



# **Mackinnon Mackenzie & Company Ltd.**

## **Annual Report 2002 - 2003**

**Mackinnon Mackenzie & Co. Ltd.**

## BOARD OF DIRECTORS



**Captain O. P. Dogra**

## AUDITORS

**J. E. Menta & Co., Chartered Accountants, Bombay.**

**ADVOCATES AND  
SOLICITORS**

**Maneksha & Sethna, Bombay**

## REGISTRAR AND SHARE TRANSFER AGENTS

**Datacorp Management Services,  
202-204, Nariman Ind. Estate,  
Link Road, Malad (W),  
Mumbai - 400 064.**

## BANKERS

Bank of India  
Central Bank of India  
Indian Bank  
Standard Chartered Bank  
Vijaya Bank

**REGISTERED OFFICE**

**4, Shoorji Vallabhdas Marg, Ballard Estate,  
Bombay - 400 038.**

**In view of the high cost of paper and printing, copies of the Annual Report cannot be distributed at the Annual General Meeting. You are, therefore, requested to bring your copy of the Annual Report to the Meeting.**

**NOTICE**

Notice is hereby given that the 52<sup>nd</sup> Annual General Meeting of the Shareholders of MACKINNON MACKENZIE & COMPANY LIMITED will be held on Monday, the 29<sup>th</sup> September, 2003 at 10:00 a.m. at M. C. Ghia Hall, Bhogilal Hargovindas Building, 18/20, K. Dabash Marg, Mumbai 400 001, to transact the following business:

**ORDINARY BUSINESS:**

1. To consider and adopt the Audited Balance Sheet as at 31<sup>st</sup> March 2003 and the Profit and Loss Account for the year ended on that date and the report of the Directors and Auditors thereon.
2. To appoint a Director in place of Mr. M.K.B. Capadia who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint Auditors on a remuneration to be fixed by the Board of Directors.

**SPECIAL BUSINESS:**

4. To consider & if thought fit, to pass, with or without modification, the following Resolution as a Special Resolution:

**"RESOLVED THAT** – pursuant to the provisions of Sections 198, 269 and 309 read with Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification or re-encashment thereof, for the time being in force), the consent of the Company be and is hereby accorded to the re-appointment of Rear Admiral P.K. Sinha as Whole-Time Director, designated as Executive Director, for further period of one year with effect from 1<sup>st</sup> July 2003 on the terms and conditions including remuneration as are set out in the draft agreement to be entered into between the Company and Rear Admiral P.K. Sinha, a draft whereof is placed before this meeting which agreement is hereby specifically sanctioned with liberty to the Board of Directors (hereinafter referred to as "the Board" which term shall deemed to include any Committee which the Board may constitute to exercise its powers including the powers conferred by this resolution) to alter and vary their terms and conditions of the said appointment and/or remuneration and/or agreement so as not to exceed the limits specified in Schedule XIII to the Companies Act, 1956 including any statutory modification or re-encashment thereof, for the time being in force or any amendments

and/or modifications that may hereafter be made thereto by the Central Government in that behalf from time to time, or any amendments thereto as may be agreed to between the Board and Rear Admiral P.K. Sinha."

**"RESOLVED FURTHER THAT** – where in any financial year closing after 31<sup>st</sup> March, 2004, the Company has no profits or its profits are inadequate, the Company do pay to Rear Admiral P.K. Sinha, remuneration by way of salary, perquisites and allowances not exceeding the ceiling specified under Section II and Part II of Schedule XIII to the Companies Act, 1956."

**"RESOLVED FURTHER THAT** – the Board be and is hereby authorised to take all such steps as may be necessary, proper or expedient to give effect to this resolution."

**NOTES:**

- a) A member entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be member. Proxy forms should be deposited at the Registered office of the Company, not less than 48 hours before the commencement of the Annual General Meeting.
- b) The Register of Members and the Share Transfer Books of the Company will be closed from Thursday, 18<sup>th</sup> September 2003 to Monday, 29<sup>th</sup> September 2003 (both days inclusive) in terms of the provisions of Sections 154 of the Companies Act, 1956.
- c) Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of the business under Item No. 4 of Special Business of the Notice set out above are annexed herewith.

By Order of the Board of Directors  
For Mackinnon Mackenzie & Company Limited

CAPT. N.B. JAMNERKAR      REAR ADMIRAL P.K. SINHA  
DIRECTOR                      DIRECTOR

Mumbai, 14<sup>th</sup> August, 2003.

Registered Office: 4, Shoorji Vallabhdas Marg, Ballard Estate, Mumbai-400 001.

## ANNEXURE TO THE NOTICE

Explanatory Statement under Section 173(2) of the Companies Act, 1956.

### Item No. 4

1. **Remuneration:** The remuneration paid to the Whole Time Director shall not exceed Rs. 40,000 per month or Rs. 4,80,000/- per annum in accordance with Section I of Part II of Schedule XIII of the Companies Act, 1956. Rear Admiral P.K. Sinha respectively will be remunerated as follows:

(a) **Salary:** Rs. 20,000/- per month including dearness and all other allowances.

(b) **Perquisites:** In addition to the above salary, he will also be entitled to the Perquisites mentioned below, the value of which shall be restricted to an amount equal to the annual salary, with limits, as applicable, given below:

(c) **Housing:** The expenditure by the Company on hiring furnished

(i) accommodation for the Whole Time Director will be subject to a ceiling of 60% of the salary, over and above 10% payable by him.

**Explanation:** The expenditure incurred by the Company on Gas, Electricity, Water and Furnishings shall be valued as per the Income Tax Rules, 1962, Subject to a ceiling of 10% of the salary of Rear Admiral P.K. Sinha.

(ii) **Servants Wages:** Remuneration of servants sweeper's wages upto a maximum of Rs. 1,500/- per month.

(iii) **Medical Reimbursements:** Reimbursement of expenses incurred for self and family subject to a ceiling of one month's salary in a year or of three month's salary over a period of 4 year.

(iv) **Leave Travel Concession:** Leave Travel Concession for self and family, once in a year in accordance with the rules of the Company.

**Explanation:** Family means the spouse, the dependent children and dependent parents of the Whole Time Director.

(v) **Club Fees:** Fees of Clubs, subject to a maximum of two clubs will be allowed. This will not include admission fees and life membership fees.

(d) **Car and Telephone:** Provision for use of Company car for official business and telephone at residence will not be considered as perquisites. Personal long distance calls and use of car for private purposes shall be billed by the Company.

(e) The whole Time Director shall also be eligible for the following perquisites which shall not be included in the computation of the ceiling on remuneration as specified in Schedule XIII:

(i) Encashment of unavailed leave of one month per year at the end of the tenure.

(ii) Company's contribution to the Provident Fund subject to ceiling of 10% of salary.

(iii) Company's contribution to the Superannuation Fund as per Company's Rule but it shall not together with Company's contribution to Provident Fund exceed 25% of salary laid down under the Income Tax Rules 1962.

(iv) Gratuity not exceeding half months salary for each completed year of Service subject to such limit as described by Income Tax Act 1961.

2. The Whole Time Director, so long as he functions as such, shall not be paid any Sitting fees for attending meetings of the Board of Directors or Committees thereof.

3. The Company shall reimburse to the Whole Time Director entertainment, travelling and all other expenses incurred by him for the business of the Company.

4. The aforesaid appointment may be terminated at any time by either party thereto by giving to the other party three month's notice of such termination and neither party will have any claim against the other for damages or compensation by reason of such termination.

By Order of the Board of Directors  
For Mackinnon Mackenzie & Company Limited

CAPT. N.B. JAMNERKAR  
DIRECTOR

REAR ADMIRAL P.K. SINHA  
DIRECTOR

Mumbai, 14<sup>th</sup> August, 2003.

Registered Office: 4, Shoorji Vallabhdas Marg, Ballard Estate, Mumbai-400 001.

## Mackinnon Mackenzie & Co. Ltd.

### REPORT OF THE DIRECTORS TO THE SHAREHOLDERS

To the Members,

#### MACKINNON MACKENZIE & COMPANY LIMITED

The Directors present their 52nd Annual Report together with the Audited Accounts for the year ended 31st March, 2003.

#### 1. FINANCIAL RESULTS:

During the year the Company had an operating loss of Rs. 8,28,983/- as summarised below :-

|                                                                    | Year ended<br>31.03.2003<br>Rs. | Year ended<br>31.03.2002<br>Rs. |
|--------------------------------------------------------------------|---------------------------------|---------------------------------|
| 1. Income from operations                                          | 1,07,40,849                     | 97,94,763                       |
| 2. Other Income                                                    | 9,29,550                        | 63,70,294                       |
| 3. Total Expenditure                                               | 1,24,99,382                     | 87,76,737                       |
| 4. Gross Profit/(Loss) before interest                             | (8,28,983)                      | 73,88,320                       |
| Depreciation & Tax                                                 |                                 |                                 |
| Less : (a) Interest                                                | 50,58,42,206                    | 62,79,09,424                    |
| (b) Provisions for Depreciation                                    | 1,71,539                        | 1,87,902                        |
| (c) Provision for Doubtful Debts                                   | 4,70,381                        | —                               |
| Profit/(Loss) before extraordinary/prior period                    | (50,73,13,109)                  | (62,07,09,006)                  |
| Items & Tax                                                        |                                 |                                 |
| Add : (d) Extraordinary / prior period items                       | 9,956                           | (51,97,371)                     |
| 5. Net Profit / (Loss) after Tax                                   | (50,73,03,153)                  | (62,59,06,377)                  |
| 6. Appropriation of Profit and Reserves                            | —                               | —                               |
| (a) Add: Short Provision for Income Tax in respect of earlier year | —                               | —                               |
| (b) Add: Profit/(Loss) B/F from earlier year                       | (4,24,34,81,821)                | (3,61,75,75,445)                |
| 7. Cumulative Profit/(Loss)                                        | (4,75,07,84,974)                | (4,24,34,81,822)                |

The debit balance in the Profit & Loss Account after considering prior years' adjustments stands at Rs. 4,75,07,84,974/-

#### 2. DIVIDEND:

In view of the losses suffered by the Company, your Directors do not recommend dividend for the year under review.

#### 3. SETTLEMENT WITH BANKS:

The Bank of India have transferred the debts owed by the Company to them to Ms. ABC & Sons Ltd. M/s ABC & Sons Ltd. has agreed to waive interest with effect from 1st Oct. 2002. Possibility of any future business, is totally dependant on an amicable settlement with other creditors of the Company.

**4. QUALIFICATIONS IN AUDITORS' REPORT :**

With reference to the comments contained in their report, the position has been explained in the Notes to the Accounts and are self-explanatory. Information Pursuant to Section 217 of the Company's Act, 1956 is given in Schedule 19 with Balance Sheet and Profit and Loss Account.

**5. DIRECTORS :**

Mr. M.K.B. Capadia retires by rotation and being eligible offers himself for re-appointment.

**6. FIXED DEPOSITS :**

The Company has not accepted any fixed deposits from the public during the year under review.

**7. AUDITORS :**

The Auditors M/s. J. D. Mehta & Co., Chartered Accountants retiring at the ensuing Annual General Meeting and are eligible for re-appointment.

**8. SUBSIDIARY COMPANIES :**

As required under the provisions of the Companies Act 1956 the Annual Accounts of Strand Properties Ltd. are attached herewith.

**9. DIRECTORS RESPONSIBILITY :**

The Company is in compliance with various accounting and financial reporting requirements in respect of the financial statements for the period under review. Pursuant to Section 217(2AA) of the Companies Act, 1956, and in respect of the annual accounts for the period under review, the Directors hereby confirm that:

- (i) In the preparation of the annual accounts, the applicable accounting standards have been followed.
- (ii) Appropriate accounting policies have been selected and applied consistently and judgement and estimates that are reasonable and prudent have been 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 and of the loss of the Company for that period.
- (iii) Proper and sufficient care for 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 frauds and other irregularities have been taken to the best of their knowledge and ability.
- (iv) The annual accounts have been prepared on a "going concern basis."

**10. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS/OUTGO:**

The Company does not have activities related to conservation of energy and technology absorption. During the year foreign exchange out go was Rs. Nil/- The foreign exchange earned during the year was Rs. 24,34,120/-

**11. PARTICULARS OF EMPLOYEES :**

The Company has no employee in the category specified under Section 217(2A) of the Companies Act, 1956.

**12. ACKNOWLEDGEMENT :**

Your Directors take this opportunity of thanking the Shareholders, the Company's Bankers, Auditors, Business Associates, Mumbai Port Trust, Brihan Mumbai Municipal Corporation and Employees for their co-operation received during the year under review.

On behalf of the Board of Directors

MR. M.K.B. CAPADIA  
Director

**AUDITORS' REPORT TO THE MEMBERS OF MACKINNON MACKENZIE & COMPANY LIMITED  
AS AT 31ST MARCH 2003**

1. We have audited the attached Balance Sheet of M/S. MACKINNON MACKENZIE & COMPANY LIMITED as at 31st March 2003, and also the attached Profit and Loss Account and the Cash Flow Statement of the Company for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express opinion on these financial statements based on our audit.

2. We have conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in 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 (Auditors' Report) Order, 1958 issued by the Company Law Board in terms of Section 221(4A) of the Companies Act, 1956, we include in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

4. Further to our comments in the Annexure referred to above, We report that:

(i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.

(ii) In our opinion, proper books of account as required by law have been kept by the Company, so far as appears from our examination of those books.

(iii) The Balance Sheet and Profit and Loss Account referred to in this report are in agreement with the books of account.

(iv) In our opinion, the Profit & Loss Account and the Balance Sheet comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 except for long term investment in Strand Properties Limited in respect of which no provision has been made for permanent diminution in value on account of huge losses made by the said Company.

(v) On the basis of written representations received from the directors as on 31st March 2003 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2003 from being appointed as directors in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.

In our opinion, and to the best of our information and according to the explanations given to us, the said account subject to:

1) We refer to Notes 1,2,7,9,10,11,12, and 14 appearing in Schedule 19 with regard to the following:

- Investment made at Calcutta Rs. 56,000/- are presently not available physically as building is destroyed by fire. (Refer Note No. 11 (c) in Schedule 19.)
- Despite continued huge losses resulting in total erosion of the net worth of the Company, the accounts for the year have been prepared on the assumption of going concern basis. Should the Company be unable to continue as a going concern, the extent of effect the resultant adjustments would have on the net worth at the year end and the loss for the year is not ascertainable. (Refer Note No.2 in Schedule 19).
- Non Provision of Doubtful Loans and Advances.

Loans and Advances shown under "Advances Recoverable in Cash or kind or for value to be received-Unsecured Considered Good" includes certain old balances amounting to Rs.10,05,656/- for which no provision for doubtful items if any, has been made in the accounts pending review/ confirmation of the same. As a result, the effect of such non-provision on the loss for the year cannot be ascertained. (Refer Note No. 9 in Schedule 19)

**Mackinnon Mackenzie & Co. Ltd.**

- d) Sundry Creditors includes an amount of Rs.18,71,563/- which represent old balances for which no write back has been made in the accounts pending the review / confirmation of the same. As a result, the effect of such write back, if any, on the loss for the year cannot be ascertained. (Refer Note No. 10(a) in Schedule 19)
- e) We refer to Note 10(b) in the Schedule 19 regarding certain old credit balances outstanding in various accounts amounting to Rs.4,11,73,592/- for which no write back has been made in accounts pending the review / confirmation of the same. As a result, the effect of such write back, if any on the loss for the year cannot be ascertained.
- f) The Company's Bankers have filed suit in Bombay High Court for recovery of loans which were transferred to Debt Recovery Tribunal. Out of 3 Banks, Bank of India has assigned entire debt to a company and suit is again transferred to Bombay High Court. Suits are for recovery of Rs. 81,66,86,521/- outstanding as on 31<sup>st</sup> March, 1991. However loans along with interest accrued and due to Banks and others as per terms of loans amounting to Rs. 4,595,474,424/- is outstanding as on 31<sup>st</sup> March, 2003. However no confirmation are available from Bankers and others for the same. We are therefore unable to comment on the effect of the same if any on secured loans due to Banks and Debit balance of Profit & Loss Account as at 31<sup>st</sup> March, 2003 (Refer Note No. 12 in SCHEDULE 19)
- g) The Company has an investment of Rs. 3,70,800/- in Strand Properties Limited. Further the Company owes Rs. 1,13,73,890/- and Rs. 13,30,000/- to Strand Properties Limited. The accumulated losses of Strand Properties Limited as on March 31, 2003 amounting to Rs. 73,68,709/- greatly exceeds its net worth. No provision has been made for the possible loss in this regard. We are, therefore, unable to comment on the effect of the same, if any, on the loss for the year and accumulated losses as at March 31, 2003 (Refer Note No. 7 in SCHEDULE 19)
- h) Non-availability of confirmations in respect of balances of secured and unsecured loans, debtors, certain bank balances, deposits and creditors appearing in Schedules 3,4,7,8,9 and 10 of the accounts respectively. (Refer Note No. 14 in SCHEDULE 19).
- Consequential effect of the matters referred to in 1(a) to 1(h) above the loss for the year and accumulated losses as at 31<sup>st</sup> March 2003 is not ascertainable.
- i) Subject to the effect of such adjustments, if any, as might have been required, had the outcome of the uncertainties referred to in paragraph 1 above been known and subject to the matters referred to in paragraphs A10 and A12 of the Annexure.
- j) In the absence of information about status of fixed assets in Kolkata branch no provision is made for loss at Kolkata for Plant & Machinery Rs. 3,414/- and Office & Electrical Equipments Rs. 24,773/-.

