

KAMAT HOTELS (INDIA) LIMITED

BALANCE SHEET AS AT 31ST MARCH, 2003

	SCHEDULE	RUPEES	RUPEES	PREV. YEAR RUPEES
SOURCES OF FUNDS:				
SHAREHOLDERS' FUNDS:				
Share Capital	A	11,33,13,600		11,33,13,600
Reserves & Surplus	B	62,61,15,540		64,10,63,220
			73,94,29,140	75,43,76,820
LOAN FUNDS:				
Secured Loans	C	91,20,42,946		88,35,45,366
Unsecured Loans	D	9,09,20,580		9,74,37,898
			1,00,29,63,526	98,09,83,264
DEFERRED TAX LIABILITY (NET)				
			4,11,81,992	3,72,89,566
TOTAL			1,78,35,74,658	1,77,26,49,650
APPLICATION OF FUNDS:				
FIXED ASSETS:				
Gross Block (At Cost)	E	1,76,84,25,920		1,73,15,69,208
Less: Depreciation		17,38,98,823		13,27,46,681
Net Block		1,59,45,27,097		1,59,88,22,527
Capital Work-In-Progress		3,18,93,310		3,18,93,310
			1,62,64,20,407	1,63,07,15,837
INVESTMENTS				
	F		17,14,100	17,11,000
CURRENT ASSETS, LOANS & ADVANCES:				
Inventories	G	1,68,92,521		1,52,26,990
Sundry Debtors		2,51,16,104		2,34,35,975
Cash & Bank Balances		5,98,61,506		4,18,89,506
Loans & Advances		15,88,68,944		14,39,63,346
		26,07,39,075		22,45,15,817
LESS: CURRENT LIABILITIES & PROVISIONS				
	H	11,39,64,227		10,28,79,923
NET CURRENT ASSETS			14,67,74,848	12,16,35,894
MISCELLANEOUS EXPENDITURE				
(To the extent not written off)	I		86,65,303	1,85,86,919
TOTAL			1,78,35,74,658	1,77,26,49,650
SIGNIFICANT ACCOUNTING POLICIES & NOTES ON ACCOUNTS:				
As per our report of even date		M Signature on the above Balance Sheet and Schedules "A" to "I" and "M".		
For J. G. VERMA & CO. Chartered Accountants	For ANAY GOGTE & CO. Chartered Accountants	V. V. Kamat	<i>Chairman and Managing Director</i>	
		K. P. Kannampilly	<i>Wholetime Technical Director</i>	
J.G. Verma <i>Partner</i>	A.R. Gogte <i>Proprietor</i>	P.R. Hinduja <i>General Manager-Finance</i>	K.V. Kamat	<i>Director</i>
Place : Mumbai. Dated : 28th July, 2003.		V. K. Kumar <i>Company Secretary</i>	R.N. Shanbhag	<i>Wholetime Director</i>

