

CREDITCAPITAL ASSET MANAGEMENT COMPANY LIMITED

**STATEMENT OF ACCOUNTS FOR THE YEAR ENDED
MARCH 31, 2004**

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, 2004, 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 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.
3. 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:
 - (i) (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) 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. As the company has not granted or taken any loans, secured or unsecured, to/from the parties covered in the register maintained under section 301 of the Act, clauses (iii)(b), (iii)(c) and (iii)(d) of the paragraph 4 of the Companies (Auditor's Report) Order, 2003 are not applicable to the company for the current year.

PRICE WATERHOUSE

- (iii) In our opinion and according to the information and explanations given to us, having regard to the explanation that certain items purchased are of special nature for which suitable alternative sources do not exist for obtaining comparative quotations, there are adequate internal control procedures commensurate with the size of the company and the nature of its business for the purchase of fixed assets. 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 continuing failure to correct major weaknesses in the aforesaid internal control procedures.
- (iv) (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 and exceeding the value of Rupees Five Lakhs in respect of any party during the year, which have been made at prices which are not reasonable having regard to the prevailing market prices at the relevant time.
- (v) 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 there under.
- (vi) In our opinion, the company has an internal audit system commensurate with its size and nature of its business.
- (vii) 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, employees' state insurance, income-tax, and other material statutory dues, as applicable, with the appropriate authorities. As explained to us, the company did not have any dues on account of investor education and protection fund, sales tax, wealth tax, customs duty and cess.
- (viii) In our opinion, the accumulated losses of the company are not more than fifty percent of its net worth. The company has not incurred cash losses during the financial year covered by our audit or in the immediately preceding financial year. The cash profits have been arrived at without considering the effect of the qualification in the audit report as the qualification is not capable of being quantified.
- (ix) The company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (x) The provisions of any special statute applicable to chit fund / nidhi / mutual benefit fund / societies are not applicable to the company.
- (xi) In our opinion, the company has maintained proper records of the transactions and contracts relating to dealing or trading in shares, securities, debentures and other investments and timely entries have been made therein. Further such securities have been held by the company in its own name.


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- (xii) 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.
- (xiii) The company has not obtained any term loans.
- (xiv) 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.
- (xv) 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.
- (xvi) The company has not raised any money by public issues during the year.
- (xvii) 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.
- (xviii) The Clauses (ii)(a), (b), (c), (viii), (xi) and (xix) of paragraph 4 of the Companies (Auditor's Report) Order 2003 are not applicable in the case of the company, since in our opinion there is no matter which arises to be reported in the aforesaid order.

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, 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, 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;


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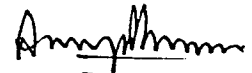
(f) In our opinion and to the best of our information and according to the explanations given to us, the said financial statements together with the notes thereon and attached thereto give, in the prescribed manner the information required by the Act and subject to matter stated in paragraph 4.1 below the effect of which on the Company's profit for the year and net assets is not readily ascertainable and paragraph 4.2 below being a legal matter, 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, 2004;

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

4.1 As explained in Note 4 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, as the amount is currently not ascertainable. Also non provision of depreciation on the aforesaid registration cost not capitalised.

4.2 Note 9(b) regarding managerial remuneration amounting to Rs 701,965 paid to the managing director, being subject to approval by the Central Government.