And read with other notes to accounts and accounting policies give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view :-

(a) In the case of Balance Sheet, of the state of affairs of the Company as at 31<sup>st</sup> March, 2003 and

(b) In the case of Profit and Loss Account of the Loss for the year ended on that date.

For J. D. MEHTA & COMPANY  
Chartered Accountants.

Place : Mumbai  
Dated : 14<sup>th</sup> August, 2003

J.D.MEHTA  
PROPRIETOR  
Membership No. 11472

**Mackinnon Mackenzie & Co. Ltd.**

**ANNEXURE REFERRED TO IN PARAGRAPH 1 OF AUDITOR'S REPORT OF EVEN DATE TO THE SHAREHOLDERS OF  
MACKINNON MACKENZIE & COMPANY LIMITED, ON THE ACCOUNTS FOR THE YEAR ENDED 31<sup>st</sup> MARCH 2003.**

- (A)
1. The Company has maintained proper records to show full particulars including quantitative details and situation of fixed assets. It is the Company's policy to verify all assets once in three years. The physical verification of the assets of the Company has been carried out during 1999-2000 except at Kolkata branch, which was destroyed by fire. No significant discrepancies were noticed on such verification.
  2. The fixed assets of the Company have not been revalued during the year.
  3. 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. In terms of sub-section (60) of Section 370 of the Companies Act, 1956, provisions of the Section are not applicable to a Company on or after 31<sup>st</sup> October, 1999.
  4. The Company has not granted any loans, secured or unsecured to company, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956. In terms of Sub-section (6) of Section 370 of the Companies Act, 1956, provision of the Section are not applicable to a Company on or after 31<sup>st</sup> October 1999.
  5. The parties including employees, officers, agents or subsidiaries in future of loans have been provided with the company are repaying the principal amount of the loans and are also regularly repaying in payment of interest where applicable except in certain cases where the interest is not as per stipulations, the write-off interest has been made pending the review/reconciliation of the same. However, certain advances made by the Company where the interest has been provided and fixed, the Company is experiencing difficulties in the recovery of these amounts, some of which have been provided for in these accounts.
  6. In our opinion, internal control procedures are not commensurate with the size of the Company and the nature of its business for the purchase of equipment and other assets. The Company being a service company does not sell any goods.
  7. There are no transactions of sale of service made in pursuance of contracts of arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 and aggregating during the year to Rs. 50,000/- or more in respect of each party.
  8. The Company has not accepted any deposits from the public within the meaning of Section 45 of the Companies Act, 1956.
  9. The Company is not a manufacturing, mining or processing Company and therefore does not have any stockpile of goods or stocks.
  10. No internal audit has been carried out during the year, as the Company does not have any significant turnover.
  11. As informed by the Management, maintenance of cost records has not been prescribed by the Government under Section 209(1)(d) of the Companies Act, 1956.
  12. The Company has not been regular in depositing the Provident Fund and ECI dues with the appropriate authorities. An amount of Rs. 4,24,528/- and Rs. 7,552/- for Provident Fund and ECI dues respectively is outstanding as of 31<sup>st</sup> March 2003.
  13. There were no undisputed amounts payable in respect of Income tax, sales tax and excise duty as at 31<sup>st</sup> March 2003, which were outstanding for a period of more than six months from the date they became payable.
  14. During the course of examination of books of accounts carried out in accordance with the generally accepted accounting practices followed in India, we have not come across any substantial expenses of the employees or directors which have been charged to revenue accounts, nor have we been informed of such cases by the management, other than those payable under contractual obligations or in accordance with generally accepted business practices.
  15. By virtue of provisions of Section 1(4) of the Sick Industrial Companies (Special Provisions) Act, 1985, this Act is not applicable to the Shipping Activities of the Company and that the Company is not a sick industrial company within the meaning of Clause (i) of the sub-section (1) of the Section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985.
- (B) In respect of service activities:
1. The Company does not carry out any service and the Company being engaged in Agencies, allocation of materials consumed and man hours to relative jobs is not applicable to the Company.
  2. Being a Company engaged in Agencies, allocation of stores and labour to jobs is not applicable to the Company. The provisions of clause (iii), (iv), (v), (vi) & (vii) of paragraph 4(A) are not applicable to the Company.

**For J. D. Mathia & Company**  
Chartered Accountants

Proprietor  
Membership No. 11472

Mumbai  
Dated: 14th August, 2003

**Mackinnon Mackenzie & Co. Ltd.**

**BALANCE SHEET AS AT 31ST MARCH, 2003.**

|                                                    | Schedule<br>No. | Rs.                | As at<br>31.3.2003<br>Rs. | As at<br>31.3.2002<br>Rs. |
|----------------------------------------------------|-----------------|--------------------|---------------------------|---------------------------|
| <b>SOURCES OF FUNDS</b>                            |                 |                    |                           |                           |
| <b>SHAREHOLDERS' FUNDS</b>                         |                 |                    |                           |                           |
| CAPITAL                                            | 1               |                    | 24,861,125                | 24,861,125                |
| RESERVES AND SURPLUS                               | 2               |                    | 11,246,274                | 11,246,274                |
| <b>LOAN FUNDS</b>                                  |                 |                    |                           |                           |
| Secured Loans                                      | 3               | 4,595,474,424      | 4,098,462,476             |                           |
| Unsecured Loans                                    | 4               | 1,330,000          | 1,330,000                 | 4,099,792,476             |
|                                                    |                 |                    | <u>4,632,911,823</u>      | <u>4,135,899,875</u>      |
| <b>APPLICATION OF FUNDS</b>                        |                 |                    |                           |                           |
| <b>Fixed Assets</b>                                |                 |                    |                           |                           |
| Gross block                                        |                 | 14,429,612         | 14,429,611                |                           |
| Less: Depreciation                                 |                 | <u>11,389,444</u>  | <u>11,217,904</u>         |                           |
| Net block                                          | 5               |                    | 3,040,168                 | 3,211,707                 |
| <b>INVESTMENTS</b>                                 | 6               |                    | 769,963                   | 375,663                   |
| <b>CURRENT ASSETS, LOANS AND ADVANCES</b>          |                 |                    |                           |                           |
| Sundry Debtors                                     | 7               | 19,134,218         | 15,576,089                |                           |
| Cash and Bank Balances                             | 8               | 4,065,657          | 8,226,283                 |                           |
| Other Current Assets                               |                 |                    |                           |                           |
| Interest accrued on Investment                     |                 | 8,545              | 8,545                     |                           |
| Loans and Advances                                 | 9               | 7,890,310          | 13,514,044                |                           |
|                                                    |                 | <u>31,098,731</u>  | <u>37,324,961</u>         |                           |
| <b>Less: CURRENT LIABILITIES AND PROVISIONS</b>    |                 |                    |                           |                           |
| Liabilities                                        | 10              | 143,431,234        | 138,679,783               |                           |
| Provisions                                         | 11              | <u>1,070,030</u>   | <u>1,533,747</u>          |                           |
|                                                    |                 | <u>144,501,264</u> | <u>140,213,530</u>        |                           |
| <b>NET CURRENT ASSETS</b>                          |                 |                    | (113,402,534)             | (102,888,569)             |
| <b>DEBIT BALANCES IN PROFIT &amp; LOSS ACCOUNT</b> |                 | 4,750,784,874      | 4,243,481,822             |                           |
| <b>LESS:</b>                                       |                 |                    |                           |                           |
| <b>BALANCE IN GENERAL RESERVE</b>                  |                 | 8,280,748          | 4,742,504,226             | 8,280,748                 |
| <b>TOTAL</b>                                       |                 |                    | <u>4,632,911,823</u>      | <u>4,135,899,875</u>      |

Schedules referred to above form an integral part of the Balance Sheet and should be read in conjunction therewith.

The accompanying notes form an integral part of the Balance Sheet

In terms of our report of even date

For J.D. MEHTA & COMPANY

Chartered Accountants

J.D. MEHTA

Proprietor

Mumbai, Dated : 14th August, 2003.

M.K.B. CAPADIA

REAR ADMRL. P. K. SINHA

CAPT. N. B. JAMNERKAR

Directors

**Mackinnon Mackenzie & Co. Ltd.**

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

|                                         | Schedule<br>No. | Year ended<br>31.3.2003<br>Rs. | Year ended<br>31.3.2002<br>Rs. |
|-----------------------------------------|-----------------|--------------------------------|--------------------------------|
| <b>INCOME</b>                           |                 |                                |                                |
| Revenue                                 | 12              | 10,740,849                     | 9,794,763                      |
| Other Income                            | 13              | 929,650                        | 6,370,294                      |
|                                         |                 | <u>11,670,399</u>              | <u>16,165,057</u>              |
| <b>EXPENSES</b>                         |                 |                                |                                |
| Employees remuneration and benefits     | 14              | 3,662,859                      | 3,302,880                      |
| Other operating expenses                | 15              | 8,138,723                      | 5,474,157                      |
| Depreciation                            |                 | 171,539                        | 187,902                        |
| Provisions                              | 16              | 470,981                        |                                |
| Interest & Guarantee commission         | 17              | 505,842,206                    | 627,908,424                    |
|                                         |                 | <u>509,313,109</u>             | <u>636,874,663</u>             |
| Loss before prior years' adjustments    |                 | <u>507,313,109</u>             | <u>620,709,006</u>             |
| Prior years' adjustments                | 18              | (9,936)                        | 5,197,371                      |
| Loss after prior years' adjustments     |                 | <u>607,303,153</u>             | <u>625,906,377</u>             |
| Loss After Tax                          |                 | <u>607,303,153</u>             | <u>625,906,377</u>             |
| Previous years' balance brought forward |                 | <u>4,243,481,821</u>           | <u>3,617,575,445</u>           |
| Total:                                  |                 | <u>4,750,784,974</u>           | <u>4,243,481,821</u>           |

Earning Per Share (Basic & Diluted) Rs.

Nil

Nil

Face Value Rs.

10/-

10/-

Schedules referred to above form an integral part of the Profit & Loss Account and should be read in conjunction therewith.  
The accompanying notes form an integral part of the Profit & Loss Account.

In terms of our report of even date  
For J.D. MEHTA & COMPANY  
Chartered Accountants  
J.D. MEHTA  
Proprietor  
Mumbai, Dated : 14th August, 2003

M.K.B. GAPADIA  
REAR ADMRL P. K. SINHA  
CAPT. B. B. JANNERKAR

Directors

# Mackinnon Mackenzie & Co. Ltd.

## SCHEDULES FORMING PART OF THE BALANCE SHEET

### SCHEDULE - 1

|                                                | Rs.        | As at<br>31.03.2003<br>Rs. | Rs.        | As at<br>31.03.2002<br>Rs. |
|------------------------------------------------|------------|----------------------------|------------|----------------------------|
| <b>SHARE CAPITAL</b>                           |            |                            |            |                            |
| Authorised :                                   |            |                            |            |                            |
| 25,00,000 Equity Shares of Rs. 10/- each       |            | 25,000,000                 |            | 25,000,000                 |
| 15,00,000 Unclassified Shares of Rs. 10/- each |            | 15,000,000                 |            | 15,000,000                 |
|                                                |            | <u>40,000,000</u>          |            | <u>40,000,000</u>          |
| Issued and Subscribed :                        |            |                            |            |                            |
| 25,00,000 Equity Shares of Rs. 10/- each       | 25,000,000 |                            | 25,000,000 |                            |
| Less : Amount in arrears :                     |            |                            |            |                            |
| From other than Directors                      | 138,875    | 24,861,125                 | 138,875    | 24,861,125                 |
|                                                |            | <u>24,861,125</u>          |            | <u>24,861,125</u>          |

Of the above 9,99,930 (Previous Year 9,99,930) Equity Shares were allotted as fully paid-up pursuant to a contract without payment being received in cash.

### SCHEDULE - 2

#### RESERVES AND SURPLUS

|                                                    |           |                   |           |                   |
|----------------------------------------------------|-----------|-------------------|-----------|-------------------|
| 1. Capital Reserve as per last Balance Sheet       | 8,280,748 | 11,246,274        | 8,280,748 | 11,246,274        |
| 2. General Reserve as per last Balance Sheet       | 8,280,748 | —                 | 8,280,748 | —                 |
| Transfer to Debit Balance in Profit & Loss Account |           | <u>11,246,274</u> |           | <u>11,246,274</u> |

### SCHEDULE - 3

#### SECURED LOANS

|                                                                                                                          |  |                      |  |                      |
|--------------------------------------------------------------------------------------------------------------------------|--|----------------------|--|----------------------|
| From Banks :                                                                                                             |  |                      |  |                      |
| Secured by pledge of certain investments and mortgages of immovable properties (includes interest accrued & due Rs. NIL) |  |                      |  |                      |
| Previous year Rs. 1,859,662,315/-                                                                                        |  |                      |  | 2,146,788,402        |
| (See Note 12(a) in Schedule 19)                                                                                          |  |                      |  |                      |
| Secured by pari passu charge of Building at Calcutta and hypothecation of Book debts/fixed deposits                      |  |                      |  |                      |
| (Includes interest accrued and due Rs. 1,738,855,693/-)                                                                  |  |                      |  |                      |
| Previous year Rs. 1,755,044,917/-                                                                                        |  | 1,887,053,629        |  | 1,951,674,074        |
| (See Note 12(a) in Schedule 19)                                                                                          |  |                      |  |                      |
| From Others :                                                                                                            |  |                      |  |                      |
| Secured by pledge of certain investments and mortgages of immovable properties                                           |  | 2,708,420,785        |  | —                    |
| (See Note 12(a) in Schedule 19)                                                                                          |  |                      |  |                      |
|                                                                                                                          |  | <u>4,595,474,424</u> |  | <u>4,098,462,476</u> |

Of which Rs. Nil repayable within one year and Rs. 4,595,474,424/- overdue for payment  
(Previous year - repayable within one year Rs. Nil and overdue for payment Rs. 4,098,462,476/-)

### SCHEDULE - 4

#### UNSECURED LOANS

|                |                  |                  |
|----------------|------------------|------------------|
| Bank Overdraft | 1,330,000        | 1,330,000        |
| Others         | <u>1,330,000</u> | <u>1,330,000</u> |

\*\* From Strand Properties Ltd. a Subsidiary of the Company (Previous Year Rs. 1,330,000/-)

### SCHEDULE - 5

#### FIXED ASSETS

|                                   | GROSS BLOCK AT BOOK VALUE |                                 |                                  |                     | DEPRECIATION        |                                 |                                  |                     | NET BLOCK           |                     |
|-----------------------------------|---------------------------|---------------------------------|----------------------------------|---------------------|---------------------|---------------------------------|----------------------------------|---------------------|---------------------|---------------------|
|                                   | As at<br>31.03.2002       | Additions<br>during the<br>year | Deductions<br>during the<br>year | As at<br>31.03.2003 | As at<br>31.03.2002 | Additions<br>during the<br>year | Deductions<br>during the<br>year | As at<br>31.03.2003 | As at<br>31.03.2003 | As at<br>31.03.2002 |
|                                   | Rs.                       | Rs.                             | Rs.                              | Rs.                 | Rs.                 | Rs.                             | Rs.                              | Rs.                 | Rs.                 | Rs.                 |
| 1. Land & Buildings               |                           |                                 |                                  |                     |                     |                                 |                                  |                     |                     |                     |
| On Freehold Land                  | 5,85,900                  | —                               | —                                | 5,85,000            | 389,831             | 3,908                           | —                                | 393,739             | 191,261             | 195,169             |
| On Leasehold Land                 | 11,099,351                | —                               | —                                | 11,099,351          | 8,195,126           | 145,211                         | —                                | 8,340,337           | 2,759,014           | 2,904,225           |
| 2. Furniture & Fittings           | 476,713                   | —                               | —                                | 476,713             | 461,020             | 2,840                           | —                                | 463,860             | 12,453              | 15,693              |
| 3. Office & Electrical Equipments | 1,524,641                 | —                               | —                                | 1,524,641           | 1,451,950           | 10,113                          | —                                | 1,462,063           | 62,578              | 72,692              |
| 4. Transport Vehicles             | 73,801                    | —                               | —                                | 73,801              | 73,059              | 192                             | —                                | 73,251              | 560                 | 741                 |
| 5. Plant & Machinery              | 670,106                   | —                               | —                                | 670,106             | 646,920             | 9,275                           | —                                | 656,193             | 13,911              | 23,186              |
| Total                             | 14,429,612                | —                               | —                                | 14,429,612          | 11,217,906          | 171,539                         | —                                | 11,389,446          | 3,040,168           | 3,211,707           |
| Previous Year                     | 14,429,611                | —                               | —                                | 14,429,611          | 11,030,902          | 187,902                         | —                                | 11,217,904          | 3,211,707           |                     |