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2003				
	SCHEDULE	RUPEES	RUPEES	PREV. YEAR RUPEES
INCOME:				
Rooms, Restaurants, Bar, Banquets & Other Income	J		45,86,50,910	45,44,60,477
TOTAL			45,86,50,910	45,44,60,477
EXPENDITURE:				
Operating & General Expenses	K		26,72,90,989	25,84,25,389
Interest and Financial Charges	L		14,34,16,671	15,20,22,388
Depreciation			4,27,53,119	4,20,24,404
TOTAL			45,34,60,779	45,24,72,181
PROFIT FOR THE YEAR BEFORE TAX				
Less: Provision for Current Tax (Including Wealth Tax)		4,10,300		1,63,000
Provision for Deferred Tax (Including Rs. 11,13,788/- for Previous year) (Previous Year Rs. Nil)		37,13,599		17,43,084
			41,23,899	19,06,084
PROFIT AFTER TAX BUT BEFORE ADJUSTMENTS				
			10,66,232	82,212
LESS: PRIOR PERIOD ADJUSTMENTS (NET)				
[Including for Tax of Rs. 47,368/-] (Prev. year Rs. 1,72,048/-)]				
			3,56,688	(1,47,959)
NET PROFIT AFTER ADJUSTMENTS				
			7,09,544	2,30,171
ADD: SURPLUS BROUGHT FORWARD FROM LAST YEAR			4,85,802	6,27,056
ADD: TRANSFERRED FROM GENERAL RESERVE			50,00,000	50,00,000
TOTAL			61,95,346	58,57,227
APPROPRIATIONS:				
Proposed Dividend on Equity Shares [Tax free (Subject to tax for Prev. year)]		53,71,425		53,71,425
Tax on Proposed Dividend		6,88,214		-
			60,59,639	53,71,425
Balance Profit Carried to Balance Sheet				
TOTAL			1,35,707	4,85,802
			61,95,346	58,57,227
Basic and Diluted Earning Per Share	M (10)		0.07	0.02
SIGNIFICANT ACCOUNTING POLICIES & NOTES ON ACCOUNTS:				
As per our report of even date		Signature on the above Profit and Loss Account Schedules "J" to "M".		
For J. G. VERMA & CO. Chartered Accountants	For ANAY GOGTE & CO. Chartered Accountants	V. V. Kamat	Chairman and Managing Director	
		K. P. Kannampilly	Wholetime Technical Director	
J.G. Verma Partner	A.R. Gogte Proprietor	P.R. Hinduja General Manager-Finance	K.V. Kamat	Director
Place : Mumbai. Dated : 28th July, 2003.		V. K. Kumar Company Secretary	R.N. Shanbhag	Wholetime Director

KAMAT HOTELS (INDIA) LIMITED

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

PARTICULARS	Year ended 31-03-2003 (Rupees)	Year ended 31-03-2002 (Rupees)
A. CASH FLOW FROM OPERATING ACTIVITIES:		
Net profit before tax and extraordinary items	51,90,131	19,88,296
Adjustment for:		
Depreciation	4,27,53,119	4,20,24,404
Amortisation of Expenses	17,66,781	43,16,417
Loss on Sale of Fixed Assets	9,63,054	-
Loss on Sale of Investments	-	75,952
Provision for Doubtful Debts	2,97,710	4,40,138
Prior Period Adjustments	(4,04,056)	(24,089)
Investments income	(36,170)	(1,29,820)
Interest income	(18,78,273)	(12,89,518)
Interest paid	14,34,16,671	15,20,22,388
Deferred Revenue Expenses incurred	(9,16,814)	(77,48,489)
Operating profit before working capital changes	<u>19,11,52,153</u>	<u>19,16,75,679</u>
Trade and other receivables	(45,55,612)	(10,14,378)
Inventories	(16,65,531)	9,24,479
Trade Payables	<u>1,47,69,528</u>	<u>(1,58,40,827)</u>
Cash generated from operations	<u>19,97,00,538</u>	<u>17,57,44,953</u>
Interest paid	(14,34,16,671)	(15,20,22,388)
Direct taxes paid (Net of refunds)	<u>2,00,002</u>	<u>(38,03,744)</u>
Net cash from operating activities	<u>5,64,83,869</u>	<u>1,99,18,821</u>
B. CASH FLOW FROM INVESTING ACTIVITIES:		
Purchase of Fixed Assets	(4,02,69,900)	(2,14,66,260)
Sale Proceeds of Fixed Assets	5,02,049	-
Deposits refunds/paid (including for properties)	(1,73,26,560)	93,38,972
Purchase of Investments	(3,100)	(10,000)
Sale Proceeds of Investments	-	8,36,048
Interest Received	18,78,273	12,89,518
Dividend Received	<u>36,170</u>	<u>1,29,820</u>
Net cash used in investing activities	<u>(5,51,83,068)</u>	<u>(98,81,902)</u>
C. CASH FLOW FROM FINANCING ACTIVITIES:		
Advance against application money paid/ received	-	(4,00,000)
Proceeds from and repayments of long term borrowings	2,84,97,580	(8,44,77,045)
Repayments of/ Proceeds from short term borrowings	(35,17,318)	8,49,16,365
Repayment of Unsecured Loans	(30,00,000)	(30,00,000)
Dividend paid	<u>(53,09,063)</u>	<u>(1,05,67,881)</u>
Net cash used in financing activities	<u>1,66,71,199</u>	<u>(1,35,28,561)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS:	<u>1,79,72,000</u>	<u>(34,91,642)</u>
CASH & CASH EQUIVALENTS AS AT 01.04.2002 (Opening Balance)	<u>4,18,89,506</u>	<u>4,53,81,148</u>
CASH & CASH EQUIVALENTS AS AT 31.03.2003 (Closing Balance)	<u>5,98,61,506</u>	<u>4,18,89,506</u>