Anupam Dhawan
Partner

Membership No. F 084451

For and on behalf of

Price Waterhouse

Chartered Accountants

Place: New Delhi

Date : August 18 2004

CREDITCAPITAL ASSET MANAGEMENT COMPANY LIMITED

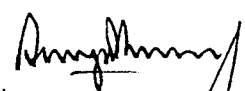
BALANCE SHEET AS AT 31ST MARCH 2004

SOURCES OF FUNDS	SCHEDULE	AMOUNT (RS.) As at 31-03-2004	AMOUNT (RS.) As at 31-03-
Shareholders' funds			
Share Capital	A	125,400,000	125,400
Reserves and Surplus	B	2,100,000	2,100
Deferred Tax Liability (Net)			
Total		1,516,024	1,455,
		<u>129,016,024</u>	<u>128,955,</u>
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	C	26,041,388	25,692,0
Less: Depreciation		6,439,091	5,531,6
Net Block			20,160,3
Investments	D	19,602,297	38,614,3
Current Assets, Loans and Advances			
Interest accrued on Investments	E	111,280	188,36
Sundry Debtors	F	2,655,250	734,58
Cash and Bank Balances	G	30,747,620	3,442,57
Other Current Assets	H	5,138,255	50,05
Loans and Advances	I	4,557,804	44,006,81
		43,210,209	48,422,38
Less: Current Liabilities & Provisions	J		
-Current Liabilities		1,313,624	945,59
-Provisions		613,674	417,23
Net Current Assets		1,927,298	1,362,82
Profit and Loss Account		41,282,911	47,059,557
Total		16,625,759	23,121,050
Significant Accounting Policies and Notes to Accounts	N	<u>129,016,024</u>	<u>128,955,370</u>


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

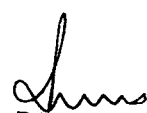
The Schedules referred to above form an integral part of the Balance Sheet

For and on behalf of the Board

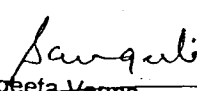

Anupam Dhawan
Partner
Membership No. F-084451
For and on behalf of
Price Waterhouse
Chartered Accountants

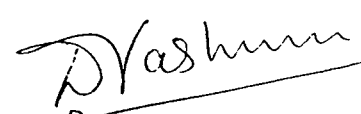

Director


Director


R.K. Gupta
Managing Director

Place : New Delhi
Date : 18/03/2004


Sangeeta Verma
Company Secretary


Deepa Varshnei
Vice President (Accounts)

CREDITCAPITAL ASSET MANAGEMENT COMPANY LIMITED

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

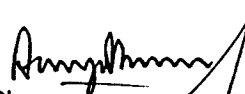
	SCHEDULE	AMOUNT (RS.) For the year ended 31-03-2004	AMOUNT (RS.) For the year ended 31-03-2003
INCOME			
Investment Management and Advisory Fees (Gross, Tax Deducted at Source Rs.840,952 Previous year Rs.613,618)		15,190,732	11,321,683
Other Income	K	4,881,369	1,683,000
		<u>20,072,101</u>	<u>13,005,000</u>
EXPENDITURE			
Personnel	L	4,976,989	4,715,000
Administration and Other Expenses	M	6,827,071	8,401,000
Depreciation		907,450	888,000
Diminution in value of investments		305,684	236,000
		<u>13,017,194</u>	<u>14,241,000</u>
Profit/ (Loss) before taxation		7,054,907	(1,235,000)
Prior Period Adjustments			
- Legal & Professional			(152,500)
- Repair & Maintenance		(113,962)	
Provision for taxation			
-Current		(385,000)	
-Deferred (Refer Note 8 of Schedule N)		(60,654)	(1,366,500)
(Short)/ Excess provision for tax of earlier years			(272,800)
Profit/ (Loss) After Taxation		<u>6,495,291</u>	<u>(3,027,600)</u>
Loss Brought Forward from Previous Year			(20,004,600)
Add: Deferred Tax adjustment for earlier years		(23,121,050)	(88,700)
Balance Carried to the Balance Sheet		<u>(16,625,759)</u>	<u>(23,121,000)</u>
Basic and Diluted earnings/ (loss) per share (Refer Note 13 of Schedule N)		0.65	(0.30)
Significant Accounting Policies and Notes to Accounts	N		

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

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

For and on behalf of the Board


Anupam Dhawan
Partner
Membership No.
For and on behalf of
Price Waterhouse
Chartered Accountants

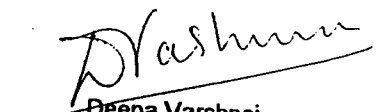

Director


Director


Managing Director

Place : New Delhi
Date : AUGUST 18, 2004


Sangeeta Verma
Company Secretary


Deepa Varshnei
Vice President (Accounts)

