specified in SEBI regulations amounting to Rs. 445,087 (Previous year Rs. 2,474,363) are being borne by the Company.
7. Amount recoverable from Schemes in Schedule 'I' includes, Brand Image Expenses incurred by the Company for Discovery Stock Fund Scheme of Taurus Mutual Fund, which were to be reimbursed by the scheme over the period of five years w.e.f. March 31, 1995, subject to the expenditure limit of 2.5% of average net asset value of the scheme. The period has been extended to ten years and an amount of Rs. 1,022,750 (Previous year Rs. 1,022,750) is due

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from the Scheme. The aforesaid amount will be accounted for by the scheme in the remaining period subject to the expenditure limit of 2.5% of average net asset value of the scheme.

8. The erstwhile HBAMC has been served with a show cause notice under section 51 of the now repealed FERA, 1973 alleging certain violations under section 9(1)(7)(ii) of the said Act, for making payment of Rs. 450,000 for releasing an advertisement. The company has however not received any communication after submitting their reply vide their letter dated February 8th, 2001.
9. During the year, based on SEBI approval dated May 24, 2001 one of the sponsors, Lazard India Limited, exited from the Company.

10. Deferred Tax

In compliance with Accounting Standard-22 "Accounting for Taxes on Income" issued by the Institute of Chartered Accountants of India, which is mandatory in nature the Company has for the first time recognized deferred tax liability, arising from timing difference between book profits and tax profits. As a result the Company has adjusted timing difference (net) for the period up to March 31, 2002 of Rs 88,797 from the opening Profit and Loss account and adjustment of timing difference arising during the year of Rs 1,366,573 has been made to the Profit and Loss account for the current year.

Break up of Deferred tax assets/liabilities:

	Opening As at 01.04.2002 (Rs.)	Closing As at 31.03.2003 (Rs.)
Deferred Tax Liabilities:		
Tax impact of difference between carrying amount of fixed Assets in the financial statements and the income tax return	1,963,310	2,003,044
Total (A)	<u>1,963,310</u>	<u>2,003,044</u>
Deferred Tax Assets:		
Tax impact of difference between carrying amount of liabilities toward expense in the financial statements and the income tax return	156,945	154,703
Provision for doubtful income	1,339,810	-
Provision for diminution in value of investments	<u>377,758</u>	<u>392,971</u>
Total (B)	<u>1,874,513</u>	<u>547,674</u>
Net Deferred Tax Liability (A-B)	88,797	1,455,370

Further, in view of uncertainty at this stage with respect to availability of future taxable profits within a reasonable period to obtain tax relief, the deferred tax asset on account of unabsorbed tax losses has not been recognized in these accounts.

11. During the year the Company has changed its accounting policy for leave encashment from actual to actuarial basis. As a result, an amount of Rs 56,412 has been written back with consequential effect on the loss for the year and net current assets.

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12. Auditors' Remuneration

	2002-2003 Amount (Rs.)	2001-2002 Amount (Rs.)
Audit Fee (incl' service tax)	183,750	1,83,750
Out of Pocket Expenses	4,397	3,235
	<u>188,147</u>	<u>186,985</u>

13. Particulars of investments purchased/switch in and sold/switch over during the year:

Particulars	Nos.	Purchase/ Switch in (Rs.)	Nos.	Sale/Switch over (Rs.)
Federal Bank	-	-	100	7,908
Tisco	40000	4,828,247	40000	4,741,929
Libra Leap	-	-	1000000	9,680,000
Bonanza Exclusive	1037513.398	9,680,000	-	-

14. Basic and diluted Earnings Per Share:

	<u>2002-2003</u>	<u>2001-2002</u>
a) Weighted average number of equity shares o/s	10,040,000	10,040,000
b) Net Profit (Loss) after tax available for equity Shareholders (Rs.)	(3,027,639)	(13,950,375)
c) Basic and Diluted earnings per share (Rs.)	(0.30)	(1.39)
d) Nominal Value per share (Rs.)	10	10

15. Information with regard to other matters specified in Part II of Schedule VI to the Companies Act, 1956 are either Nil or are not applicable to the Company for the year ended March 31, 2003.

16. Previous year's figures have been reclassified and regrouped wherever necessary to conform to the current year's classification.

For and on behalf of the Board

Director

Director

Chief Executive Officer

Siddharth Sharma
Company Secretary

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