# Mackinnon Mackenzie & Co. Ltd.

## SCHEDULES FORMING PART OF THE BALANCE SHEET

### SCHEDULE - 6

#### INVESTMENTS (At Cost)

#### LONG TERM INVESTMENTS (At Cost)

|                                                                                                                                           | Rs.      | As at 31.3.2003<br>Rs. | Rs.      | As at 31.3.2002<br>Rs. |
|-------------------------------------------------------------------------------------------------------------------------------------------|----------|------------------------|----------|------------------------|
| 1. Government Securities                                                                                                                  |          |                        |          |                        |
| • 10,000 (10000) 5.5% Loan 1995                                                                                                           | 10,120   |                        | 10,120   |                        |
| • 43,000 (43000) 5.5% Loan 2000                                                                                                           | 43,043   | 53,163                 | 43,043   | 53,163                 |
| 2. Government Securities (Unquoted)                                                                                                       |          |                        |          |                        |
| • 7 Year National Savings Certificates                                                                                                    |          | 5,000                  |          | 5,000                  |
| • Lodged with relevant Authorities                                                                                                        |          |                        |          |                        |
| 3. Mackinnons Travel (New Delhi) Ltd.                                                                                                     |          | 49,000                 |          | —                      |
| 4900 Equity Shares of Rs. 10/- each fully paid<br>(Refer Note No. 11(d) in Schedule 19)                                                   |          |                        |          |                        |
| 4. Trade Investments (Unquoted)                                                                                                           |          |                        |          |                        |
| Hill Properties Ltd.                                                                                                                      |          |                        |          |                        |
| 2 "A" (2 "A") Equity shares of Rs.1,20,000 each<br>paid-up per share Rs.1,18,000 (Lodged with Bank)<br>(Refer Note No. 11 in Schedule 19) |          | 2,36,000               |          | 2,36,000               |
| Woodland Hospital and Medical Research<br>Centre Limited, East India Clinic Ltd.<br>Registered Mortgage Debenture 1952                    |          | 12,000                 |          | 12,000                 |
| 5% Non-redeemable Registered Debenture Stock 1959                                                                                         |          | 35,000                 |          | 35,000                 |
| Bengal Chamber of Commerce & Industry                                                                                                     |          |                        |          |                        |
| 6.5% Non redeemable Registered Debenture 1962                                                                                             |          | 9,000                  |          | 9,000                  |
| Atlas Ores & Mineral Pvt. Ltd. (In liquidation)                                                                                           |          |                        |          |                        |
| 200 (200) Ordinary Shares of Rs.100/- each fully<br>paid-up                                                                               | 20,000   |                        | 20,000   |                        |
| Less : Provision to date                                                                                                                  | (20,000) | —                      | (20,000) | —                      |
| 5. Subsidiary Companies (Unquoted)                                                                                                        |          |                        |          |                        |
| Strand Properties Ltd.                                                                                                                    |          |                        |          |                        |
| 88000 (720) Equity Shares of Rs.10/- each fully paid                                                                                      |          | 370,800                |          | 18,000                 |
| Mackinnons Travel (New Delhi) Ltd.                                                                                                        |          |                        |          |                        |
| 750 Equity Shares of Rs.10/- each fully paid<br>(Refer Note No. 11(d) in Schedule 19)                                                     |          | —                      |          | 7,500                  |
|                                                                                                                                           |          | <u>769,963</u>         |          | <u>3,75,663</u>        |

Previous Year figures are given in brackets

### SCHEDULE - 7

#### SUNDRY DEBTORS

|                                                        |                   |                   |
|--------------------------------------------------------|-------------------|-------------------|
| i) Unsecured considered good                           |                   |                   |
| Debts outstanding for a period exceeding six<br>months | 16,460,417        | 11,435,847        |
| Other debts                                            | 2,673,801         | 4,140,242         |
| ii) Unsecured considered doubtful                      |                   |                   |
| Debts outstanding for a period exceeding<br>six months | 64,755,088        | 64,345,907        |
|                                                        | <u>83,889,306</u> | <u>79,921,996</u> |
| Less : Provision for doubtful debts                    | 64,755,088        | 64,345,907        |
|                                                        | <u>19,134,218</u> | <u>15,576,089</u> |

## SCHEDULES FORMING PART OF THE BALANCE SHEET

## SCHEDULE - 8

## CASH AND BANK BALANCES

|                                                                        | Rs.      | As at 31.3.2003<br>Rs. | Year ended 31.3.2002<br>Rs. |
|------------------------------------------------------------------------|----------|------------------------|-----------------------------|
| i) Cash on hand                                                        | 33,275   |                        | 36,418                      |
| Less : Provision for Cash loss by fire<br>(See Note 15 in Schedule 19) | (30,371) | 2,904                  | (30,371)                    |
| ii) With Schedule Banks :                                              |          |                        |                             |
| On Current Account                                                     |          | 353,331                | 1,381,362                   |
| On Margin Deposit **                                                   |          | 3,700,422              | 6,829,874                   |
| On Fixed Deposits                                                      |          | 9,000                  | 9,000                       |
|                                                                        |          | <u>4,065,657</u>       | <u>8,226,283</u>            |
| ** Includes Interest accrued                                           |          | 183,070                | 1,389,926                   |

## SCHEDULE - 9

## LOANS AND ADVANCES

|                                                                                                                                                  |           |                   |                   |
|--------------------------------------------------------------------------------------------------------------------------------------------------|-----------|-------------------|-------------------|
| i) Advances recoverable in cash or in kind<br>or for value to be received :<br>Unsecured considered good **<br>Refer Note No. 9 in Schedule 19 ) |           | 3,342,266         | 9,015,763         |
| ii) Other advances -(Considered Good unless stated otherwise)                                                                                    |           |                   |                   |
| <u>Balance with Customs and Port Trusts</u>                                                                                                      |           |                   |                   |
| Considered Good                                                                                                                                  | 3,309     |                   |                   |
| Considered Doubtful                                                                                                                              | 82,992    | 86,301            | 86,301            |
| <u>Deposit with Customs and Port Trusts</u>                                                                                                      |           |                   |                   |
| Considered Good                                                                                                                                  | 545,846   |                   |                   |
| Considered Doubtful                                                                                                                              | 81,556    | 627,402           | 627,402           |
| <u>Other deposits</u>                                                                                                                            |           |                   |                   |
| Considered Good                                                                                                                                  | 548,980   |                   |                   |
| Considered Doubtful                                                                                                                              | 2,333,671 | 2,882,651         | 2,723,821         |
| Tax deducted at source                                                                                                                           |           | 3,449,909         | 3,558,976         |
| iii) Advances considered doubtful                                                                                                                |           | 10,386,579        | 10,386,579        |
|                                                                                                                                                  |           | <u>20,775,108</u> | <u>26,398,842</u> |
| Less: Provision for doubtful advances                                                                                                            |           | 12,884,798        | 12,884,798        |
|                                                                                                                                                  |           | <u>7,890,310</u>  | <u>13,514,044</u> |

## SCHEDULE - 10

## CURRENT LIABILITIES \*

|                                                     |                    |                    |
|-----------------------------------------------------|--------------------|--------------------|
| Sundry Creditors                                    | 81,410,815         | 77,928,524         |
| Advances from Customers                             | 23,266,420         | 23,266,420         |
| Amounts held for Principals                         | 7,505,884          | 7,655,321          |
| Advances from tenants                               | 8,451,449          | 8,451,449          |
| Other advances                                      | 4,900,000          | 4,900,000          |
| Security deposits                                   | 6,522,776          | 6,522,776          |
| Payable to Subsidiary Co.-Strand Properties Limited | 11,373,890         | 9,955,293          |
|                                                     | <u>143,431,234</u> | <u>138,679,783</u> |

\* Refer Note No. 10 in Schedule 19

# Mackinnon Mackenzie & Co. Ltd.

## SCHEDULES FORMING PART OF THE BALANCE SHEET

|                                | Rs. | As at 31.3.2003<br>Rs. | As at 31.3.2002<br>Rs. |
|--------------------------------|-----|------------------------|------------------------|
| <b>SCHEDULE - 11</b>           |     |                        |                        |
| <b>PROVISIONS</b>              |     |                        |                        |
| Provision for Gratuity         |     | 678,415                | 892,881                |
| Provision for Leave Encashment |     | 391,615                | 630,888                |
|                                |     | <u>1,070,030</u>       | <u>1,523,769</u>       |

## SCHEDULES FORMING PART OF PROFIT & LOSS ACCOUNT

|                                |  |                   |                  |
|--------------------------------|--|-------------------|------------------|
| <b>SCHEDULE - 12</b>           |  |                   |                  |
| <b>REVENUE</b>                 |  |                   |                  |
| Commission and Service Charges |  | 3,862,778         | 2,188,887        |
| Income from Property           |  | 6,878,071         | 7,604,766        |
|                                |  | <u>10,740,849</u> | <u>9,793,653</u> |

|                                                                                   |         |                |                  |
|-----------------------------------------------------------------------------------|---------|----------------|------------------|
| <b>SCHEDULE - 13</b>                                                              |         |                |                  |
| <b>OTHER INCOME</b>                                                               |         |                |                  |
| Interest (Gross)                                                                  |         |                |                  |
| Others                                                                            | 682,906 | 682,906        | 996,785          |
| Bank Overdraft written Back                                                       |         |                | 2,295,395        |
| Excess Contribution to Staff Funds Refunded<br>(Refer Note No. 16 in Schedule 19) |         | 27,995         | 2,411,366        |
| Provision for Doubtful Debts no longer required                                   |         | 61,200         |                  |
| Sundry Credit Balance Written Back                                                |         | 2,151          |                  |
| Miscellaneous                                                                     |         | 155,298        | 666,748          |
|                                                                                   |         | <u>929,550</u> | <u>6,474,294</u> |
| Note : Tax deducted at source on Interest<br>Government Securities                |         |                |                  |
| Others                                                                            |         | 87,409         | 142,499          |

## SCHEDULE - 14

### EMPLOYEES REMUNERATION AND BENEFITS

|                                 |                  |                  |
|---------------------------------|------------------|------------------|
| Salaries, Wages and Bonus       | 2,101,080        | 2,238,189        |
| Staff Provident and Other Funds | 207,807          | 220,777          |
| Staff Welfare Expenses          | 294,475          | 345,000          |
| Retiral benefit                 | 733,797          | 741,265          |
| Leave Encashment Provision      | 25,500           | 27,349           |
|                                 | <u>3,362,659</u> | <u>3,302,580</u> |

# Mackinnon Mackenzie & Co. Ltd.

## SCHEDULES FORMING PART OF PROFIT & LOSS ACCOUNT

| <b>SCHEDULE - 15</b>                                                                                                          | <b>As at 31.3.2003<br/>Rs.</b> | <b>As at 31.3.2002<br/>Rs.</b> |
|-------------------------------------------------------------------------------------------------------------------------------|--------------------------------|--------------------------------|
| <b>OTHER OPERATING EXPENSES</b>                                                                                               |                                |                                |
| Rent                                                                                                                          | 681,179                        | 681,110                        |
| Rent Collection Charges                                                                                                       | 630,371                        | 349,679                        |
| Rates and Taxes                                                                                                               | 3,341,838                      | 2,133,112                      |
| Insurance                                                                                                                     | 155,119                        | 150,485                        |
| Repairs - Building                                                                                                            | 317,846                        | 204,050                        |
| - Others                                                                                                                      | 26,796                         | 31,049                         |
| Electricity                                                                                                                   | 184,714                        | 151,593                        |
| Travelling                                                                                                                    | 213,874                        | 65,353                         |
| Staff Quarter expenses                                                                                                        | 111,717                        | 129,007                        |
| Telegram, Telex, Telephones etc.                                                                                              | 184,861                        | 200,891                        |
| Transport expenses                                                                                                            | 393,307                        | 327,728                        |
| Other purchased services                                                                                                      | 1,846,154                      | 442,263                        |
| Auditors' remuneration (Refer Note No. 5 (a) in Schedule 19)                                                                  | 238,000                        | 235,000                        |
| Directors' fees                                                                                                               | 2,250                          | 3,000                          |
| Handling charges                                                                                                              | —                              | —                              |
| Debts, Advances and Claim written off                                                                                         | 61,200                         | —                              |
| Business Promotion                                                                                                            | 57,492                         | 432                            |
| Printing and Stationery                                                                                                       | 41,238                         | 36,988                         |
| Fines & Penalties                                                                                                             | 9,757                          | 9,613                          |
| Difference in Exchange                                                                                                        | 1,090                          | —                              |
| Water Charge                                                                                                                  | 295,447                        | —                              |
| Miscellaneous                                                                                                                 | 342,473                        | 322,806                        |
|                                                                                                                               | <u>9,136,723</u>               | <u>5,474,157</u>               |
| <b>SCHEDULE - 16</b>                                                                                                          |                                |                                |
| <b>PROVISIONS</b>                                                                                                             |                                |                                |
| For doubtful debts                                                                                                            | 470,381                        | —                              |
|                                                                                                                               | <u>470,381</u>                 | <u>—</u>                       |
| <b>SCHEDULE - 17</b>                                                                                                          |                                |                                |
| <b>INTEREST AND GUARANTEE COMMISSION</b>                                                                                      |                                |                                |
| Interest - On Term Loans *                                                                                                    | 184,837,285                    | 328,810,950                    |
| - Others                                                                                                                      | 321,002,657                    | 301,096,224                    |
| Guarantee Commission                                                                                                          | 2,264                          | 2,250                          |
|                                                                                                                               | <u>505,842,206</u>             | <u>627,909,424</u>             |
| * Interest on Term Loans is net of an Interest Income accrued amounting to Rs. 91,07,950/- (Previous Year Rs. 1,61,03,773/-). |                                |                                |
| <b>SCHEDULE - 18</b>                                                                                                          |                                |                                |
| <b>PRIOR YEARS' ADJUSTMENTS</b>                                                                                               |                                |                                |
| Prior Years' Income                                                                                                           | (35,683)                       | (48,468)                       |
| Prior Years' Expenses                                                                                                         | 345,727                        | 6,013,829                      |
| Short Provision for Taxation booked in excess during the previous year, rectified                                             | —                              | (769,790)                      |
|                                                                                                                               | <u>(9,956)</u>                 | <u>5,197,371</u>               |

**SCHEDULE 19**

**NOTES TO THE BALANCE SHEET AND THE PROFIT AND LOSS ACCOUNT**

**1. Statement of Significant Accounting Policies**

**a) Basis of Accounting**

The financial statements are prepared in accordance with the requirements of the Companies Act, 1956, including the mandatory Accounting Standards issued by the Institute of Chartered Accountants of India, under historical cost convention on accrual basis.

**b) Fixed Assets and Depreciation**

- i) Fixed assets are stated at cost, less accumulated depreciation.
- ii) Depreciation on Fixed Assets is provided on the "Written Down Value Method" (WDV) at the rate specified in Schedule XIV to the Companies Act, 1956.
- iii) In case of assets sold/scrapped/disposed off, pro-rata depreciation is provided in the accounts upto the date of sale/scraping disposal of the assets as the case may be.
- iv) Assets costing less than Rs.5,000/- are fully depreciated in the year of purchase.

**c) Investments**

Long term investments are valued at cost. Provision has been made for permanent diminution in the value of investments, if any, except where data is not available.

**d) Foreign Currency Transactions**

- i) Transactions in Foreign Exchange are recorded at the exchange rates prevailing on the date of realisation.
- ii) Current Assets and Liabilities balances in foreign currency at the Balance Sheet date are translated with reference to year end exchange rates, the loss/gain, on such translations is accounted for in the Profit & Loss Account.

**e) Retirement Benefits**

- i) Retirement benefits are accounted on accrual basis with contributions to recognised Funds. Gratuity liabilities of employees are determined on the basis of an actuarial valuation.
- ii) Leave Encashment is based on the certification by the management as regards leave lying to the credit of each employee at the year-end.

**f) Taxation**

- i) Current Tax : No provision is made in view of loss and carried forward loss.
- ii) Deferred Tax : Net Deferred tax asset has not been recognised by the company in view of uncertainty of future taxable income.

**2. The accounts of the Company for the year have been prepared on the assumption of a going concern basis.**

**3. Contingent Liabilities**

|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | Year ended<br>31.03.2003 | Year ended<br>31.03.2002 |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|--------------------------|
| i) Claims not acknowledged as debts (includes Municipal Taxes of Rs.596 lacs approx. (Previous Year Rs.596 lacs.)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | 6,73,25,910              | 6,73,25,910              |
| ii) Uncalled amounts on partly paid shares:                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | 4,000                    | 4,000                    |
| iii) Guarantees issued by the Company's Bankers                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | 3,60,000                 | 3,60,000                 |
| iv) Retrenched Staff                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | 2,23,49,234              | 2,23,49,234              |
| (a) 60 clerical and 35 subordinate staff were retrenched on 4 <sup>th</sup> August 1992 under Industrial Disputes Act at Mumbai. Each one was paid 15 days wages per completed year of service being compensation and one month's notice pay in addition to other dues. The Industrial Court has given a judgement against the Company on 08.03.96. However the Company has filed an appeal with the High Court against the same Order. (The Company has deposited an amount of Rs. 32,00,000/- with the Registrar, which has been shown under Loans and Advances recoverable in cash or in kind, or for value to be received - Unsecured considered good.) |                          |                          |
| v) Fine of Rs. 10,02,97,000/- is levied on Company and its Officers for alleged violation of Foreign Exchange Regulation Act. Company has filed appeal against the said order with Appellate Tribunal for Foreign Exchange. The Tribunal had directed Company to deposit of 20% of penalty amount but in response to the writ petition filed before Hon. Bombay High Court the Hon. High Court has granted interim stay and directed the Tribunal to dispose off the matter expeditiously. An amount of Rs. 25,400/- paid as deposit against the penalty is reflected in Loans & Advances.                                                                  | 10,02,97,000             | 10,02,97,000             |

## Mackinnon Mackenzie & Co. Ltd.

4. Company has entered into Agreement with Calcutta Staff Union for Closure Compensation totally amounting to Rs. 5,12,16,751/- including gratuity and ex-gratia. Net Amount Rs. 4,08,25,742/- after deducting amount already provided in past and paid from Gratuity Fund was provided for in the accounts in past Rs. 3,93,72,043/- is still due and payable which is reflected in Sundry Creditors.

|                              | <u>2002-2003</u> | <u>2001-2002</u> |
|------------------------------|------------------|------------------|
| 5. a) Auditor's remuneration | 2,00,000         | 2,00,000         |
| i) Audit Fees                | 35,000           | 35,000           |
| ii) Tax Audit Fees           | 3,000            | 0                |
| iii) Certification Matter    |                  |                  |
| b) Managerial Remuneration   | 3,60,000         | 3,60,000         |
| i) Salary                    | 1,46,217         | 1,00,010         |
| ii) Perquisites              |                  |                  |

6. Entry into the Calcutta branch of the Company located at 16, Strand Road, Calcutta has been prohibited by the relevant authorities following a devastating fire in the building on 7<sup>th</sup> November, 1998. Further, as a result of the fire, entire Calcutta operations of the Company came to a standstill and there were no operations during the year. The Company has closed Calcutta branch w.e.f. May 31, 2000 and service of all the staff has been terminated.