CRÉDITCAPITAL ASSET MANAGEMENT COMPANY LIMITED

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT MARCH 31 ,2004

SCHEDULE 'A' : SHARE CAPITAL

	AMOUNT (RS.) As at 31-03-2004	AMOUNT (RS.) As at 31-03-200:
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 (Refer Note 7 of schedule N)	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 October 6th 2004

SCHEDULE ' B' : RESERVES AND SURPLUS

Amalgamation Reserve	<u>2,100,000</u>	<u>2,100,000</u>
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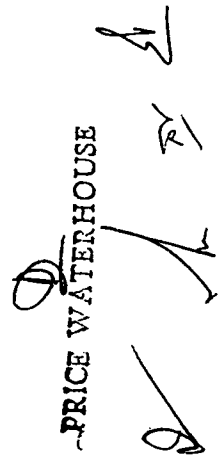
PRICE WATERHOUSE

SCHEDULES FORMING PART OF BALANCE SHEET AS AT MARCH 31, 2004
SCHEDULE 'C' : FIXED ASSETS
(Refer Notes 1(b), 1(c) and 4 of Schedule N)

Particulars	Gross Block		Depreciation				Net Block			
	As at 1/4/03 Rs.	Additions during the year Rs.	Deductions during the year Rs.	As at 31/3/04 Rs.	Upto 1/4/03 Rs.	For the year Rs.	On Deductions Rs.	Upto 31/3/04 Rs.	As at 31/3/04 Rs.	As at 31/3/03 Rs.
BUILDING (Refer Note 1 below)	19,800,020	-	-	19,800,020	2,411,759	322,740	-	2,734,499	17,065,521	17,388,261
AIR CONDITIONERS	543,120	-	-	543,120	127,245	25,798	-	153,043	390,077	415,875
DATA PROCESSING EQUIPMENT	3,382,825	349,380	-	3,732,205	2,231,522	433,289	-	2,664,811	1,067,394	1,151,303
ELECTRIC INSTALLATION	193,449	-	-	193,449	58,891	9,189	-	68,080	125,369	134,558
OFFICE EQUIPMENT	581,948	-	-	581,948	246,822	23,241	-	270,063	311,885	335,126
FURNITURE AND FIXTURES	666,844	-	-	666,844	280,399	43,432	-	323,831	343,013	386,445
VEHICLES	523,802	-	-	523,802	175,003	49,761	-	224,764	299,038	348,799
TOTAL	25,692,008	349,380	-	26,041,388	5,531,641	907,450	-	6,439,091	19,602,297	20,160,367
PREVIOUS YEAR	25,891,934	221,074	421,000	25,692,008	4,722,958	886,111	79,428	5,531,641	20,160,367	

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 BALANCE SHEET AS AT MARCH 31 ,2004

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

CURRENT LIABILITIES

Sundry Creditors

- Total outstanding dues to small scale undertakings
- Total outstanding dues of creditors other than small scale undertakings

Other Liabilities :

PROVISIONS

- Leave Encashment
- Gratuity

AMOUNT (RS.)
As at 31-03-2004

AMOUNT (F)
As at 31-03-2004

	1,073,516	788,71
	240,108	156,87
	<u>1,313,624</u>	<u>945,59</u>
	257,794	187,87
	355,880	229,35
	<u>613,674</u>	<u>417,23</u>
	<u>1,927,298</u>	<u>1,362,824</u>

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PRICE WATERHOUSE

CREDITCAPITAL ASSET MANAGEMENT COMPANY LIMITED

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT MARCH 31, 2004

SCHEDULE 'D': INVESTMENTS

Long Term, Non Trade, Fully Paid Up
(Refer Notes 1(e) and 12 of schedule N)