As per our report of even date

For J. G. VERMA & CO.
Chartered Accountants

For ANAY GOGTE & CO.
Chartered Accountants

V. V. Kamat

Chairman and
Managing Director
Wholetime Technical
Director

K. P. Kannampilly

J.G. Verma
Partner

A.R. Gogte
Proprietor

P.R. Hinduja
General Manager-Finance

K.V. Kamat

Director

Place : Mumbai.
Dated : 28th July, 2003.

V. K. Kumar
Company Secretary

R.N. Shanbhag

Wholetime Director

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2003

	RUPEES	RUPEES	PREV. YEAR RUPEES
SCHEDULE "A"			
SHARE CAPITAL :			
AUTHORISED :			
1,55,00,000 Equity Shares of Rs. 10/- each.		15,50,00,000	15,50,00,000
1,45,00,000 Cum. Red. Preference Shares of Rs. 10/- each		14,50,00,000	14,50,00,000
TOTAL		30,00,00,000	30,00,00,000
ISSUED, SUBSCRIBED AND PAID UP:			
1,07,42,850 Equity Shares of Rs. 10/- each, fully paid up		10,74,28,500	10,74,28,500
Forfeited Shares Account		58,85,100	58,85,100
TOTAL		11,33,13,600	11,33,13,600
SCHEDULE "B"			
RESERVES & SURPLUS:			
SHARE PREMIUM ACCOUNT			
As per last accounts	56,44,73,900		56,44,73,900
Less : Deduction during the year (Refer Note 11 of Significant Accounting Policies)	94,18,758		-
		55,50,55,142	56,44,73,900
DEBENTURE REDEMPTION RESERVE:			
As per last accounts	5,00,000		6,00,00,000
Less: Transferred to General Reserve	-		5,95,00,000
		5,00,000	5,00,000
CAPITAL REDEMPTION RESERVE:			
As per last accounts		2,66,50,000	2,66,50,000
GENERAL RESERVE:			
As per last accounts	4,89,53,518		3,00,00,000
Add: Transferred from Debenture Redemption Reserve	-		5,95,00,000
	4,89,53,518		8,95,00,000
Less: Deferred Tax Liability on Initial Adoption (Refer Note 11(b) on Accounts)	1,78,827		3,55,46,482
	4,87,74,691		5,39,53,518
Less: Transferred to Profit & Loss Account	50,00,000		50,00,000
		4,37,74,691	4,89,53,518
Surplus as per Profit & Loss Account		1,35,707	4,85,802
TOTAL		62,61,15,540	64,10,63,220
SCHEDULE "C"			
SECURED LOANS:			
1. DEBENTURES:			
5,850 (Prev. Year 12,00,000) 14% Fully Secured Non-Convertible Debentures of Rs. 100/- each. (Note 1)	5,85,000		12,00,00,000
Less: 2,550 (Prev. Year 11,94,150) Debentures redeemed during the year	2,55,000		11,94,15,000
	3,30,000		5,85,000
Less: Allotment Money unpaid by others	1,02,500		1,02,500
		2,27,500	4,82,500
2. TERM LOANS:			
A. FINANCIAL INSTITUTIONS:			
1. Industrial Development Bank of India: [Limit Rs. 37.75 Crore] (Note 2)		35,75,00,000	36,75,00,000
2. SICOM Limited (Limit Rs. 18.50 Crores) (Note 3)		16,06,00,000	17,02,00,000
B. FROM BANKS:			
(a) Medium Term Loan (Limit Rs. 14.00 Crores) [Note 2]		12,84,46,790	13,58,46,790
(b) Corporate Term Loan (Limit Rs. 24.00 Crores) (Note 2)		23,74,41,932	-
(c) Term Loan (Limit 25.00 Crores) (Note 4) (Repaid)		-	18,12,37,810
		2,38,82,604	2,32,09,424
3. CASH CREDIT FACILITY FROM A BANK (Note 5)		75,640	2,47,360
4. HOUSING LOAN FROM HOUSING DEVELOPMENT FINANCE CORPORATION LTD. (Limit Rs. 7.00 Lakhs) (Note 6)		38,68,480	48,21,482
5. INTEREST ACCRUED & DUE		91,20,42,946	88,35,45,366
TOTAL		91,20,42,946	88,35,45,366