7. The Company has an investment of Rs. 3,70,800/- (Previous Year Rs. 18,000/-) in Strand Properties Limited. Further the Company owes Rs. 1,13,73,890/- (Previous Year Rs. 99,55,293/-) and Rs. 13,30,000/- (Previous Year Rs. 13,30,000/-) shown in Unsecured loans taken from Strand Properties Limited. The accumulated losses of Strand Properties Limited as on 31<sup>st</sup> March, 2003 amounting to Rs. 73,68,709 - greatly exceeds its net worth. No provision has been made for the possible loss in this regard.

|                                                                | <u>2002-2003</u> | <u>2001-2002</u> |
|----------------------------------------------------------------|------------------|------------------|
| 8. Foreign Exchange Earnings                                   | 23,51,307        | 18,80,832        |
| a) From Services rendered                                      | 82,813           | 45,786           |
| Commission & Other Misc. Receipts                              | 0                | 12,243           |
| b) Expenditure in Foreign Currency on account of Subscriptions |                  |                  |

9. Loans and advances include certain old balances amounting to Rs. 10,05,656/- (Previous Year Rs. 64,84,811/-) under "Advances recoverable in cash or in kind or for value to be received - Unsecured Considered Good" for which no provision for doubtful items, has been made in the accounts pending the review/ confirmation of the same. As a result, the effect of such non-provision on the loss for the year cannot be ascertained.

10. a) Sundry Creditors include an amount of Rs. 18,71,563/- (Previous year Rs. 29,79,993/-) which represents old balances for which no write back has been made in the accounts pending the review/ confirmation of the same.
- b) Following amounts represent old balances for which no write back has been made in accounts pending the review / confirmations of the same :

|                                          |                          |
|------------------------------------------|--------------------------|
| Advances from Customers                  | Rs. 2,32,66,460/-        |
| Advances and Amounts held for Principals | Rs. 45,55,683/-          |
| Advances from Tenants                    | Rs. 84,51,449/-          |
| Other Advances                           | Rs. 49,00,000/-          |
| TOTAL                                    | <u>Rs. 4,11,73,592/-</u> |

- c) In view of the multiplicity and identification of accounts relating to small scale undertakings, information for determining the particulars relating to current indebtedness to such undertakings as required under Schedule VI part I to the Companies Act, 1956 is not readily available.

11. a) Investments include an amount of Rs. 2,36,000/- representing equity shares in a co-operative Society towards purchase of a flat. The possession of the same is pending litigation as an ex-director of the Company has illegally occupied the same.
- b) Investments Rs. 58,163/- are kept as security with Authorities. These investments have matured. The Company is not in a position to get the same from Authorities as the same are lost or misplaced. No Provision is made for loss of investment Rs. 58,163/- and accrued interest Rs. 8,545/- as company is still following up with authorities.
- c) Investments made at Calcutta Rs. 56,000/- are presently not available physically as building is destroyed by fire. In the absence of adequate data, no provision is made for loss in value of investments if any.
- d) During the year, Mackinnon Travels (New Delhi) Ltd., fully owned subsidiary of the Company increased its Share Capital which was not fully subscribed to by the Company, consequently Mackinnon Travels (New Delhi) Ltd. has ceased to be a Subsidiary of the Company.
12. (a) The Company's bankers have filed suits in the Bombay High Court for recovery of loans outstanding as on 31<sup>st</sup> March, 1991 aggregating to Rs. 61,66,06,521/- However these loans along with interest accrued and due and amounting to Rs. 4,096,462,476

## Mackinnon Mackenzie & Co. Ltd.

- were outstanding as on 31<sup>st</sup> March, 2002. As per the order of the Debt Recovery Tribunal, Bank of India has transferred the debt owed to them to M/s. Ardeshir B. Cursetjee & Sons Ltd. (hereinafter referred to as A.B.C. & Sons Ltd.), all securities given to Bank of India including mortgage on properties stands transferred to M/s. A.B.C. & Sons Ltd. Pursuant to the order of the Debt Recovery Tribunal, the Company has transferred the entire debt due to Bank of India except to the extent of making cash deposit of Rs. 39,24,754/- (included in Cash & Bank Balances) to M/s. A.B.C. & Sons Ltd. Consequently the suit filed by Bank of India and pending before Debt Recovery Tribunal is transferred to High Court of Mumbai. Further as per the order of the Debt Recovery Tribunal the Court Receiver shall stand discharged, an application for discharge of the Court Receiver is pending before High Court of Mumbai.

(b) The Company has agreed to allow M/s. A.B.C. & Sons Ltd to recover entire rent due from its tenants in Mackinnon Mackenzie Building and adjust the same against amount due to them and in lieu M/s. A.B.C. & Sons Ltd. has agreed to waive interest with effect from 1<sup>st</sup> October, 2002

13. The Company has not been able to appoint a Company Secretary as required under Section 383A of the Companies Act, 1956, in spite of its best efforts. The efforts for appointing a Company Secretary are continuing.

14. Confirmations are not available in respect of balances of secured loans and unsecured loans, debtors, certain bank balances, deposits, advances and creditors appearing in Schedule 3,4,7,8,9 and 10 of the Accounts respectively.

15. Provision for loss of Cash on Hand Rs. 30,371/- at Kolkata was made in past as the building was destroyed in major fire and the management is not sure whether anything can be retrieved.

16. Excess Contribution to Staff Funds Refunded Rs. 27,995/- (Previous Year Rs. 24,11,366/-) represents amount received from statutory funds towards refund of excess contribution made by company in past.

### 17. Related party disclosure

The names of the related parties are as under

- (a) Subsidiary : Strand Properties Limited
- (b) Associates : Mackinnon Travels (New Delhi) Limited

### (c) Key Management Personnel

Key management personnel comprise of whole-time directors who have the authority and responsibility for planning, organising and controlling the activities of the company. The remuneration paid to such directors are disclosed in Note - 5(b)

The details of transaction with related parties (Subsidiaries) are as follows :-

| Sr. No. | Description                                       | Company                            | Rs.         |
|---------|---------------------------------------------------|------------------------------------|-------------|
| 1.      | Unsecured Loan as at 31 <sup>st</sup> March, 2003 | Strand Properties Ltd.             | 13,30,000   |
| 2.      | Amount Due as at 31 <sup>st</sup> March, 2003     | Strand Properties Ltd.             | (13,30,000) |
| 3.      | Amount Due as at 31 <sup>st</sup> March, 2003     | Mackinnon Travels (New Delhi) Ltd. | 1,13,73,690 |
| 4.      | Rent for the year                                 | Strand Properties Ltd.             | (99,55,293) |
|         |                                                   |                                    | (34,466)    |
|         |                                                   |                                    | 5,41,881    |
|         |                                                   |                                    | (5,41,881)  |

### 18. Segmental Information

| Description                    | Property Owning & Leasing | Shipping & Shipping Agency Activities | Rs. in Lakhs |
|--------------------------------|---------------------------|---------------------------------------|--------------|
| <b>Revenue</b>                 |                           |                                       |              |
| Internal                       | 68.78                     | 38.62                                 | 107.40       |
|                                | (76.05)                   | (21.90)                               | (97.95)      |
| <b>Results</b>                 | 18.98                     | 23.57                                 | 42.55        |
|                                | (56.33)                   | (5.61)                                | (61.94)      |
| Unallocated Corporate expenses |                           |                                       | 57.18        |
| net of unallocated income      |                           |                                       | (-10.08)     |
| Interest & Finance Cost        |                           |                                       | 5068.42      |
|                                |                           |                                       | (6279.09)    |
| <b>Taxation</b>                |                           |                                       |              |
| Current                        | (Nil)                     | (Nil)                                 |              |
| Deferred                       | (Nil)                     | (Nil)                                 |              |
| Net Profit                     |                           |                                       | (5073.03)    |
|                                |                           |                                       | (-6207.09)   |

# Mackinnon Mackenzie & Co. Ltd.

|                                           |          |         |            |
|-------------------------------------------|----------|---------|------------|
| <b>Other Information</b>                  |          |         |            |
| <b>Segment Assets</b>                     | 199.08   | 17.47   | 216.55     |
|                                           | (197.20) | (8.93)  | (206.13)   |
| <b>Unallocated Corporate Assets</b>       |          |         | 132.53     |
|                                           |          |         | (202.99)   |
| <b>Total Assets</b>                       |          |         | 349.08     |
|                                           |          |         | (409.12)   |
| <b>Segment Liabilities</b>                | 63.33    | 47.19   | 110.52     |
|                                           | (13.09)  | (68.30) | (81.39)    |
| <b>Unallocated Corporate Liabilities</b>  |          |         | 47302.53   |
|                                           |          |         | (42318.66) |
| <b>Total Liabilities</b>                  |          |         | 47413.05   |
|                                           |          |         | (42400.05) |
| <b>Depreciation</b>                       | 1.49     | 0       | 1.49       |
|                                           | (1.57)   | (0)     | (1.57)     |
| <b>Unallocated Corporate Depreciation</b> |          |         | 0.22       |
|                                           |          |         | (0.30)     |
| <b>Total Depreciation</b>                 |          |         | 1.71       |
|                                           |          |         | (1.87)     |

19. Previous years' figures have been regrouped/restated where considered necessary.

Signatories to Schedules 1 to 19

For J.D. Mehta & Company  
Chartered Accountants

M.K.B. Capadia

Rear Admrl. P.K. Sinha

Capt. N.B. Jamnerkar

)

)

)

Directors

Proprietor  
Membership No. 11472

Mumbai  
Dated: 14<sup>th</sup> August, 2003

Mumbai  
Dated: 14<sup>th</sup> August, 2003

**Mackinnon Mackenzie & Co. Ltd.**

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2003**

|                                                        | Rs. In lacs<br>2002-2003 |            | Rs. In lacs<br>2001-2002 |            |
|--------------------------------------------------------|--------------------------|------------|--------------------------|------------|
| <b>A. <u>CASH FLOW FROM OPERATING ACTIVITIES :</u></b> |                          |            |                          |            |
| Net Profit/(Loss) before Tax                           |                          | (5,073.03) |                          | (6,259.06) |
| Adjustment for :                                       |                          |            |                          |            |
| Depreciation                                           | 1.72                     |            | 1.88                     |            |
| Income from Investments                                | (6.83)                   |            | (9.97)                   |            |
| Interest (Net)                                         | 5,058.42                 |            | 6,279.09                 |            |
| Bank Overdraft written Back                            | -                        | 5,053.31   | (22.95)                  | 6,248.05   |
| Operating Loss before working capital changes          |                          | (19.72)    |                          | (11.01)    |
| Adjustment for :                                       |                          |            |                          |            |
| Trade and Other Receivables                            | 20.65                    |            | (42.04)                  |            |
| Trade Payables                                         | 42.87                    | 63.52      | 92.56                    | 50.52      |
| CASH-GENERATED FROM OPERATIONS                         |                          | 43.80      |                          | 39.51      |
| Direct Taxes Paid (Net of refund received)             | -                        | -          | -                        | -          |
| NET CASH FLOW FROM OPERATING ACTIVITIES                |                          | 43.80      |                          | 39.51      |
| <b>B. <u>CASH FLOW FROM INVESTING ACTIVITIES :</u></b> |                          |            |                          |            |
| Purchase of Fixed Assets                               | -                        |            | -                        |            |
| Purchase of Investments                                | (3.94)                   |            | -                        |            |
| Interest received                                      | 6.83                     | 2.89       | 9.97                     | 9.97       |
| <b>C. <u>CASH FLOW FROM FINANCING ACTIVITIES :</u></b> |                          |            |                          |            |
| Proceeds from Long Term Borrowings (net)               | (88.30)                  |            | (57.10)                  |            |
| Bank Overdraft written Back                            | -                        | (88.30)    | 22.95                    | (34.15)    |
| NET INCREASE IN CASH & CASH EQUIVALENTS                |                          | (41.61)    |                          | 15.33      |
| OPENING CASH AND CASH EQUIVALENTS                      |                          | 82.26      |                          | 66.93      |
| CLOSING CASH AND CASH EQUIVALENTS                      |                          | 40.65      |                          | 82.26      |

**Mackinnon Mackenzie & Co. Ltd.**

**Note : Cash and Cash Equivalents Include :**

|                        | <b>2002-2003<br/>Rs. In Lacs</b> | <b>2001-2002<br/>Rs. In Lacs</b> |
|------------------------|----------------------------------|----------------------------------|
| Cash and Bank Balances | 40.65                            | 82.26                            |

On behalf of the Board

**M.K.B CAPADIA**  
Director

**R.ADMR.P.K. SINHA**  
Director

**CAPT. N.B. JAMNERKAR**  
Director

Mumbai, 14th August, 2003

**AUDITOR'S CERTIFICATE**

The above Cash Flow Statement has been compiled from and is based on the Audited Accounts of Mackinnon Mackenzie & Company Limited for the year ended 31st March, 2003 reported upon by us on 14th August, 2003. According to the information and explanations given to us and read together with Notes thereon, the aforesaid Cash Flow Statement has been prepared pursuant to Clause 32 of the Listing Agreement with the Stock Exchange, Mumbai and the reallocations required for the purpose are as made by the Company.

**For J.D. MEHTA & CO.**  
Chartered Accountants

Mumbai, 14th August 2003.

**J.D. MEHTA**  
Proprietor  
Membership No. 11472

# Mackinnon Mackenzie & Co. Ltd.

STATEMENT FORMING PART OF THE ACCOUNTS AS ON 31ST MARCH, 2003

## ADDITIONAL INFORMATION PURSUANT TO PART IV OF SCHEDULE VI OF THE COMPANIES ACT, 1956

### BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

#### I) REGISTRATION DETAILS

|                     |            |
|---------------------|------------|
| Registration Number | 13745      |
| State Code          | 11         |
| Balance Sheet Date  | 31/03/2003 |

#### II) CAPITAL RAISED DURING THE YEAR ( Amount in Rs. Thousands)

|                   |     |
|-------------------|-----|
| Public Issue      | NIL |
| Rights Issue      | NIL |
| Bonus Issue       | NIL |
| Private Placement | NIL |

#### III) POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS (Amount in Rs. Thousands)

|                             |         |
|-----------------------------|---------|
| Total Liabilities           | 4632912 |
| Total Assets                | 4632912 |
| <b>SOURCE OF FUND:</b>      |         |
| Paid Up Capital             | 24861   |
| Reserves & Surplus          | 11246   |
| Secured Loans               | 4595474 |
| Unsecured Loans             | 1330    |
| <b>APPLICATION OF FUNDS</b> |         |
| Net Fixed Assets            | 3040    |
| Investments                 | 770     |
| Net Current Assets          | -113403 |
| Miscellaneous Expenses      | NIL     |
| Accumulated Losses          | 4742504 |

#### IV) PERFORMANCE OF COMPANY ( Amount in Rs Thousands)

|                                                     |         |
|-----------------------------------------------------|---------|
| Turnover                                            | 11670   |
| Total Expenditure                                   | 518974  |
| Profit/(loss) before Tax ( + for Profit - for Loss) | -507303 |
| Profit/(loss) after Tax ( + for Profit - for Loss)  | -507303 |
| Earning per share in Rs.                            | NIL     |
| Dividend Rate %                                     | NIL     |

#### V) GENERIC NAMES OF THREE PRINCIPAL PRODUCTS/SERVICES OF COMPANY

|                          |      |
|--------------------------|------|
| ( As per Monetary Terms) |      |
| Item Code No.( ITC Code) | N.A. |

|                     |                                                                                              |
|---------------------|----------------------------------------------------------------------------------------------|
| Service Description | Clearing Forwarding<br>Ship Manning<br>Ship Agency<br>Ship Operation<br>Travel Tour Services |
|---------------------|----------------------------------------------------------------------------------------------|

Note: The above particulars should be read along with the Balance Sheet as at 31st March 2003, the Profit & Loss Account for the year ended as on that date and the Schedules forming part thereof

DIRECTORS  
M.K.B. Capadia  
Rear Admrl. P.K. Sinha  
Capt. N.B. Jamnerkar

Place : Mumbai  
Dated : 14th August, 2003

**Mackinnon Mackenzie & Co. Ltd.**

**AUDITORS' REPORT TO THE BOARD OF DIRECTORS OF MACKINNON MACKENZIE & COMPANY LIMITED ON THE CONSOLIDATED FINANCIAL STATEMENTS OF MACKINNON MACKENZIE & COMPANY LIMITED AND ITS SUBSIDIARIES**

1. We have examined the attached Consolidated Balance Sheet of Mackinnon Mackenzie & Company Limited ("the Company") and its subsidiary as at 31<sup>st</sup> March, 2003 and the Consolidated Profit and Loss Account for the year ended on that date and annexed thereto both of which we have signed under reference to this report.
2. These financial statements are the responsibility of the Mackinnon Mackenzie & Company Limited management. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the generally accepted auditing standards in India. These Standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and are free of material misstatements. 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 the management, as well as, evaluating the overall financial statements. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit the financial statements of Strand Properties Limited, subsidiary company whose financial statements reflect total assets of Rs. 22,78,143 as at 31<sup>st</sup> March, 2003, and total revenues of Rs 7,52,613 for the year ended then. These financial statements have been audited by other auditors whose reports have been furnished to us and our opinion is so far as it relates to the amounts included in respect of the subsidiaries, is based solely on the report of the other auditors.
4. We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standard (AS) 21, on Consolidated Financial Statements, issued by the Institute of Chartered Accountants of India and on the basis of separate audited financial statements of the Company and its subsidiaries included in the consolidated financial statements.
5. In our opinion and to the best of our information and according to the explanations given to us, and on consideration of separate audit reports on individual audited financial statements of the Company and its subsidiaries, the aforesaid consolidated financial statements together with the notes thereon and the Statement on Significant Accounting Policies, subject to qualifications in respective Auditors' Report give a true and fair view :
  - (a) in the case of the Consolidated Balance Sheet, of the consolidated state of affairs of the Company and its subsidiary as at 31<sup>st</sup> March, 2003 ;
  - (b) in the case of the Consolidated Profit & Loss Account, of the consolidated Loss of the Company and its subsidiary for the year ended on that date.