	Face Value AMOUNT (RS.)	As at 31-03-2004 AMOUNT (RS.)	As at 31-03-2003 AMOUNT (RS.)
Unquoted			
<u>Non-Convertible Debentures</u> #			
26,838 (Previous Year 26,838) 13% DCM Shriram Consolidated Ltd. (Previous Year Face Value Rs.66)	33	765,316	1,530,630
Sub-Total (A)		<u>765,316</u>	<u>1,530,630</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>			
1,083,351.197 (Previous Year 1,037,513.398) Bonanza Exclusive Growth-Open	10	7,580,750	9,680,000
653,451.81 (Previous Year 653,451.81) Discovery Stock Fund	10	5,000,000	5,000,000
Quoted			
<u>Equity Shares</u>			
40,000 (Previous Year 40,000) Industrial Finance Corporation of India Ltd.	10	1,211,400	1,211,400
Nil(Previous Year 50) State Bank Of India	10	-	16,229
Sub-Total (C)		<u>13,792,150</u>	<u>15,907,629</u>
Total (A + B + C)		<u>39,567,466</u>	<u>42,448,259</u>
Less: Provision for Diminution in value of investments		<u>(2,113,128)</u>	<u>(3,833,863)</u>
Sub-Total (D)		<u>37,454,338</u>	<u>38,614,396</u>
Current Investments, Non Trade, Fully Paid Up (Refer Notes 1(e) and 12 of schedule N)			
<u>Unquoted</u>			
<u>Bonds</u>			
2 (Previous Year Nil) 7.90% HUDCO BONDS	1000000	2,074,600	-
<u>Quoted</u>			
<u>Equity Shares</u>			
16,750 (Previous Year Nil) Canara Bank	10	2,122,220	-
50000 (Previous Year Nil) Hindustan Lever	1	8,018,184	-
44,663 (Previous year Nil) Union Bank	10	2,141,399	-
Sub-Total (E)		<u>14,356,403</u>	-
Less: Provision for Diminution in value of investments		<u>(305,684)</u>	-
Sub-Total (F)		<u>14,050,719</u>	-
Total (D + F)		<u>51,505,057</u>	<u>38,614,396</u>

Aggregate Cost of unquoted investments is Rs.40,430,666
(Previous year Rs.41,220,630)

Aggregate Cost of Quoted Equity Shares is Rs.13,493,203
(Previous year Rs.1,227,629)

Market Value of Quoted Equity shares is Rs.12,881,490
(Previous year Rs.165,495)

Market Value of units of Mutual fund is Rs. 19,554,500
(Previous year Rs.12,229,900)

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Listed but not quoted.

CREDITCAPITAL ASSET MANAGEMENT COMPANY LIMITED

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT MARCH 31, 2004

SCHEDULE 'E' : INTEREST ACCRUED ON INVESTMENTS

	AMOUNT (RS.) As at 31-03-2004	AMOUNT (R As at 31-03-20
Interest Accrued		
-On Investments		
Considered good	111,280	188,36
Considered doubtful	133,916	1,188,35
	<u>245,196</u>	<u>1,376,71</u>
Less: Provision for Doubtful Interest		
Less: Amount Written Off	133,916	
	<u>111,280</u>	<u>1,188,35</u>
	<u><u>111,280</u></u>	<u><u>188,36</u></u>

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

Debts outstanding for a period exceeding six months		
Other Debts		
	2,655,250	734,581
	<u>2,655,250</u>	<u>734,581</u>

SCHEDULE 'G' : CASH AND BANK BALANCES

Cash in Hand		
Deposit with Scheduled Bank	13,083	3,349
Balances with Scheduled Banks in Current Account	-	1,924,801
	30,734,537	1,514,420
	<u>30,747,620</u>	<u>3,442,570</u>

SCHEDULE 'H' : OTHER CURRENT ASSETS

Interest Receivable		
-On Fixed Deposits		
-On Income Tax Refund	48,504	3,394
	<u>48,504</u>	<u>46,664</u>
Other Receivables		
-Against contract for sale of investments		
	5,089,751	50,058
	<u>5,138,255</u>	<u>50,058</u>

SCHEDULE 'I' : LOANS AND ADVANCES
(Unsecured, Considered Good unless otherwise stated)

Advances recoverable in cash or in kind or for value to be received (Refer Note 3 of Schedule N)		
	1,216,116	41,298,156
Advance Income Tax		
Less: Provision for Taxation	1,688,760	1,568,230
	<u>(385,000)</u>	
	1,303,760	1,568,230
Recoverable from Schemes (Net) (Refer Note 6 of Schedule N)	2,037,928	1,140,424
	<u>4,557,804</u>	<u>44,006,810</u>