KAMAT HOTELS (INDIA) LIMITED

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2003

SCHEDULE "C" (Contd.)

Notes:

- The above Debentures together with interest and charges, were secured by (i) execution of Memorandum of Pledge of Receipt of Deposit for Land and Other Services paid to Plaza Hotels Private Limited (PHPL) in favour of the Debenture Trustees; (ii) present and future fixed assets of the Company; and (iii) a Corporate Guarantee issued by PHPL, which in turn is secured by an equitable mortgage by deposit of title deeds of Immovable properties of PHPL on a *pari passu* basis in favour of the Debenture Trustees, Financial Institutions and a Bank as mentioned in Note (3) below (Limit Rs. 12.00 crores). The Debentures were due for redemption at par at the end of 7 years from the date of allotment. Accordingly out of the 12,00,000 Debentures, 11,94,150 and 2,550 fully paid debentures were redeemed and redemption proceeds were paid to the debenture holders during the year ended 31st March 2002 and 31st March 2003 respectively. Balance debentures aggregating to 3,300 are pending redemption for want of completion of requisite formalities by the concerned debenture holders and continued to be shown under Secured Loans.
- The Loans under item [2A(1)], [2B(a)] and [2B(b)] above together with interest and charges, are secured by (i) hypothecation of present and future moveable properties of the Company (save and except stocks and book debts); (ii) by creation of a mortgage by deposit of title deeds by way of constructive delivery by PHPL in respect of all the immoveable properties of the said PHPL at Vile Parle (East), Mumbai; (iii) personal guarantees of the Managing Director and three Promoter Directors of the Company; and (iv) further secured by (a) Corporate Guarantee issued by PHPL which in turn is secured by an equitable mortgage by deposit of title deeds of immovable properties being buildings and structures constructed by the Company and the plots of land belonging to PHPL at Vile Parle (East), Mumbai on a *pari passu* basis in favour of IDBI, SICOM and the bank referred to in item No. [2B(a)] and [2B(b)] above and the Debenture Trustees to secure the debentures mentioned in item No. 1 above and (b) pledge of certain shares of PHPL held by promoter group. Loan under item [2B(b)] is further secured by hypothecation of present and future receivables from the Credit Card collections from American Express Cards.
- The Loans under item [2A(2)] above together with interest and charges is secured by (i) first legal mortgage on the Company's hotel buildings and other structures on plots of land of PHPL at Vile Parle (East), Mumbai (both present and future); (ii) assignment of Company's right, title and interest in the Management Agreement dated 1st April, 1994 made between the PHPL and the Company; (iii) first hypothecation of all the plant & machinery, furniture & fixtures and vehicles, both present and future; (iv) a floating charge on all other properties, moveable and immoveable, both and (v) assignment of the goodwill of Company's business, its uncalled capital and its licences and registrations. The above mortgage/charge to rank *pari passu* with the mortgage/charge created in favour of Debenture Trustees and IDBI and a bank.
- The Loan under item [(2B)(c)] together with Interest, Costs and other charges was secured by hypothecation of all the present and future receivables from the Credit Card Collections from American Express Cards and was to be further secured by second charge on a residual basis by way of hypothecation in respect of entire fixed assets of the Company, both present and future subject to prior charge created / to be created in favour of Banks and Financial Institutions mentioned elsewhere in this Schedule. This loan has been fully repaid during the year.
- The Cash Credit Facility is secured by hypothecation of stocks and book debts including Credit Card collections other than mentioned in (2) above. (Limit Rs. 3.00 Crores).
- The Loan under item No.(4) together with interest and charges, is secured by deposit of title deeds of Company's residential flat at Patil Garden, Nasik and further secured by execution of a Promissory Note in favour of HDFC for an amount equivalent to the loan amount.
- Amount payable within one year Rs. 5.76 Crores (Prev. Year Rs. 11.04 Crores).