For J.D. MEHTA & COMPANY  
CHARTERED ACCOUNTANTS

Place : Mumbai  
Date : 14<sup>th</sup> August 2003

J.D. MEHTA  
PROPRIETOR  
MEMBERSHIP NO. 11472

**Mackinnon Mackenzie & Co. Ltd.**

**CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2003**

|                                                    | Schedule No. | As at 31.3.2003      | As at 31.3.2002      |
|----------------------------------------------------|--------------|----------------------|----------------------|
|                                                    |              |                      |                      |
| <b>1. SOURCES OF FUNDS</b>                         |              |                      |                      |
| <b>SHAREHOLDERS' FUNDS</b>                         |              |                      |                      |
| Capital                                            | 1            | 24,861,125           | 24,861,125           |
| Reserves & Surplus                                 | 2            | 11,246,274           | 11,246,274           |
| <b>LOAN FUNDS</b>                                  |              |                      |                      |
| Secured Loans                                      | 3            | 4,595,474,424        | 4,098,462,476        |
| Unsecured Loans                                    | 4            | 1,778,445            | 1,735,545            |
|                                                    |              | <u>4,597,250,869</u> | <u>4,100,198,021</u> |
|                                                    |              | <u>4,633,358,268</u> | <u>4,136,305,420</u> |
| <b>APPLICATION OF FUNDS</b>                        |              |                      |                      |
| Goodwill on Consolidation                          |              | 9,578                | 9,578                |
| <b>FIXED ASSETS</b>                                |              |                      |                      |
| Gross Block                                        |              | 21,270,562           | 21,270,562           |
| Less : Depreciation                                |              | 15,810,260           | 15,511,364           |
| Net block                                          | 5            | <u>5,460,302</u>     | <u>5,759,198</u>     |
| <b>INVESTMENTS</b>                                 | 6            | 399,163              | 350,163              |
| <b>CURRENT ASSETS, LOANS AND ADVANCES</b>          |              |                      |                      |
| Sundry Debtors                                     | 7            | 24,643,828           | 20,521,441           |
| Cash and Bank Balances                             | 8            | 4,480,115            | 8,238,244            |
| Other Current Assets -                             |              |                      |                      |
| Interest accrued on Investment                     |              | 8,545                | 8,545                |
| Loans and Advances                                 | 9            | 8,569,368            | 14,158,536           |
|                                                    |              | <u>37,701,856</u>    | <u>42,926,866</u>    |
| <b>Less : CURRENT LIABILITIES AND PROVISIONS</b>   |              |                      |                      |
| Liabilities                                        | 10           | 148,409,774          | 143,406,909          |
| Provisions                                         | 11           | 1,070,030            | 1,533,747            |
| Insurance Claim Realised                           |              | 10,465,287           | 10,465,287           |
|                                                    |              | <u>159,945,091</u>   | <u>155,405,943</u>   |
| <b>NET CURRENT ASSETS</b>                          |              | (122,243,234)        | (112,479,077)        |
| <b>DEBIT BALANCES IN PROFIT &amp; LOSS ACCOUNT</b> |              | 4,756,090,444        | 4,248,569,379        |
| <b>Less: BALANCE IN GENERAL RESERVE</b>            |              | 8,280,748            | 8,280,748            |
| Minority Share in Loss                             |              | 1,922,763            | 2,078,927            |
| <b>TOTAL</b>                                       |              | <u>4,633,358,268</u> | <u>4,136,305,420</u> |

Schedules referred to above form an integral part of the Consolidated Balance Sheet & should be read in conjunction therewith. The accompanying notes form an integral part of the Consolidated Balance Sheet.

In terms of our report of even date  
For J. D. MEHTA & COMPANY  
Chartered Accountants

J. D. MEHTA  
Proprietor

Mumbai, Dated: 14th August, 2003

M.K.B. CAPADIA  
REARADMRL P.K. SINHA  
CAPT. N. B. JAMNERKAR } Directors

Place : Mumbai  
Dated: 14th August, 2003

# Mackinnon Mackenzie & Co. Ltd.

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

|                                         | Schedule | Year ended<br>31.03.2003<br>Rs. | Year ended<br>31.03.2002<br>Rs. |
|-----------------------------------------|----------|---------------------------------|---------------------------------|
| <b>INCOME</b>                           |          |                                 |                                 |
| Revenue                                 | 12       | 10,951,581                      | 10,005,495                      |
| Other Income                            | 13       | 929,550                         | 6,370,294                       |
|                                         |          | <u>11,881,131</u>               | <u>16,375,789</u>               |
| <b>EXPENSES</b>                         |          |                                 |                                 |
| Employees remuneration<br>and benefits  | 14       | 3,362,659                       | 3,302,580                       |
| Other operating expenses                | 15       | 9,046,430                       | 5,427,640                       |
| Depreciation                            |          | 298,896                         | 321,981                         |
| Provisions                              | 16       | 470,381                         | -                               |
| Interest & Guarantee commission         | 17       | 505,955,289                     | 628,022,507                     |
|                                         |          | <u>519,133,656</u>              | <u>637,074,708</u>              |
| Loss before prior years' adjustments    |          | 507,252,524                     | 620,698,919                     |
| Prior years' adjustments                | 18       | (9,956)                         | 5,197,371                       |
| Loss after prior years' adjustments     |          | <u>507,242,568</u>              | <u>625,896,290</u>              |
| Loss After Tax                          |          | 507,242,568                     | 625,896,290                     |
| Previous years' balance brought forward |          | 4,248,847,876                   | 3,622,973,089                   |
|                                         | Total :  | <u>4,756,090,444</u>            | <u>4,248,869,379</u>            |

Earning Per Share (Basic & Diluted) Rs.

Nil

Nil

Face Value Rs.

10/-

10/-

Schedules referred to above form an integral part of the Consolidated Profit & Loss Account and should be read in conjunction therewith. The accompanying notes form an integral part of the Consolidated Profit & Loss Account.

In terms of our report of even date.

For J. D. MEHTA & COMPANY  
Chartered Accountants

J. D. MEHTA  
Proprietor

Place : Mumbai  
Dated: 14th August, 2003

M.K.B. CAPADIA  
REAR ADMRL. P.K. SINHA  
CAPT. N. B. JAMNERKAR

Directors

Place : Mumbai  
Dated: 14th August, 2003

# Mackinnon Mackenzie & Co. Ltd.

## SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

### SCHEDULE - 1

#### SHARE CAPITAL

Authorised :

25,00,000 Equity Shares of Rs. 10/- each

15,00,000 Unclassified Shares of Rs.10/- each

Issued and Subscribed :

25,00,000 Equity Shares of Rs. 10/- each

Less : Amount in arrears : From other than Directors

| Rs.        | As at 31.03.2003<br>Rs. | Rs.        | As at 31.03.2002<br>Rs. |
|------------|-------------------------|------------|-------------------------|
|            | 25,000,000              |            | 25,000,000              |
|            | 15,000,000              |            | 15,000,000              |
|            | <u>40,000,000</u>       |            | <u>40,000,000</u>       |
| 25,000,000 |                         | 25,000,000 |                         |
| 138,875    | 24,861,125              | 138,875    | 24,861,125              |
|            | <u>24,861,125</u>       |            | <u>24,861,125</u>       |

Of the above 9,99,930 (Previous year 9,99,930) Equity Shares were allotted as fully paid-up pursuant to a contract without payment being received in cash.

### SCHEDULE - 2

#### RESERVES AND SURPLUS

1. Capital Reserve as per last Balance Sheet

2. General Reserve as per last Balance Sheet

Transfer to Debit Balance in Profit & Loss Account

|           |                   |           |                   |
|-----------|-------------------|-----------|-------------------|
| 8,280,748 | 11,246,274        | 8,280,748 | 11,246,274        |
|           |                   |           |                   |
| 8,280,748 | -                 | 8,280,748 |                   |
|           | <u>11,246,274</u> |           | <u>11,246,274</u> |

### SCHEDULE - 3 \*

#### SECURED LOANS

From Banks :

Secured by pledge of certain investments and mortgages of immovable properties

(Includes interest accrued & due Rs. NIL

Previous year Rs. 1,859,562,315/-

(See Note 12(a) in Schedule 18)

2,146,788,402

Secured by pari passu charge of Building at Calcutta and and hypothecation of Book debts/fixed deposits (Includes interest accrued and due Rs. 1,738,855,693/-

Previous year Rs. 1,755,044,917/-

(See Note 12(a) in Schedule 18)

1,887,053,639

1,951,874,074

From Others :

Secured by pledge of certain investments and mortgages of immovable properties

(See Note 12(a) in Schedule 18)

2,708,420,795

4,895,474,424

4,998,482,478

\*Of which Rs. Nil repayable within one year and Rs. 4,895,474,424/- overdue for payment

(Previous year - repayable within one year Rs. Nil and overdue for payment Rs. 4,895,482,478/-)

### SCHEDULE - 4

#### UNSECURED LOANS

Others

1,776,445

1,776,445

1,735,545

1,735,545

**Mackinnon Mackenzie & Co. Ltd.**

**SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET**

**SCHEDULE - 5  
FIXED ASSETS**

|                                      | GROSS BLOCK AT BOOK VALUE |                                 |                                  |                     | DEPRECIATION        |                    |                                  |                     | NET BLOCK           |                     |
|--------------------------------------|---------------------------|---------------------------------|----------------------------------|---------------------|---------------------|--------------------|----------------------------------|---------------------|---------------------|---------------------|
|                                      | As at<br>31.03.2002       | Additions<br>during the<br>year | Deductions<br>during the<br>year | As at<br>31.03.2003 | As at<br>31.03.2002 | For<br>the<br>year | Deductions<br>during the<br>year | As at<br>31.03.2003 | As at<br>31.03.2003 | As at<br>31.03.2002 |
|                                      | Rs.                       | Rs.                             | Rs.                              | Rs.                 | Rs.                 | Rs.                | Rs.                              | Rs.                 | Rs.                 | Rs.                 |
| 1. Land & Buildings                  |                           |                                 |                                  |                     |                     |                    |                                  |                     |                     |                     |
| On Freehold Land                     | 7,425,951                 | —                               | —                                | 7,425,951           | 4,683,290           | 131,265            | —                                | 4,814,555           | 2,811,396           | 2,742,660           |
| On Leasehold Land                    | 11,099,351                | —                               | —                                | 11,099,351          | 8,195,126           | 145,211            | —                                | 8,340,337           | 2,759,014           | 2,904,225           |
| 2. Furniture & Fittings              | 476,713                   | —                               | —                                | 476,713             | 461,020             | 2840               | —                                | 463,860             | 12,853              | 15,693              |
| 3. Office & Electrical<br>Equipments | 1,524,641                 | —                               | —                                | 1,524,641           | 1,451,949           | 10,113             | —                                | 1,462,062           | 62,579              | 72,692              |
| 4. Transport Vehicles                | 73,800                    | —                               | —                                | 73,800              | 73,059              | 192                | —                                | 73,251              | 549                 | 742                 |
| 5. Plant & Machinery                 | 670,106                   | —                               | —                                | 670,106             | 646,920             | 9,275              | —                                | 656,193             | 13,911              | 23,186              |
| Total                                | 21,270,562                | —                               | —                                | 21,270,562          | 15,511,364          | 298,896            | —                                | 15,810,260          | 5,460,302           | 5,759,198           |
| Previous Year                        | 21,270,562                | —                               | —                                | 21,270,562          | 15,189,383          | 321,981            | —                                | 15,511,364          | 5,759,198           |                     |

**SCHEDULE - 6**

|                                                                                                                                             | Rs.      | As at 31.03.2003<br>Rs. | Rs.      | As at 31.03.2002<br>Rs. |
|---------------------------------------------------------------------------------------------------------------------------------------------|----------|-------------------------|----------|-------------------------|
| <b>INVESTMENTS (At Cost)</b>                                                                                                                |          |                         |          |                         |
| <b>LONG TERM INVESTMENTS (At Cost)</b>                                                                                                      |          |                         |          |                         |
| 1. Government Securities                                                                                                                    |          |                         |          |                         |
| * 10,000 (10000) 5.5% Loan 1995                                                                                                             | 10,120   |                         | 10120    |                         |
| * 43,000 (43000) 5.5% Loan 2000                                                                                                             | 43,043   | 53,163                  | 43,043   | 53,163                  |
| 2. Government Securities (Unquoted)                                                                                                         |          |                         |          |                         |
| * 7 Year National Savings Certificates                                                                                                      |          | 5,000                   |          | 5,000                   |
| * Lodged with relevant Authorities                                                                                                          |          |                         |          |                         |
| 3. Mackinnons Travels (New Delhi) Ltd.                                                                                                      |          | 49,000                  |          | —                       |
| 4900 Equity Shares of Rs. 10/- each fully paid<br>(Refer Note No. 11(d) in Schedule 18)                                                     |          |                         |          |                         |
| 4. Trade Investments (Unquoted)                                                                                                             |          |                         |          |                         |
| Hill Properties Ltd.                                                                                                                        |          |                         |          |                         |
| 2 "A" (2 "A") Equity shares of Rs. 1,20,000 each<br>paid-up per share Rs. 1,18,000 (Lodged with Bank)<br>(Refer Note No. 11 in Schedule 18) |          | 236,000                 |          | 236,000                 |
| Woodland Hospital and Medical Research<br>Centre Limited. East India Clinic Ltd.                                                            |          |                         |          |                         |
| Registered Mortgage Debenture 1952                                                                                                          |          | 12,000                  |          | 12,000                  |
| 5% Non-redeemable Registered Debenture<br>Stock 1959                                                                                        |          | 35,000                  |          | 35,000                  |
| Bengal Chamber of Commerce & Industry<br>6.5% Non redeemable Registered Debenture<br>1962                                                   |          | 9,000                   |          | 9,000                   |
| Atlas Ores & Mineral Pvt. Ltd. (In liquidation)                                                                                             |          |                         |          |                         |
| 200 (200) Ordinary Shares of Rs. 100/- each fully paid-up                                                                                   | 20,000   |                         | 20,000   |                         |
| Less : Provision to date                                                                                                                    | (20,000) | —                       | (20,000) | —                       |
|                                                                                                                                             |          | 399,163                 |          | 350,163                 |

Previous Year figures are given in brackets

# Mackinnon Mackenzie & Co. Ltd.

## SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

### SCHEDULE - 7 SUNDRY DEBTORS

|                                                                                            | As at 31.03.2003<br>Rs. | As at 31.03.2002<br>Rs. |
|--------------------------------------------------------------------------------------------|-------------------------|-------------------------|
| i) Unsecured considered good :<br>Debts outstanding for a period exceeding six months      | 21,687,899              | 16,099,071              |
| Other debts                                                                                | 2,955,929               | 4,422,370               |
| ii) Unsecured considered doubtful :<br>Debts outstanding for a period exceeding six months | 64,755,088              | 64,345,907              |
|                                                                                            | 89,398,916              | 84,867,348              |
| Less : Provision for doubtful debts                                                        | 64,755,088              | 64,345,907              |
|                                                                                            | 24,643,828              | 20,521,441              |

### SCHEDULE - 8

#### CASH AND BANK BALANCES

|                                                                        |           |           |
|------------------------------------------------------------------------|-----------|-----------|
| i) Cash on hand                                                        | 33,586    | 46,879    |
| Less : Provision for Cash loss by fire<br>(See Note 15 in Schedule 18) | (30,371)  | (30,371)  |
|                                                                        | 3,215     | 16,508    |
| ii) With Schedule Banks :<br>On Current Account                        | 767,478   | 1,381,362 |
| On Margin Deposit **                                                   | 3,700,422 | 6,851,874 |
| On Fixed Deposits                                                      | 9,000     | 9,000     |
|                                                                        | 4,480,115 | 8,238,244 |
|                                                                        | 183,070   | 1,389,826 |