PRICE WATERHOUSE

CREDITCAPITAL ASSET MANAGEMENT COMPANY LIMITED

SCHEDULES FORMING PART OF THE ACCOUNTS AS AT MARCH 31, 2004

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

	AMOUNT (RS.) For the year ended 31-03-2004	AMOUNT (RS.) For the year ended 31-03-2003
Dividend (Gross, Tax Deducted at Source Rs Nil, Previous Year 40)	152,500	
Interest		
- on Investments (Gross, Tax Deducted at Source Rs 50,736, Previous Year Rs 80,854)	372,722	407,82
- on Fixed Deposits (Gross, Tax Deducted at Source Rs 4,964, Previous Year Rs 2,344)	23,581	4,49
- on Income tax Refunds	85,024	
	<u>481,327</u>	<u>195,51</u>
Profit on sale/ switch over of investments (Net)	2,401,622	607,83
Profit on redemption of debentures (Net)	120,338	640,72
Provision no longer required written back	1,720,735	297,020
Creditors written back and Bad Debts recovered	3,477	56,412
Miscellaneous Income	1,370	49,363
	<u>4,881,369</u>	<u>1,683,967</u>

SCHEDULE 'L' : PERSONNEL

Salaries and Allowances	4,303,516	4,142,361
Contribution to Provident Fund and other funds	599,511	499,881
Staff Welfare	73,962	72,989
	<u>4,976,989</u>	<u>4,715,231</u>

SCHEDULE 'M': ADMINISTRATION AND OTHER EXPENSES

Advertisement and Business Promotion	152,204	136,410
Legal and Professional	355,492	333,864
Board Meeting	31,000	30,000
Director's sitting fees	267,500	217,500
Electricity	291,037	361,776
Travelling and Conveyance	801,023	634,397
Repair and Maintenance (Others)	889,606	1,144,657
Insurance	11,995	13,604
Printing and Stationary	216,779	236,847
Subscription & Membership	1,045,396	1,065,124
Communication	526,137	558,562
Rent	1,486,020	1,715,780
Rates and Taxes	21,531	13,695
Interest-others	-	6,942
Excess expenses of schemes borne by the Company (Refer Note 5 of Schedule N)	560,832	445,087
Loss on sale of assets	-	64,000
Advances and Interest Receivable written off	19,120	1,382,283
Provision for Doubtful Advances / Interest	133,916	-
Fixed assets written off	-	17,572
Investments written off	16,228	-
Scheme Management Expenses (Refer Notes 1(d)(iv) of Schedule N)	-	23,072
Miscellaneous	1,255	813
	<u>6,827,071</u>	<u>8,401,985</u>

CREDITCAPITAL ASSET MANAGEMENT COMPANY LIMITED

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 open ended 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.

Current investments are valued at the lower of cost and fair value determined on individual investment basis.



f) Retirement Benefits

(i) Gratuity

Provision for gratuity is being made on actuarial basis as on the Balance Sheet date other than 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.

(ii) Leave Encashment

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

(iii) 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.

g) Leases

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

h) 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.


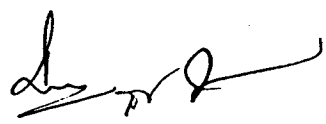
Deferred Tax

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 on account of carried forward unabsorbed tax loss and unabsorbed depreciation 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. Contingent Liability – Income Tax Rs.1,218,893 (Previous year Rs.1,218,893) excluding Interest. The company has filed an appeal with Income Tax Appellate Tribunal against the same.