	RUPEES	RUPEES	PREV. YEAR RUPEES
SCHEDULE "D"			
UNSECURED LOANS :			
1. Short Term Loans & Advances:			
From Canara Bank - Short Term Loan	-		9,00,000
From Banks (Incl. due to issue of cheques)	1,39,733		31,51,297
From Others	-		30,00,000
		1,39,733	70,51,297
2. Vehicle Loans from Banks		39,77,490	35,83,267
3. From Promoters		8,51,75,850	8,32,50,429
4. Security Deposits		16,27,507	34,27,507
5. Interest Accrued & Due		-	1,25,398
TOTAL		9,09,20,580	9,74,37,898

SCHEDULE "E"

FIXED ASSETS:

PARTICULARS	GROSS BLOCK (AT COST)				DEPRECIATION				NET BLOCK	
	As at 01.04.2002	Additions	Deductions	As at 31.03.2003	Upto 01.04.2002	For the Year	Dedu- ctions	To Date	As at 31.03.2003	As at 31.03.2002
Land Deposit: (Note 1)	60,10,00,000	-	-	60,10,00,000	-	-	-	-	60,10,00,000	60,10,00,000
Land: (Freehold)	24,59,008	-	-	24,59,008	-	-	-	-	24,59,008	24,59,008
Buildings (Note 2)	77,76,36,146	3,27,49,899	-	81,03,86,045	5,73,20,363	1,78,35,712	-	7,51,56,075	73,52,29,970	72,03,15,783
Plant & Machinery	22,54,76,737	46,20,873	33,248	23,00,64,362	3,70,93,727	1,20,24,278	5,971	4,91,12,034	18,09,52,328	18,83,83,010
Furniture and Fixture & Office Equipments:	11,02,38,572	14,16,843	36,900	11,16,18,515	3,44,89,852	1,19,06,799	33,851	4,63,62,800	6,52,55,715	7,57,48,720
Initial Fees for ECOTEL Certification (Note 3)	3,47,108	-	3,47,108	-	-	-	-	-	-	3,47,108
Vehicles:	1,27,75,658	14,82,285	29,95,932	1,12,62,011	38,42,739	9,86,330	15,61,155	32,67,914	79,94,097	89,32,919
Crockery, Cutlery, Linen, Uniforms etc. (Operating Supplies Capitalised)	16,35,979	-	-	16,35,979	-	-	-	-	16,35,979	1,6,35,979
Total	1,73,15,69,208	4,02,69,900	34,13,188	1,76,84,25,920	13,27,46,681	4,27,53,119	16,00,977	17,38,98,823	1,59,45,27,097	1,59,88,22,527
Previous Year Total	1,71,04,48,903	2,14,66,260	3,45,955	1,73,15,69,208	9,07,22,277	4,20,24,404	-	13,27,46,681	1,59,88,22,527	

Capital Work-in-Progress (Note 4)

3,18,93,310 3,18,93,310

NOTES:

- Include deposit of Rs. 60.00 crores paid to Plaza Hotels Private Limited, a Company wherein some directors of the Company are Directors under agreement dated 01.04.1994 inter alia for land for an initial period of 30 years.
- Buildings include (i) cost of residential flats of Rs. 54.34 lakhs (Rs. 54.34 lakhs) and (ii) cost of shares of Rs.1,500/- (Prev. Year Rs.1,500/-) in Co-operative Housing Society and Owners Condominium representing ownership rights.
- Deductions/Adjustments in respect of above Fees represent the amount written off during the year.
- Capital work-in-progress includes:
 - Advances/deposit for fixed assets Rs.111.25 lakhs (Rs.111.25 lakhs)
 - Incidental expenses (including borrowing costs) pending allocation Rs.207.68 lakhs (Rs.207.68 lakhs)