\*\* Includes Interest accrued

### SCHEDULE - 9

#### LOANS AND ADVANCES

|                                                                                                                                               |            |            |
|-----------------------------------------------------------------------------------------------------------------------------------------------|------------|------------|
| i) Advances recoverable in cash or in kind or for value to be received :<br>Unsecured considered good **<br>(Refer Note No. 9 in Schedule 18) | 4,021,324  | 9,660,355  |
| ii) Other advances -(Considered Good unless stated otherwise)                                                                                 |            |            |
| Balance with Customs and Port Trusts                                                                                                          |            |            |
| Considered Good                                                                                                                               | 3,309      |            |
| Considered Doubtful                                                                                                                           | 82,992     | 86,301     |
| Deposit with Customs and Port Trusts                                                                                                          |            |            |
| Considered Good                                                                                                                               | 545,846    |            |
| Considered Doubtful                                                                                                                           | 81,558     | 627,402    |
| Other deposits                                                                                                                                |            |            |
| Considered Good                                                                                                                               | 548,980    |            |
| Considered Doubtful                                                                                                                           | 2,333,671  | 2,722,821  |
| Tax deducted at source                                                                                                                        | 3,449,909  | 3,558,976  |
| iii) Advances considered doubtful                                                                                                             | 10,388,579 | 10,388,579 |
|                                                                                                                                               | 21,454,186 | 27,943,434 |
| Less: Provision for doubtful advances                                                                                                         | 12,664,798 | 12,664,798 |
|                                                                                                                                               | 8,589,388  | 14,158,636 |

# Mackinnon Mackenzie & Co. Ltd.

## SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

| SCHEDULE - 10                | As at 31.03.2003<br>Rs. | As at 31.03.2002<br>Rs. |
|------------------------------|-------------------------|-------------------------|
| <b>CURRENT LIABILITIES *</b> |                         |                         |
| Sundry Creditors             | 97,763,244              | 92,610,943              |
| Advances from Customers      | 23,266,420              | 23,266,420              |
| Amounts held for Principals  | 7,505,884               | 7,655,321               |
| Advances from tenants        | 8,451,449               | 8,451,449               |
| Other advances               | 4,900,000               | 4,900,000               |
| Security deposits            | 6,522,776               | 6,522,776               |
|                              | <u>148,409,774</u>      | <u>143,406,909</u>      |

\* Refer Note No. 10 in Schedule 18

## SCHEDULE - 11

|                                |                  |                  |
|--------------------------------|------------------|------------------|
| <b>PROVISIONS</b>              |                  |                  |
| Provision for Gratuity         | 678,415          | 902,881          |
| Provision for Leave Encashment | 391,615          | 630,866          |
|                                | <u>1,070,030</u> | <u>1,533,747</u> |

## SCHEDULES FORMING PART OF THE CONSOLIDATED PROFIT & LOSS A/C

| SCHEDULE - 12                | Year Ended<br>31.03.2003<br>Rs. | Year Ended<br>31.03.2002<br>Rs. |
|------------------------------|---------------------------------|---------------------------------|
| <b>REVENUE</b>               |                                 |                                 |
| Commission & Service Charges | 3,862,778                       | 2,189,997                       |
| Income from Property         | 7,088,803                       | 7,815,498                       |
|                              | <u>10,951,581</u>               | <u>10,005,495</u>               |

## SCHEDULES FORMING PART OF THE CONSOLIDATED PROFIT & LOSS A/C

### SCHEDULE - 13

|                                                                                   |                |                |                  |
|-----------------------------------------------------------------------------------|----------------|----------------|------------------|
| <b>OTHER INCOME</b>                                                               |                |                |                  |
| Interest (Gross)                                                                  |                |                |                  |
| Others                                                                            | 682,906        | 682,906        | 996,785          |
| Bank Overdraft written Back                                                       | —              | —              | 2,295,395        |
| Excess Contribution to Staff Funds Refunded<br>(Refer Note No. 16 in Schedule 18) | 27,995         | 27,995         | 2,411,366        |
| Provision for Doubtful Debts no longer required                                   | 61,200         | 61,200         | —                |
| Sundry Credit Balance Written Back                                                | 2,151          | 2,151          | —                |
| Miscellaneous                                                                     | 155,298        | 155,298        | 666,748          |
|                                                                                   | <u>929,550</u> | <u>929,550</u> | <u>6,370,294</u> |
| Note : Tax deducted at source on Interest                                         |                |                |                  |
| Others                                                                            | 87,409         | 87,409         | 142,499          |

## SCHEDULES FORMING PART OF THE CONSOLIDATED PROFIT & LOSS A/C

### SCHEDULE - 14

#### EMPLOYEES REMUNERATION AND BENEFITS

|                                 |                  |                  |
|---------------------------------|------------------|------------------|
| Salaries, Wages and Bonus       | 2,101,080        | 2,238,189        |
| Staff Provident and Other Funds | 207,807          | 220,777          |
| Staff Welfare Expenses          | 294,475          | 345,000          |
| Retiral benefit                 | 733,979          | 471,265          |
| Leave Encashment Provision      | 25,500           | 27,349           |
|                                 | <u>3,362,859</u> | <u>3,302,580</u> |

# Mackinnon Mackenzie & Co. Ltd.

## SCHEDULES FORMING PART OF THE CONSOLIDATED PROFIT & LOSS A/C

| SCHEDULE - 15                                                                                                                | Year Ended<br>31.03.2003<br>Rs. | Year Ended<br>31.03.2002<br>Rs. |
|------------------------------------------------------------------------------------------------------------------------------|---------------------------------|---------------------------------|
| <b>OTHER OPERATING EXPENSES</b>                                                                                              | 139,298                         | 139,229                         |
| Rent                                                                                                                         | 630,371                         | 349,679                         |
| Rent Collection Charges                                                                                                      | 3,644,973                       | 2,436,097                       |
| Rates and Taxes                                                                                                              | 155,119                         | 150,485                         |
| Insurance                                                                                                                    | 317,846                         | 222,650                         |
| Repairs - Building                                                                                                           | 26,796                          | 31,049                          |
| - Others                                                                                                                     | 184,714                         | 151,593                         |
| Electricity                                                                                                                  | 242,859                         | 96,861                          |
| Travelling                                                                                                                   | 111,717                         | 129,007                         |
| Staff Quarter expenses                                                                                                       | 184,861                         | 200,891                         |
| Telegram, Telex, Telephones etc.                                                                                             | 393,307                         | 327,726                         |
| Transport expenses                                                                                                           | 1,935,054                       | 479,583                         |
| Other purchased services                                                                                                     | 241,000                         | 238,650                         |
| Auditors' remuneration (Refer Note No. 5 (a) in Schedule 18)                                                                 | 2,250                           | 3,000                           |
| Directors' fees                                                                                                              | 61,200                          | -                               |
| Debts, Advances and Claim written off                                                                                        | 57,492                          | 432                             |
| Business Promotion                                                                                                           | 41,238                          | 41,988                          |
| Printing and Stationery                                                                                                      | 9,757                           | 9,613                           |
| Fines & Penalties                                                                                                            | 1,090                           | -                               |
| Difference in Exchange                                                                                                       | 295,447                         | -                               |
| Water Charge                                                                                                                 | 370,041                         | 419,107                         |
| Miscellaneous                                                                                                                | 9,046,430                       | 5,427,640                       |
| <b>SCHEDULE - 16</b>                                                                                                         |                                 |                                 |
| <b>PROVISIONS</b>                                                                                                            | 470,381                         | -                               |
| For doubtful debts                                                                                                           | 470,381                         | -                               |
| <b>SCHEDULE - 17</b>                                                                                                         |                                 |                                 |
| <b>INTEREST AND GUARANTEE COMMISSION</b>                                                                                     | 184,837,285                     | 326,810,950                     |
| Interest - On Term Loans *                                                                                                   | 321,115,740                     | 301,209,307                     |
| - Others                                                                                                                     | 2,264                           | 2,250                           |
| Guarantee Commission                                                                                                         | 505,955,289                     | 628,022,507                     |
| * Interest on Term Loans is net of an Interest Income accrued amounting to Rs. 91,07,950/- (Previous Year Rs. 1,61,03,773/-) |                                 |                                 |
| <b>SCHEDULE - 18</b>                                                                                                         |                                 |                                 |
| <b>PRIOR YEARS' ADJUSTMENTS</b>                                                                                              | (355,683)                       | (46,468)                        |
| Prior Years' Income                                                                                                          | 345,727                         | 6,013,629                       |
| Prior Years' Expenses                                                                                                        |                                 | (769,790)                       |
| Short Provision for Taxation booked in excess during the previous year, rectified                                            | (9,956)                         | 5,197,371                       |

**SCHEDULE 18**  
**NOTES TO THE CONSOLIDATED BALANCE SHEET AND THE PROFIT AND LOSS ACCOUNT**

**1. Statement of Significant Accounting Policies**

**a) Basis of Accounting**

The financial statements are prepared in accordance with the requirements of the Companies Act, 1956, including the mandatory Accounting Standards issued by the Institute of Chartered Accountants of India, under historical cost convention on accrual basis.

**b) Principles of Consolidation**

(i) The consolidated financial statements relate to Mackinnon Mackenzie & Co. Limited ('the Company') and its majority owned Subsidiary Company. The consolidated financial statements have been prepared on the following basis :

- The financial statements of the Company and its Subsidiary Company have been combined on a line by line basis by adding together the book values of like items of assets, liabilities, income and expenses, after fully eliminating intra-group balances and intra-group transaction.
- Investments in Associate Companies have been accounted as per Accounting Standard 13-Accounting of Investments issued by the Institute of Chartered Accountants of India.
- The excess of cost of the Company of its investment in the Subsidiary company over the Company's portion of equity of the subsidiary is recognized in the financial statements as Goodwill.
- Goodwill arising out of consolidation is not being amortized.
- Minority share of loss consist of :

a) the amount of equity attributable to minorities at the date on which investment in a subsidiary is made and

b) the minorities' share of movements in equity since the date the parent subsidiary relationship came into existence.

In terms of Articles of Association of Strand Properties Limited (a subsidiary of the Company), all shareholders have agreed to bear losses in proportion of capital paid up and so minority has share in accumulated loss which far exceeds capital and therefore losses attributable to minority are not adjusted against the majority interest.

- Intra group balances and intra group transactions and unrealised profits have been eliminated in full.

(ii) The subsidiary company considered in the consolidated financial statements is Strand Properties Limited

**c) Fixed Assets and Depreciation**

i) Fixed assets are stated at cost, less accumulated depreciation.

ii) Depreciation on Fixed Assets is provided on the "Written Down Value Method" (WDV) at the rate specified in Schedule XIV to the Companies Act, 1956.

iii) In case of assets sold/scrapped/disposed off, pro-rata depreciation is provided in the accounts upto the date of sale/scraping/ disposal of the assets as the case may be.

iv) Assets costing less than Rs.5,000/- are fully depreciated in the year of purchase.

**d) Investments**

Long term investments are valued at cost. Provision has been made for permanent diminution in the value of investments, if any, except where data is not available

**e) Foreign Currency Transactions**

i) Transactions in Foreign Exchange are recorded at the exchange rates prevailing on the date of realisation.

ii) Current Assets and Liabilities balances in foreign currency at the Balance Sheet date are translated with reference to year end exchange rates, the loss/gain, on such translations is accounted for in the Profit & Loss Account.

**f) Retirement Benefits**

i) Retirement benefits are accounted on accrual basis with contributions to recognised Funds. Gratuity liabilities of employees are determined on the basis of an actuarial valuation.

ii) Leave Encashment is based on the certification by the management as regards leave lying to the credit of each employee at the year-end.

**g) Taxation**

i) Current Tax : No provision is made in view of loss and carried forward loss

ii) Deferred Tax : Net Deferred tax asset has not been recognised by the company in view of uncertainty of future taxable income.

**h) Other Significant Accounting Policies**

These are set out in the Notes to Accounts under Significant Accounting Policies for financial statements of the respective companies which are enclosed.

## Mackinnon Mackenzie & Co. Ltd.

2. The accounts of the Company for the year have been prepared on the assumption of a going concern basis.

| 3. Contingent Liabilities                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | Year ended<br>31.03.2003 | Year ended<br>31.03.2002 |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|--------------------------|
| i) Claims not acknowledged as debts (Includes Municipal Taxes of Rs.2935 lacs approx.)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | 30,12,67,955             | 12,22,10,647             |
| ii) Uncalled amounts on partly paid shares.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | 4,000                    | 4,000                    |
| iii) Guarantees issued by the Company's Bankers                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | 3,60,000                 | 3,60,000                 |
| iv) Retrenched Staff                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | 2,23,49,234              | 2,23,49,234              |
| (a) 60 clerical and 35 subordinate staff were retrenched on 4 <sup>th</sup> August 1992 under Industrial Disputes Act at Mumbai. Each one was paid 15 days wages per completed year of service being compensation and one month's notice pay in addition to other dues. The Industrial Court has given a judgement against the Company on 08.03.96. However the Company has filed an appeal with the High Court against the same Order. (The Company has deposited an amount of Rs. 32,00,000/- with the Registrar, which has been shown under Loans and Advances recoverable in cash or in kind, or for value to be received - Unsecured considered good.) |                          |                          |
| v) Fine of Rs. 10,02,97,000/- is levied on Company and its Officers for alleged violation of Foreign Exchange Regulation Act. Company has filed appeal against the said order with Appellate Tribunal for Foreign Exchange. The Tribunal had directed Company to deposit of 20% of penalty amount but in response to the writ petition filed before Hon. Bombay High Court the Hon. High Court has granted interim stay and directed the Tribunal to dispose off the matter expeditiously. An amount of Rs. 25,400/- paid as deposit against the penalty is reflected in Loans & Advances.                                                                  | 10,02,97,000             | 10,02,97,000             |
| 4. Company has entered into Agreement with Calcutta Staff Union for Closure Compensation totally amounting to Rs. 5,12,16,751/- including gratuity and ex-gratia. Net Amount Rs. 4,08,25,742/- after deducting amount already provided in past and paid from Gratuity Fund was provided for in the accounts in past Rs. 3,93,72,043/- is still due and payable which is reflected in Sundry Creditors.                                                                                                                                                                                                                                                      |                          |                          |
| 5. a) Auditor's remuneration                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | Rs.                      | Rs.                      |
| i) Audit Fees                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | 2,03,000                 | 2,03,650                 |
| ii) Tax Audit Fees                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | 35,000                   | 35,000                   |
| iii) Certification Matter                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | 3,000                    | 0                        |
| b) Managerial Remuneration<br>(Only of parent Company)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                          |                          |
| i) Salary                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | 3,60,000                 | 3,60,000                 |
| ii) Perquisites                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | 1,46,217                 | 1,00,010                 |
| 6. Entry into the Calcutta branch of the Company located at 16, Strand Road, Calcutta has been prohibited by the relevant authorities following a devastating fire in the building on 7 <sup>th</sup> November, 1998. Further, as a result of the fire, entire Calcutta operations of the Company came to a standstill and there were no operations during the year. The Company has closed Calcutta branch w.e.f. May 31, 2000 and services of all the staff has been terminated.                                                                                                                                                                          |                          |                          |
| 7. Foreign Exchange Earnings                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | 2002-2003                | 2001-2002                |
| a) From Services rendered                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | 23,51,307                | 18,80,832                |
| Commission & Other Misc. Receipts                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | 82,813                   | 45,786                   |
| b) Expenditure in Foreign Currency on account of Subscriptions                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | 0                        | 12,243                   |
| 8. Loans and advances include certain old balances amounting to Rs. 10,05,656/- (Previous Year Rs. 64,84,811/-) under "Advances recoverable in cash or in kind or for value to be received - Unsecured Considered Good" for which no provision for doubtful items, has been made in the accounts pending the review/ confirmation of the same. As a result, the effect of such non-provision on the loss for the year cannot be ascertained.                                                                                                                                                                                                                |                          |                          |

## Mackinnon Mackenzie & Co. Ltd.

9. a) Sundry Creditors include an amount of Rs. 18,71,563/- (Previous Year Rs. 29,79,993/-) which represents old balances for which no write back has been made in the accounts pending the review / confirmation of the same.  
 b) Following amounts represent old balances for which no write back has been made in accounts pending the review / confirmations of the same :

|                                          |                                 |
|------------------------------------------|---------------------------------|
| Advances from Customers                  | Rs. 2,32,66,460/-               |
| Advances and Amounts held for Principals | Rs. 45,55,683/-                 |
| Advances from Tenants                    | Rs. 84,51,449/-                 |
| Other Advances                           | Rs. 49,00,000/-                 |
| <b>TOTAL</b>                             | <b><u>Rs. 4,11,73,592/-</u></b> |