PRICE WATERHOUSE

3. Advances recoverable in cash or in kind or for value to be received, include Rs. 52,301 (Previous year Rs.73,628) 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.
4. 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. However on July 30, 2004 the company has applied for the registration of the office under the "Amnesty Scheme 2004" announced by the Government of Maharashtra and the amount of registration charges and/or penalty, if any are subject to assessment thereunder.
5. Expenses of the schemes in excess of the limits specified in SEBI regulations amounting to Rs. 560,832 (Previous year Rs. 445,087) are being borne by the Company.
6. Amount recoverable from Schemes in Schedule 'I' includes:
 - (a) 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 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.
 - (b) Rs.1,544,799 recoverable from Libra Leap Scheme being advance to the Scheme for meeting the shortfall in redemption liability on account of illiquid securities held in the Scheme. As per approval by the Board of Directors and the Board of Trustees, these illiquid securities of the Scheme will be sold to the Company at the prevailing market/fair value and net shortfall, if any, in meeting the liabilities of redeeming the outstanding units of this Scheme will be borne by the Company after adjustment of liability already met by Company and any profit or loss on the sale of these securities in future will be to the Company's account.
7. During the year, the 6% non-cumulative, redeemable preference share capital amounting to Rs. 25,000,000 has been rolled over on the existing terms and conditions, as approved by the Board of Directors of the Company, and will now be redeemed on October 6, 2004.

 PRICE WATERHOUSE 

8. Deferred Tax

Break up of deferred tax assets/liabilities:

	Opening As at 01.04.2003 (Rs.)	Charge/(Credit) to the Profit & Loss A/c (Rs.)	Closing As at 31.03.2004 (Rs.)
Deferred Tax Liabilities:			
Tax impact of difference between carrying amount of fixed Assets in the financial statements and the income tax return	2,003,044	113,291	2,116,335
Total (A)	<u>2,003,044</u>	<u>113,291</u>	<u>2,116,335</u>
Deferred Tax Assets:			
Tax Impact of difference between carrying amount of liabilities toward expense in the financial statements and the income tax return	154,703	(71,306)	226,009
Provision for doubtful interest income	-	(48,042)	48,042
Provision for diminution in value of investments	392,971	66,711	326,260
Total (B)	<u>547,674</u>	<u>(52,637)</u>	<u>600,311</u>
Net Deferred Tax Liability (A-B)	1,455,370	60,654	1,516,024

In the absence of virtual certainty 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 recognised in these accounts.

9. The Managing Director of the Company has been appointed with effect from October 01, 2003. Detail of Managerial Remuneration is as follows:

	2003-2004 (Rs.)	2002-2003 (Rs.)
Salaries and Allowances	588,000	-
Contribution to Provident fund & other funds	81,000	-
Perquisites	32,965	-
	<u>701,965</u>	<u>-</u>

PRICE WATERHOUSE

Notes:

- a) The above does not include gratuity and leave encashment as the same is available for the company as a whole.
- b) Mr. R.K. Gupta was appointed as Managing Director with effect from 1st October 2003 vide an unanimous resolution of Board of Directors at their meeting held on 18th August 2003 at a remuneration fixed in accordance with Schedule XIII of the Companies Act and also approved by the shareholders of the Company at the AGM held on 29th September 2003. All the independent directors on the Board voted unanimously for the appointment of the Managing Director in the aforesaid Board Meeting. However, in the absence of the Remuneration Committee, the remuneration has not been approved by the said Remuneration Committee as required by Schedule XIII of the Companies Act and hence, the Company is making necessary application to the Central Government for their approval.

10. Auditors' Remuneration:

	2003-2004 (Rs.)	2002-2003 (Rs.)
Audit Fees (inclusive of service tax)	189,000	183,750
Out of Pocket Expenses	6,637	4,397
	<u>195,637</u>	<u>188,147</u>

11. Expenditure in Foreign Currency:

	2003-2004 (Rs.)	2002-2003 (Rs.)
Traveling Expenses	79,649	-
	<u>79,649</u>	<u>-</u>

12. Particulars of investments purchased and sold during the year:

Particulars	Nos.	Purchase (Rs.)	Nos.	Sale (Rs.)
Canara Bank	25,000	3,167,492	8,250	1,156,844
Union Bank	45,000	2,157,557	337	16,466
Hindustan Lever	50,000	8,018,184	-	-
Bonanza Exclusive	*345,837.799	-	300,000	4,389,000
HUDCO Bonds	2	2,074,600	-	-