- c) In view of the multiplicity and identification of accounts relating to small scale undertakings, information for determining the particulars relating to current indebtedness to such undertakings as required under Schedule VI part I to the Companies Act, 1956 is not readily available.
10. a) Investments include an amount of Rs. 2,36,000/- representing equity shares in a co-operative Society towards purchase of a flat. The possession of the same is pending litigation as an ex-director of the Company has illegally occupied the same.  
 b) Investments Rs. 58,163/- are kept as security with Authorities. These investments have matured. The Company is not in a position to get the same from Authorities as the same are lost or misplaced. No Provision is made for loss of investment Rs. 58,163/- and accrued interest Rs. 8,545/- as company is still following up with authorities.  
 c) Investments made at Calcutta Rs. 56,000/- are presently not available physically as building is destroyed by fire. In the absence of adequate data, no provision is made for loss in value of investments if any.
11. (a) The Company's bankers have filed suits in the Bombay High Court for recovery of loans outstanding as on 31<sup>st</sup> March, 1991 aggregating to Rs. 61,66,06,521/-. However these loans along with interest accrued and due and amounting to Rs. 4,098,462,476 - were outstanding as on 31<sup>st</sup> March, 2002. As per the order of the Debt Recovery Tribunal, Bank of India has transferred the debt owed to them to M/s. Ardeshir B. Cursetjee & Sons Ltd. (hereinafter referred to as A.B.C. & Sons Ltd.), all securities given to Bank of India including mortgage on properties stands transferred to M/s. A.B.C. & Sons Ltd. Pursuant to the order of the Debt Recovery Tribunal, the Company has transferred the entire debt due to Bank of India except to the extent of maturity value of Fixed Deposit of Rs. 39,24,754/- (included in Cash & Bank Balances) to M/s. A.B.C. & Sons Ltd. Consequently the suit filed by Bank of India and pending before Debt Recovery Tribunal is transferred to High Court of Mumbai. Further as per the order of the Debt Recovery Tribunal the Court Receiver shall stand discharged, an application for discharge of the Court Receiver is pending before High Court of Mumbai.  
 (b) The Company has agreed to allow M/s. A.B.C. & Sons Ltd to recover entire rent due from its tenants in Mackinnon Mackenzie Building and adjust the same against amount due to them and in lieu M/s. A.B.C. & Sons Ltd. has agreed to waive interest with effect from 1<sup>st</sup> October, 2002.
12. The Company has not been able to appoint a Company Secretary as required under Section 383A of the Companies Act, 1956, inspite of its best efforts. The efforts for appointing a Company Secretary are continuing.
13. Confirmations are not available in respect of balances of secured loans and unsecured loans, debtors, certain bank balances, deposits, advances and creditors appearing in Schedule 3,4,7,8,9 and 10 of the Accounts respectively.
14. Provision for loss of Cash on Hand Rs. 30,371/- at Kolkata was made in past as the building was destroyed in major fire and the management is not sure whether anything can be retrieved.
15. Excess Contribution to Staff Funds Refunded Rs. 27,995/- (Previous Year Rs. 24,11,366/-) represents amount received from statutory funds towards refund of excess contribution made by company in past.
16. Related party disclosure  
 The names of the related parties are as under  
 (a) Subsidiary : Strand Properties Limited  
 (b) Associates : Mackinnon Travels (New Delhi) Limited  
 (c) Key Management Personnel  
 Key management personnel comprise of whole-time directors who have the authority and responsibility for planning, directing and controlling the activities of the company. The remuneration paid to such directors are disclosed in Note - 5(b)

The details of transaction with related parties (Associates) are as follows :-

| Sr. No. | Description                                   | Company                           | Rs.      |
|---------|-----------------------------------------------|-----------------------------------|----------|
| 1.      | Amount Due as at 31 <sup>st</sup> March, 2003 | Mackinnon Travel (New Delhi) Ltd. | (34,466) |

# Mackinnon Mackenzie & Co. Ltd.

## 17. Segmental Information

| Description                                              | Property<br>Owing & Leasing | Shipping & Shipping<br>Agency Activities | Rs. in Lakhs |
|----------------------------------------------------------|-----------------------------|------------------------------------------|--------------|
| Revenue                                                  |                             |                                          |              |
| Internal                                                 | 70.88                       | 38.63                                    | 109.51       |
|                                                          | (78.15)                     | (21.40)                                  | (100.05)     |
| Results                                                  | 16.57                       | 22.57                                    | 48.74        |
|                                                          | (40.91)                     | (5.61)                                   | (46.52)      |
| Unallocated Corporate expenses net of unallocated income |                             |                                          | 53.01        |
|                                                          |                             |                                          | (26.72)      |
| Interest & Finance Cost                                  |                             |                                          | 5058.55      |
|                                                          |                             |                                          | (6280.22)    |
| Taxation                                                 |                             |                                          |              |
| Current                                                  |                             |                                          |              |
| Deferred                                                 |                             |                                          |              |
| Net Profit                                               |                             |                                          | (5072.42)    |
|                                                          |                             |                                          | (5209.98)    |
| Other Information                                        |                             |                                          |              |
| Segment Assets                                           | 283.67                      | 20.18                                    | 303.85       |
|                                                          | (272.13)                    | (8.93)                                   | (281.06)     |
| Unallocated Corporate Assets                             |                             |                                          | 131.85       |
|                                                          |                             |                                          | (209.30)     |
| Total Assets                                             |                             |                                          | 436.70       |
|                                                          |                             |                                          | (490.36)     |
| Segment Liabilities                                      | 217.76                      | 47.19                                    | 264.95       |
|                                                          | (149.43)                    | (68.38)                                  | (217.73)     |
| Unallocated Corporate Liabilities                        |                             |                                          | 47.507       |
|                                                          |                             |                                          | (42339.34)   |
| Total Liabilities                                        |                             |                                          | 47872.55     |
|                                                          |                             |                                          | (42556.07)   |
| Depreciation                                             | 2.77                        | 0                                        | 2.77         |
|                                                          | (2.90)                      | (0)                                      | (2.09)       |
| Unallocated Corporate Depreciation                       |                             |                                          | 0.72         |
|                                                          |                             |                                          | (0.31)       |
| Total Depreciation                                       |                             |                                          | 2.48         |
|                                                          |                             |                                          | (3.21)       |

Previous Years Figures are given in brackets

18. During the year, Mackinnon Travels (New Delhi) Ltd., fully owned subsidiary of the Company increased its Share Capital which was not fully subscribed to by the Company, consequently Mackinnon Travels (New Delhi) Ltd. has ceased to be a subsidiary of the Company, therefore current years figures are not comparable with the previous years.

19. Previous years' figures have been regrouped/restated where considered necessary.

Signatories to Schedules 1 to 18

For J.D. Mehta & Company  
Chartered Accountants

Proprietor  
Membership No. 11472

Mumbai  
Dated: 14<sup>th</sup> August, 2003

M.K.B. Garg  
Rear Adm. P.K. Sinha  
Capt. N.B. Jamnerkar

Directors

Mumbai  
Dated: 14<sup>th</sup> August, 2003

**CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2003**

|                                                                                                                              | Rs. in lacs<br>2002-2003 |            |
|------------------------------------------------------------------------------------------------------------------------------|--------------------------|------------|
| <b>A. CASH FLOW FROM OPERATING ACTIVITIES :</b>                                                                              |                          |            |
| Net Profit/(Loss) before Tax                                                                                                 |                          | (5,072.59) |
| Adjustment for :                                                                                                             |                          |            |
| Depreciation                                                                                                                 | 2.63                     |            |
| Income from Investments                                                                                                      | (6.83)                   |            |
| Interest (Net)                                                                                                               | 5,059.55                 | 5,055.35   |
| <b>Operating Loss before working capital changes</b>                                                                         |                          | (17.84)    |
| Adjustment for :                                                                                                             |                          |            |
| Trade and Other Receivables                                                                                                  | 21.45                    |            |
| Trade Payables                                                                                                               | 41.07                    | 62.52      |
| <b>CASH GENERATED FROM OPERATIONS</b>                                                                                        |                          | 45.28      |
| Direct Taxes Paid (Net of refund received)                                                                                   |                          | -          |
| <b>NET CASH FLOW FROM OPERATING ACTIVITIES</b>                                                                               |                          | 45.28      |
| <b>B. CASH FLOW FROM INVESTING ACTIVITIES :</b>                                                                              |                          |            |
| Purchase of Fixed Assets                                                                                                     |                          | -          |
| Purchase of Investments                                                                                                      | (0.49)                   |            |
| Interest received                                                                                                            | 6.83                     | 6.34       |
| <b>C. CASH FLOW FROM FINANCING ACTIVITIES :</b>                                                                              |                          |            |
| Proceeds from Long Term Borrowings (net)                                                                                     |                          | (89.13)    |
| <b>NET INCREASE IN CASH &amp; CASH EQUIVALENTS</b>                                                                           |                          | (37.51)    |
| <b>OPENING CASH AND CASH EQUIVALENTS</b>                                                                                     |                          | 82.38      |
| Less: Cash & Cash Equivalents of Mackinnon Travels New Delhi Ltd., a company which ceased to be a subsidiary during the year |                          | (0.07)     |
| <b>CLOSING CASH AND CASH EQUIVALENTS</b>                                                                                     |                          | 44.80      |

# Mackinnon Mackenzie & Co. Ltd.

**Note : Cash and Cash Equivalents Include :**

**2002-2003  
Rs. In Lacs**

**Cash and Bank Balances**

**44.80**

**On behalf of the Board**

**M.K.B. CAPADIA  
Director**

**R.ADMR. P.K. SINHA  
Director**

**CAPT. N.B. JANNERKAR  
Director**

**Mumbai, 14th August, 2003**

## AUDITOR'S CERTIFICATE

The above Cash Flow Statement has been compiled from and is based on the General and Limited Accounts of Mackinnon Mackenzie & Company Limited for the year ended 31st March, 2003 reported to us on 14th August, 2003. According to the information and explanations given to us and read together with notes thereon, the aforesaid Cash Flow Statement has been prepared pursuant to Clause 32 of the Listing Agreement with the Stock Exchange, Mumbai and the reallocations required for the purpose are as made by the Company.

**J.D. MEHTA & CO.  
Chartered Accountants**

**J.D. MEHTA  
Proprietor**

**Membership No. 11472**

**Mumbai, 14th August 2003.**

# Mackinnon Mackenzie & Co. Ltd.

## Statement pursuant to Section 212 of The Companies Act, 1956, Relating to Subsidiary Companies.

|                                                                                                                                                                                                                                                                                              |   |                                                                                                                   |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---|-------------------------------------------------------------------------------------------------------------------|
| 1. Name of the Subsidiary                                                                                                                                                                                                                                                                    | : | Strand Properties Ltd.                                                                                            |
| 2. Financial year of the Subsidiary                                                                                                                                                                                                                                                          | : | 31st March 2003                                                                                                   |
| 3. Shares of the subsidiaries held by Mackinnon Mackenzie & Co. Ltd. on the above date.                                                                                                                                                                                                      |   |                                                                                                                   |
| a) Number & face value of Paid-up equity                                                                                                                                                                                                                                                     | : | 36000 fully paid-up equity Shares of Rs. 10/- each                                                                |
| b) Extent of holding                                                                                                                                                                                                                                                                         | : | 72%                                                                                                               |
| 4. Net aggregate amount of profit/ (Losses) of the subsidiaries of the above financial year of the subsidiaries so far as these concerned members of Mackinnon Mackenzie & Co. Ltd.                                                                                                          |   |                                                                                                                   |
| a) Dealt within the accounts of Mackinnon Mackenzie & Co. Ltd. for the year ended 31st March 2003.                                                                                                                                                                                           | : | NIL                                                                                                               |
| b) Not dealt within the accounts of Mackinnon Mackenzie & Co. Ltd. for the year ended 31st March 2003.                                                                                                                                                                                       | : | Rs. 60,585/-                                                                                                      |
| 5. Net aggregate amount of profit/ (Losses) of the previous financial years of the subsidiaries since they became subsidiaries so far as these concerned members of Mackinnon Mackenzie & Co. Ltd.                                                                                           |   |                                                                                                                   |
| a) Dealt within the accounts of Mackinnon Mackenzie & Co. Ltd. for the year ended 31st March 2003.                                                                                                                                                                                           | : | NIL                                                                                                               |
| b) Not dealt within the accounts of Mackinnon Mackenzie & Co. Ltd. for the year ended 31st March 2003.                                                                                                                                                                                       | : | (Rs. 7,429,294/-)                                                                                                 |
| 6. Change of interest of Mackinnon Mackenzie & Co. Ltd. in the subsidiaries between the end of financial year of subsidiaries and that of Mackinnon Mackenzie & Co. Ltd.                                                                                                                     | : | M/s. Mackinnons Travels (New Delhi) Ltd. ceases to be a subsidiary of the Company during the period under review. |
| 7. Material changes between the end of the financial year of the subsidiaries and the end of the financial year of Mackinnon Mackenzie & Co. Ltd. in respect of Subsidiaries fixed assets, Investments, lending and borrowing for the purposes other than meeting their current liabilities. | : | Not Applicable                                                                                                    |

Place : Mumbai  
Dated : 14th August, 2003

M.K.B. CAPADIA  
R. ADMR. P. K. SINHA  
CAPT. N. B. JAMNERKAR

Directors

# STRAND PROPERTIES LIMITED

## NOTICE

- |                                           |                                            |
|-------------------------------------------|--------------------------------------------|
| 1. Mackinnon Mackenzie & Co. Ltd., Mumbai | 3. Eveready Industries India Ltd., Kolkata |
| 2. Williamson Magor & Co. Ltd., Kolkata   | 4. Dabur Investments Ltd., Kolkata         |

Notice is hereby given that the 78th Annual General Meeting of the Shareholders of Strand Properties Limited will be held at the office of Mackinnon Mackenzie & Co. Ltd., 4 Shree Vallabhdas Marg, Mumbai-400001 on Monday, the 25th August, 2002 at 1100 hrs to transact the following business:

1. To receive and adopt the Directors Report and the Audited Balance Sheet as at 31st March 2003, together with the Profit and Loss Account for the period ended on that date.
2. To appoint Capt. N. B. Jamnekar as Director in place of Vice Admiral K.R. Menon, who resigned from the Board of Directors with effect from 12th May 2003.
3. To appoint Auditors and fix their remuneration.

By Order of the Board

Director  
P. Misra

Dated : 4th August, 2003.

## REPORT OF THE DIRECTORS TO THE SHAREHOLDERS AND AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH, 31ST 2003.

### 1. FINANCIAL RESULTS :

The Result for the year shows a Profit of Rs. 60,585/- and the cumulative balance in the Profit & Loss A/c stands at Rs. 73,68,709/-. The Directors are, therefore, unable to recommend a dividend for the year ended 31st March 2003.

### 2. PARTICULARS OF EMPLOYEES :

In accordance with the provisions of Section 217(2A) of the Companies Act, 1956 the Directors declare that there are no employees who fall within the ambit of this section.

### 3. DIRECTORS :

Vice Admiral K. R. Menon has resigned with effect from 12th May 2003 and Capt. N. B. Jamnekar has been nominated as a Director.

### 4. AUDITORS :

M/s. A.K. Sarker & Co., Chartered Accountants retires and are eligible for re-appointment.

S.K. PAL

P. K. MOGAI

REAR ADMIRAL P.K. SINHA

M.K.B. CAPADIA

P. MISRA

Director

Date : 14th July, 2003

Place : Kolkata

# STRAND PROPERTIES LIMITED

## AUDITORS REPORT TO THE MEMBERS OF STRAND PROPERTIES LIMITED

We have audited the attached Balance Sheet of STRAND PROPERTIES LIMITED as at 31st MARCH 2003 and the annexed Profit & Loss Account for the year ended on that date, which are in agreement with the Books of Account.

As required by the Manufacturing and other Companies (Auditor's Report) Order 1988 and on the basis of such checks of the books and records of the Company as we considered appropriate and the information and explanations given to us during the course of our Audit, we report that in our opinion :-

1. The Profit & Loss Account and the Balance Sheet comply with the Accounting Standards referred to in Section 211 (3C) of the Companies Act, 1956.
  2. On the basis of written representation received from the Directors as on 31st March 2003, and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2003 from being appointed as a Director in terms of Section 274 (1) (g) of the Companies Act, 1956.
  3. The Company has maintained proper records to show full particulars of its land and building.
  4. The fixed assets of the Company have not been revalued during the period.
  5. The Company has obtained loan from its holding Company. However, the rate of interest and other terms and conditions on which the loan had been granted are not prima facie prejudicial to the interest of the Company. Other matters specified in paragraph 4 (A) of the Manufacturing and other companies (Auditor's Report) Order 1988, are not applicable to the Company.
  6. According to the information and explanation given to us, no undisputed amounts payable in respect of Income-Tax, Sales Tax, Custom Duty and Excise duty were outstanding as at 31st March 2003 for a period of more than six Months from the date they became payable.
  7. In our opinion and according to the information and explanation given to us, no personal expenses have been charged to Revenue Account.
  8. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other similar securities or otherwise and therefore, maintenance of documents and records for that purpose does not arise.
  9. The Company is not engaged in the business of Chit Fund, Nidhi or Mutual Benefit Society and therefore, compliance with the provisions of any special Status applicable to transaction of such business does not apply.
- We further report :-
- a). On 7th November 1988 a devastating fire broke out in the premises of Strand Properties Limited, at 16 Strand Road, Kolkata-700 001, rendering the entire Building unusable and totally unsafe.
  - b). An advance of Rs. 70,000/- (Rs. 20,000/- in January, 1991 and Rs. 50,000/- in April 1992) has been paid to Mr. S. Roychowdhury, a lawyer, has not been adjusted till 31st March, 2003 subject to the above.
  - c). We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our Audit.
  - d). Proper books of account as required by law have been kept by the Company so far as appears from our examination of those books.
  - e). In our opinion and to the best of our information and according to the explanations given to us, the said Balance Sheet and the Profit and Loss Account together with the Schedules annexed thereto, give the information required by the Companies Act, 1956. In the manner so required and give a true fair view :-
    - i). In so far as it relates to the Balance Sheet of the State of affairs of the Company as at 31st March, 2003.
    - ii). In so far as it relates to the Profit & Loss Account, of the Profit of the Company for the year ended on that date.