* Bonus Units Issued

PRICE WATERHOUSE

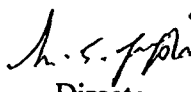

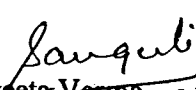
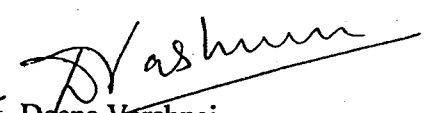
13. Basic and diluted Earnings Per Share:

	2003-2004	2002-2003
a) Weighted average number of equity shares outstanding (Nos.)	10,040,000	10,040,000
b) Net Profit /(Loss) after tax available for equity shareholders (Rs.)	6,495,291	(3,027,639)
c) Basic and Diluted earnings per share (Rs.)	0.65	(0.30)
d) Nominal Value per share (Rs.)	10	10

14. 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, 2004.

15. 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 Managing Director Company Secretary Vice President (Accounts)


PRICE WATERHOUSE .

PART IV
BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL
BUSINESS PROFILE

I. Registration Details

Registration No.

7	3	1	5	4															
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Balance Sheet Date

3	1	0	3	2	0	0	4
Date		Month		Year			

 State Code

1	1
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II. Capital raised during the year (Amount in Rs. Thousands)

Public Issue	Rights Issue																				
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x	x	x	x	x	x	x	x	x	x												
x	x	x	x	x	x	x	x	x	x												
Bonus Issue	Private Placement																				
<table border="1" style="display: inline-table;"><tr><td>x</td><td>x</td><td>x</td><td>x</td><td>x</td><td>x</td><td>x</td><td>x</td><td>x</td><td>x</td></tr></table>	x	x	x	x	x	x	x	x	x	x	<table border="1" style="display: inline-table;"><tr><td>x</td><td>x</td><td>x</td><td>x</td><td>x</td><td>x</td><td>x</td><td>x</td><td>x</td><td>x</td></tr></table>	x	x	x	x	x	x	x	x	x	x
x	x	x	x	x	x	x	x	x	x												
x	x	x	x	x	x	x	x	x	x												

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

Total Liabilities	Total Assets																		
<table border="1" style="display: inline-table;"><tr><td>x</td><td>x</td><td>x</td><td>1</td><td>2</td><td>9</td><td>0</td><td>1</td><td>6</td></tr></table>	x	x	x	1	2	9	0	1	6	<table border="1" style="display: inline-table;"><tr><td>x</td><td>x</td><td>x</td><td>1</td><td>2</td><td>9</td><td>0</td><td>1</td><td>6</td></tr></table>	x	x	x	1	2	9	0	1	6
x	x	x	1	2	9	0	1	6											
x	x	x	1	2	9	0	1	6											
Sources of Funds	Reserves & Surplus																		
Paid-up Capital	<table border="1" style="display: inline-table;"><tr><td>x</td><td>x</td><td>x</td><td>x</td><td>x</td><td>2</td><td>1</td><td>0</td><td>0</td></tr></table>	x	x	x	x	x	2	1	0	0									
x	x	x	x	x	2	1	0	0											
<table border="1" style="display: inline-table;"><tr><td>x</td><td>x</td><td>x</td><td>1</td><td>2</td><td>5</td><td>4</td><td>0</td><td>0</td></tr></table>	x	x	x	1	2	5	4	0	0	<table border="1" style="display: inline-table;"><tr><td>x</td><td>x</td><td>x</td><td>x</td><td>x</td><td>2</td><td>1</td><td>0</td><td>0</td></tr></table>	x	x	x	x	x	2	1	0	0
x	x	x	1	2	5	4	0	0											
x	x	x	x	x	2	1	0	0											
Secured Loans	Unsecured Loans																		
<table border="1" style="display: inline-table;"><tr><td>x</td><td>x</td><td>x</td><td>x</td><td>x</td><td>x</td><td>x</td><td>x</td><td>x</td></tr></table>	x	x	x	x	x	x	x	x	x	<table border="1" style="display: inline-table;"><tr><td>x</td><td>x</td><td>x</td><td>x</td><td>x</td><td>x</td><td>x</td><td>x</td><td>x</td></tr></table>	x	x	x	x	x	x	x	x	x
x	x	x	x	x	x	x	x	x											
x	x	x	x	x	x	x	x	x											
Application of Funds	Investments																		
Net Fixed Assets	<table border="1" style="display: inline-table;"><tr><td>x</td><td>x</td><td>x</td><td>x</td><td>5</td><td>1</td><td>5</td><td>0</td><td>5</td></tr></table>	x	x	x	x	5	1	5	0	5									
x	x	x	x	5	1	5	0	5											
<table border="1" style="display: inline-table;"><tr><td>x</td><td>x</td><td>x</td><td>x</td><td>1</td><td>9</td><td>6</td><td>0</td><td>2</td></tr></table>	x	x	x	x	1	9	6	0	2	<table border="1" style="display: inline-table;"><tr><td>x</td><td>x</td><td>x</td><td>x</td><td>5</td><td>1</td><td>5</td><td>0</td><td>5</td></tr></table>	x	x	x	x	5	1	5	0	5
x	x	x	x	1	9	6	0	2											
x	x	x	x	5	1	5	0	5											
Net Current Assets	Misc. Expenditure																		
<table border="1" style="display: inline-table;"><tr><td>x</td><td>x</td><td>x</td><td>x</td><td>4</td><td>1</td><td>2</td><td>8</td><td>3</td></tr></table>	x	x	x	x	4	1	2	8	3	<table border="1" style="display: inline-table;"><tr><td>x</td><td>x</td><td>x</td><td>x</td><td>x</td><td>x</td><td>x</td><td>x</td><td>x</td></tr></table>	x	x	x	x	x	x	x	x	x
x	x	x	x	4	1	2	8	3											
x	x	x	x	x	x	x	x	x											
Accumulated Losses																			
<table border="1" style="display: inline-table;"><tr><td>x</td><td>x</td><td>x</td><td>x</td><td>1</td><td>6</td><td>6</td><td>2</td><td>5</td></tr></table>	x	x	x	x	1	6	6	2	5										
x	x	x	x	1	6	6	2	5											