For A.K. SARKAR & CO.  
Chartered Accountants

KOLKATA, DATED : 14th July, 2003

Proprietor

# Strand Properties Ltd.

## BALANCE SHEET AS AT 31ST MARCH, 2003

|                                                  | Schedule<br>No. | Rs.                | As at<br>31.3.2003<br>Rs. | Rs.                | As at<br>31.3.2002<br>Rs. |
|--------------------------------------------------|-----------------|--------------------|---------------------------|--------------------|---------------------------|
| <b>1. SOURCES OF FUNDS</b>                       |                 |                    |                           |                    |                           |
| <b>SHAREHOLDERS FUNDS</b>                        |                 |                    |                           |                    |                           |
| a) Share Capital                                 | 1               | 5,00,000           |                           | 10,000             |                           |
| b) Reserve & Surplus<br>Capital Reserve          |                 | <u>1,698</u>       | <u>5,01,698</u>           | <u>1,698</u>       | <u>11,698</u>             |
| ii) LOANS & FUNDS                                | 2               |                    | <u>17,76,445</u>          |                    | <u>17,95,545</u>          |
| Total                                            |                 |                    | <u>22,78,143</u>          |                    | <u>17,47,243</u>          |
| <b>2. APPLICATION OF FUNDS</b>                   |                 |                    |                           |                    |                           |
| i) FIXED ASSETS                                  | 3               |                    |                           |                    |                           |
| a) Gross Block                                   |                 | 68,40,951          |                           | 68,40,951          |                           |
| Less : Depreciation                              |                 | <u>44,20,817</u>   | <u>24,20,134</u>          | <u>42,93,460</u>   | <u>25,47,491</u>          |
| ii) CURRENT ASSETS, LOANS AND ADVANCES           |                 |                    |                           |                    |                           |
| a) Sundry Debtors                                | 4               | 1,68,40,171        |                           | 1,48,24,966        |                           |
| b) Cash and Bank Balance                         | 5               | 4,14,458           |                           | 4,961              |                           |
| c) Loans and Advances                            | 6               | <u>20,57,537</u>   |                           | <u>20,84,737</u>   |                           |
|                                                  |                 | 1,93,12,166        |                           | 1,69,14,664        |                           |
| <b>Less : CURRENT LIABILITIES AND PROVISIONS</b> |                 |                    |                           |                    |                           |
| a) Liabilities — Sundry Creditors                | 11              | 1,63,57,579        |                           | 1,46,78,919        |                           |
| b) Insurance Claim<br>Realised                   |                 | <u>1,04,65,287</u> |                           | <u>1,04,65,287</u> |                           |
|                                                  |                 | <u>2,68,22,866</u> | <u>(-) 75,10,700</u>      | <u>2,51,44,206</u> | <u>(-) 82,29,542</u>      |
| iii) Debit Balance in<br>Profit & Loss Account   |                 |                    | <u>73,68,709</u>          |                    | <u>74,29,294</u>          |
|                                                  |                 |                    | <u>22,78,143</u>          |                    | <u>17,47,243</u>          |

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 A. K. Sarkar & Co.  
Chartered Accountants

A.K. Sarkar  
Proprietor

P. MISRA  
R. ADMRL. P.K. SINHA  
P.K. MOGAL  
S.K. PAL } Directors

Kolkata, Dated : 14th July, 2003

**Strand Properties Ltd.**

**PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2003**

|                                         | Schedule<br>No. | As at<br>31.3.2003<br>Rs. | As at<br>31.3.2002<br>Rs. |
|-----------------------------------------|-----------------|---------------------------|---------------------------|
| <b>INCOME</b>                           |                 |                           |                           |
| Lease Rent                              |                 | <u>7,52,613</u>           | <u>7,52,613</u>           |
| <b>EXPENDITURE</b>                      |                 |                           |                           |
| Other Expenses                          | 7               | 4,51,588                  | 4,94,265                  |
| Interest on Term Loan                   | 12              | 1,13,083                  | 1,13,083                  |
| Depreciation                            | 3               | 1,27,357                  | 1,34,079                  |
|                                         |                 | <u>6,92,028</u>           | <u>7,41,427</u>           |
| Net Profit                              |                 | 60,585                    | 11,186                    |
| Previous year's balance brought forward |                 | (-) 74,29,294             | (-) 74,40,480             |
|                                         |                 | <u>73,68,709</u>          | <u>74,29,294</u>          |

The Schedule referred to above form an integral part of the Profit & Loss Account.

This the Profit & Loss Account referred to in our report of even date.

For A. K. Sarkar & Co.  
Chartered Accountants

A.K. Sarkar  
Proprietor

P. MISRA  
R. ADMRL. P.K. SINHA  
P.K. MOGAL  
S.K. PAL } Directors

Kolkata, Dated : 14th July, 2003

## Strand Properties Limited

### SCHEDULE 1

#### CAPITAL

Authorised

1,000 Ordinary Shares of @ Rs. 10/- each

Add for this year 49000 ordinary Shares of Rs. 10/- each

| As at 31.3.2003<br>Rs. | As at 31.3.2002<br>Rs. |
|------------------------|------------------------|
| 10,000                 | 10,000                 |
| 4,90,000               | —                      |
| <u>5,00,000</u>        | <u>10,000</u>          |

#### ISSUED & SUBSCRIBED

1,000 Ordinary Shares of Rs. 10/- each and

49,000 ordinary Shares of Rs. 10/- each

fully paid up in cash

Note : 36,000 Ordinary Shares are held by the Holding Company M/s. Mackinnon Mackenzie & Co. Ltd.

|                 |               |
|-----------------|---------------|
| 10,000          | 10,000        |
| 4,90,000        | —             |
| <u>5,00,000</u> | <u>10,000</u> |

### SCHEDULE 2

#### LOANS & FUNDS

(UNSECURED)

1. Bishnauth Tea Co. Ltd.

2. Fairly Place Services Ltd.

3. Williamson Magor & Co. Ltd.

4. A. B. C. & Sons

5. Mr. M.R. Bhattacharya

|                  |                  |
|------------------|------------------|
| 10,31,467        | 10,31,467        |
| 5,84,000         | 5,84,000         |
| 1,30,690         | 1,20,078         |
| 27,288           | —                |
| 3,000            | —                |
| <u>17,76,445</u> | <u>17,35,545</u> |

### SCHEDULE - 3

|                                                            | AT COST                    |                                        |                            | DEPRECIATION               |                        |                            | NET BOOK VALUE             |                            |
|------------------------------------------------------------|----------------------------|----------------------------------------|----------------------------|----------------------------|------------------------|----------------------------|----------------------------|----------------------------|
|                                                            | As at<br>01.04.2002<br>Rs. | Additions<br>during the<br>year<br>Rs. | As at<br>31.03.2003<br>Rs. | As at<br>01.04.2002<br>Rs. | For<br>the year<br>Rs. | As at<br>31.03.2003<br>Rs. | As at<br>31.03.2003<br>Rs. | As at<br>31.03.2002<br>Rs. |
| <b>FIXED ASSETS :</b>                                      |                            |                                        |                            |                            |                        |                            |                            |                            |
| 1. Land & Building<br>16 Strand Road,<br>Kolkata - 700 001 | 68,40,951                  | NIL                                    | 68,40,951                  | 42,93,460                  | 1,27,357               | 44,20,817                  | 24,20,134                  | 25,47,491                  |
|                                                            | 68,40,951                  | NIL                                    | 68,40,951                  | 42,93,460                  | 1,27,357               | 44,20,817                  | 24,20,134                  | 25,47,491                  |

Depreciation for the period has been computed on written down value basis at the rate and in the manner specified in schedule XIV of the Companies Act 1956.

### SCHEDULE 4

Sundry Debtors A/c.

Unsecured Considered Good :

Exceeding six months

Others

| As at 31.3.2003<br>Rs. | As at 31.3.2002<br>Rs. |
|------------------------|------------------------|
| 1,58,32,669            | 1,38,17,364            |
| <u>10,07,602</u>       | <u>10,07,602</u>       |
| <u>1,68,40,171</u>     | <u>1,48,24,966</u>     |

### SCHEDULE 5

Cash & Bank Balance

Cash in Hand

With Standard Chartered Bank on Current Account

|                    |                 |
|--------------------|-----------------|
| 311.00             | 3,460.24        |
| 4,14,147.27        | 1,500.27        |
| <u>4,14,458.27</u> | <u>4,960.51</u> |

# Strand Properties Limited

## SCHEDULE 6

|                                           | As at 31.3.2003<br>Rs. | As at 31.3.2002<br>Rs. |
|-------------------------------------------|------------------------|------------------------|
| <b>Loans &amp; Advances</b>               |                        |                        |
| Unsecured but Considered Good :           |                        |                        |
| Income Tax deducted at source             | 1,306                  | 1,306                  |
| Prepaid-Multistoried Bldg. Tax            | 45,545                 | 45,545                 |
| Advance to S. Roychowdhury for Legal Exp. | 70,000                 | 70,000                 |
| Income Tax Suspense                       | 3,59,166               | 3,59,166               |
| Paid to M/s. Allied Pump                  | 1,03,041               | 1,03,041               |
| Paid to Sanon Sen & Associates            | 1,00,000               | 1,00,000               |
| Paid to Mackinnon Mackenzie & Co. Ltd.    | 13,78,479              | 14,05,679              |
|                                           | <u>20,57,537</u>       | <u>20,84,737</u>       |

## SCHEDULE 7

|                              |                 |                 |
|------------------------------|-----------------|-----------------|
| <b>Other Expenses</b>        |                 |                 |
| Legal & Professional Charges | 88,900          | 34,170          |
| Rates & Taxes                | 3,02,985        | 3,02,985        |
| Auditor's Remuneration       | 3,150           | 3,000           |
| Travelling Expenses          | 28,985          | 31,508          |
| Printing & Stationery        | Nil             | 5,000           |
| Security Service Charges     | Nil             | 83,160          |
| Maintenance of Premises      | Nil             | 18,600          |
| Accounting charges           | 3,000           | 3,150           |
| Miscellaneous expenses       | 10,968          | 12,542          |
| Filing Fees                  | 12,600          | Nil             |
| Bank Charges                 | 1,000           | Nil             |
|                              | <u>4,51,588</u> | <u>4,94,265</u> |

## SCHEDULE 8

|                           |                 |                 |
|---------------------------|-----------------|-----------------|
| <b>Rates &amp; Taxes</b>  |                 |                 |
| Trade Licence             | 10              | 10              |
| Multistoried Building Tax | 45,545          | 45,545          |
| Urban Land Tax            | 35,850          | 35,850          |
| Municipal Tax             | 2,21,500        | 2,21,500        |
| Water Taxes               | 80              | 80              |
|                           | <u>3,02,985</u> | <u>3,02,985</u> |

## SCHEDULE 9

Sundry Debtors A/c as at 31st March, 2003 Receivable as follows:-

|                                              |          |           |                    |                    |
|----------------------------------------------|----------|-----------|--------------------|--------------------|
| <b>1) Mackinnon Mackenzie &amp; Co. Ltd.</b> |          |           |                    |                    |
| Balance as at 31.3.2003                      |          | 98,79,614 |                    |                    |
| Add: for this year                           |          |           |                    |                    |
| Rent (1.4.2002 to 31.3.2003)                 | 5,41,881 |           |                    |                    |
| Municipal Tax                                | 8,63,274 |           |                    |                    |
| Water Tax                                    | 45,792   | 14,50,947 | 1,13,30,561        | 98,79,614          |
|                                              |          |           |                    |                    |
| <b>2) Williamson Major &amp; Co. Ltd.</b>    |          |           |                    |                    |
| Balance as at 31.3.2002                      |          | 49,45,352 |                    |                    |
| Add: for this year                           |          |           |                    |                    |
| Rent (1.4.2002 to 31.3.2003)                 | 2,10,732 |           |                    |                    |
| Municipal Tax                                | 3,35,718 |           |                    |                    |
| Water Tax                                    | 17,808   | 5,64,258  | 55,09,610          | 49,45,352          |
|                                              |          |           |                    |                    |
| <b>Dr. Balance shown in Schedule No. 1</b>   |          |           | <u>1,68,40,171</u> | <u>1,48,24,966</u> |

## Strand Properties Limited

|                                             |             | As at 31.3.2003<br>Rs. | As at 31.3.2002<br>Rs. |
|---------------------------------------------|-------------|------------------------|------------------------|
| <b>SCHEDULE 10</b>                          |             |                        |                        |
| Interest Payable A/c as at 31st March, 2003 |             |                        |                        |
| i) Bishnauth Tea Co. Ltd.                   |             |                        |                        |
| Balance as per last A/c                     | 5,52,413    |                        |                        |
| Add: for this year                          | 72,203      | 6,24,616               | 5,52,413               |
| ii) Fairlie Place Services Ltd.             |             |                        |                        |
| Balance as per last A/c                     | 3,08,170    |                        |                        |
| Add: for this year                          | 40,880      | 3,49,050               | 3,08,170               |
| Cr. Balance shown in Sundry Creditors A/c   |             | <u>9,73,666</u>        | <u>8,60,583</u>        |
| <b>SCHEDULE 11</b>                          |             |                        |                        |
| Sundry Creditors A/c as at 31.03.2003       |             |                        |                        |
| 1. Multistoried Building Tax                |             |                        |                        |
| Balance as per last A/c                     | 3,63,499    |                        |                        |
| Add: for this year                          | 45,545      | 4,09,044               | 3,63,499               |
| 2. Urban Land Tax                           |             |                        |                        |
| Balance as per last A/c                     | 3,22,650    |                        |                        |
| Add: for this year                          | 35,850      | 3,58,500               | 3,22,650               |
| 3. Interest on Loan                         |             |                        |                        |
| Balance as per last A/c                     | 8,60,583    |                        |                        |
| Add: for this year                          | 1,13,083    | 9,73,666               | 8,60,583               |
| 4. Telephone Expenses A/c                   |             |                        |                        |
| Balance as per last A/c                     |             | 3,000                  | 3,000                  |
| 5. Municipal Tax Payable A/c                |             |                        |                        |
| Balance as per last A/c                     | 1,23,76,037 |                        |                        |
| Add for this year                           | 14,20,492   | 1,37,96,529            | 1,23,76,037            |
| 6. Water Tax                                |             |                        |                        |
| Balance as per last A/c                     | 5,72,400    |                        |                        |
| Add: for this year                          | 63,600      | 6,36,000               | 5,72,400               |
| 7. Trade Licence                            |             |                        |                        |
| Balance as per last A/c                     | 80          |                        |                        |
| Add: for this year                          | 10          | 90                     | 80                     |
| 8. Other Taxes                              |             |                        |                        |
| Balance as per last A/c                     | 640         |                        |                        |
| Add: for this year                          | 80          | 720                    | 640                    |
| 9. Income Tax Payable A/c                   |             |                        |                        |
| Balance as per last A/c                     |             | 1,76,130               | 1,76,130               |
| 10. Audit Fees                              |             | 3,150                  | 3,150                  |
| 11. Professional charges (1994-95)          |             |                        |                        |
| Balance as per last A/c                     |             | 750                    | 750                    |
| Cr. Balance Shown in the Balance Sheet      |             | <u>1,63,57,579</u>     | <u>1,46,78,919</u>     |
| <b>SCHEDULE 12</b>                          |             |                        |                        |
| INTEREST ON LOAN FOR THE YEAR 2002-2003     |             |                        |                        |
| i) Bishnauth Tea Co. Ltd.                   |             |                        |                        |
| On Rs. 10,31,470, @ 7% P.A. for one year    |             | 72,203                 | 72,203                 |
| ii) Fairlie Place Services Ltd.             |             |                        |                        |
| On Rs. 5,84,000 @ 7% P.A. for one year      |             | 40,880                 | 40,880                 |
| Dr. Balance Shown in P & L A/c              |             | <u>1,13,083</u>        | <u>1,13,083</u>        |

## Strand Properties Limited

|                                                |                 | As at 31.3.2003<br>Rs. | As at 31.3.2002<br>Rs. |
|------------------------------------------------|-----------------|------------------------|------------------------|
| <b>SCHEDULE 13</b>                             |                 |                        |                        |
| <b>Income Tax Suspense A/c as at 31.3.2003</b> |                 |                        |                        |
| (1983-84 & 1989-90)                            | 2,723           |                        |                        |
| (1995-96)                                      | <u>7,176</u>    | 9,899                  | 9,899                  |
| <b>Mackinnon Mackenzie &amp; Co. Ltd.</b>      |                 |                        |                        |
| (1994-95)                                      | 90,472          |                        |                        |
| (1995-96)                                      | <u>1,24,630</u> | 2,15,102               | 2,15,102               |
| <b>Williamson Magor &amp; Co. Ltd.</b>         |                 |                        |                        |
| (1994-95)                                      | 40,390          |                        |                        |
| (1995-96)                                      | 48,468          |                        |                        |
| (1996-97)                                      | <u>45,307</u>   | <u>1,34,165</u>        | <u>1,34,165</u>        |
| Dr. Balance shown in Loans & Advances A/c      |                 | <u>3,59,166</u>        | <u>3,59,166</u>        |

### SCHEDULE 14

#### Significant Accounting Policies :

The Accounts are prepared in accordance with the Accounting principles generally accepted in India and are in line with the relevant law as well as the guidelines prescribed by the Department of Company Affairs, Ministry of Industry and the Institute of Chartered Accountants of India.

#### 1. System of Accounting :

The Company adopts the accrual basis in the preparation of the Accounts.

#### 2. Income from operations :-

Income from operations which comprises only Income from rent is accounted for on accrual basis.

#### 3. Expenses :

The Company provides for all expenses on accrual basis.

#### 4. Fixed Assets :

Fixed Assets are capitalised at cost inclusive of expenses and depreciation is provided on the basis of W.D.V. method at the rate and in the manner specified in Schedule XIV of the Companies Act, 1956.

#### 5. The Kolkata Municipal Corporation vide their "Letter of Intimation" No. A0399989 dated 19th February 2003 have indicated that the total outstanding tax due to the Municipal Corporation is Rs. 29,35,42,045.00

The matter is being dealt by the Company's Advocates.

#### 6. Statement of Retirement Benefit :

Payment of Gratuity Act is not applicable to the Company and therefore, no provision of Gratuity liability has been made.

Signature to Schedule 1 to 14.

For A.K. SARKAR & CO.  
Chartered Accountants

A.K. SARKAR  
Proprietor

Kolkata, Dated: 14th July, 2003

R. ADMRL. P.K. SINHA  
P. MISRA  
P.K. MOGAL  
S.K. PAL

} Directors