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

Turnover (including other income)	Total Expenditure																		
<table border="1" style="display: inline-table;"><tr><td>x</td><td>x</td><td>x</td><td>x</td><td>2</td><td>0</td><td>0</td><td>7</td><td>2</td></tr></table>	x	x	x	x	2	0	0	7	2	<table border="1" style="display: inline-table;"><tr><td>x</td><td>x</td><td>x</td><td>x</td><td>1</td><td>3</td><td>1</td><td>3</td><td>1</td></tr></table>	x	x	x	x	1	3	1	3	1
x	x	x	x	2	0	0	7	2											
x	x	x	x	1	3	1	3	1											
Profit before tax	Profit after tax																		
<table border="1" style="display: inline-table;"><tr><td>x</td><td>x</td><td>x</td><td>x</td><td>x</td><td>6</td><td>9</td><td>4</td><td>1</td></tr></table>	x	x	x	x	x	6	9	4	1	<table border="1" style="display: inline-table;"><tr><td>x</td><td>x</td><td>x</td><td>x</td><td>x</td><td>6</td><td>4</td><td>9</td><td>5</td></tr></table>	x	x	x	x	x	6	4	9	5
x	x	x	x	x	6	9	4	1											
x	x	x	x	x	6	4	9	5											
Earning Per Share in Rs.	Dividend Rate %																		
<table border="1" style="display: inline-table;"><tr><td></td><td></td><td>0</td><td>0</td><td>6</td><td>5</td></tr></table>			0	0	6	5	<table border="1" style="display: inline-table;"><tr><td>x</td><td>x</td></tr></table>	x	x										
		0	0	6	5														
x	x																		

V. Generic Names of Three Principal Products / Services of the Company (as per monetary terms)

Item Code No. (ITC Code)

N	O	T		A	P	P	L	I	C	A	B	L	E
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Product Description

Investment Management

For and on behalf of the Board

[Signature]
Director

[Signature]
Director

[Signature]
R.K. Gupta
Managing Director

[Signature]
Sangeeta Verma
Company Secretary

[Signature]
Deepa Varshnei
Vice President (Accounts)

Place: New Delhi

Date: 14 AUGUST 2004