KAMAT HOTELS (INDIA) LIMITED

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2003

	RUPEES	RUPEES	PREV. YEAR RUPEES
SCHEDULE "G" (Contd.) <i>(Brought forward)</i>		10,18,70,131	8,05,52,471
LOANS & ADVANCES: (Unsecured, considered good, unless otherwise stated)			
Inter-Corporate Deposits (Secured) [See Note 16 (a) on Accounts]	2,00,00,000		2,00,00,000
Advances Recoverable in cash or kind or for value to be received	1,08,33,136		97,63,560
Interest receivable	2,24,94,209		2,26,10,406
Deposits	8,03,22,735		6,29,96,175
Prepaid Expenses	53,68,332		40,82,954
Staff Advances	10,06,092		6,67,076
Payment of Income-tax	1,88,44,440		2,38,43,175
		15,88,68,944	14,39,63,346
TOTAL		26,07,39,075	22,45,15,817
SCHEDULE "H" CURRENT LIABILITIES & PROVISIONS:			
CURRENT LIABILITIES:			
Sundry Creditors (Include due to Directors Rs. 32,40,932/-) (Prev. Year Rs. 14,48,934/-)		7,62,16,377	5,68,04,437
Interest accrued but not due on loans		1,53,18,517	2,14,78,482
Unclaimed Dividend		5,92,676	5,30,314
Advance against share application money		-	40,000
		9,21,27,570	7,88,53,233
PROVISIONS:			
Provision for Taxation	90,37,300		1,34,73,100
Provision for Gratuity	32,59,242		25,91,099
Provision for Earned Leave	34,80,476		25,91,066
Proposed Dividend	53,71,425		53,71,425
Tax on Proposed Dividend	6,88,214		-
		2,18,36,657	2,40,26,690
TOTAL		11,39,64,227	10,28,79,923
SCHEDULE "I" MISCELLANEOUS EXPENDITURE: (To the extent not written off)			
Shares & Debenture Issue Expenses (Refer Note 11 of Significant Accounting Policies)		-	94,18,758
Pre-Operative Expenses		-	14,19,672
Deferred Revenue Expenses		86,65,303	77,48,489
TOTAL		86,65,303	1,85,86,919

SCHEDULES FORMING PART OF THE PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2003

	RUPEES	RUPEES	PREV. YEAR RUPEES
SCHEDULE "J" ROOMS, RESTAURANTS, BAR, BANQUETS AND OTHER INCOME:			
1. a) Rooms, Restaurants, Banquets, and Other Services [Include sale of food, beverages, etc. Rs.9,74,41,862/- (Prev. Year Rs. 9,17,63,289/-)] (Tax deducted at source Rs. 62,46,623/-) (Prev. year Rs. 41,56,993/-)	39,72,86,516		40,65,67,468
b) Wines and Liquors	2,47,99,775		2,28,71,382
c) Communication Services	1,65,35,700		1,68,01,242
d) Management Fees (Tax Deducted at source Rs. 1,65,428/-) (Prev. Year Rs. Nil)	35,56,191		4,23,877
e) Income from Tours & Travel Division (Tax Deducted at source Rs. Nil) (Prev. Year Rs.1,857/-)	-		5,23,753
f) Income from Institute of Hotel Management	32,32,250		28,14,675
<i>(Carried forward)</i>		44,54,10,432	45,00,02,397

KAMAT HOTELS (INDIA) LIMITED

SCHEDULES FORMING PART OF THE PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2003

	RUPEES	RUPEES	PREV. YEAR RUPEES
SCHEDULE "K" (Contd.)			
<i>(Brought forward)</i>		19,06,17,065	18,16,61,302
2. GENERAL EXPENSES:			
Printing & Stationery	25,38,982		33,70,453
Expenses on Communication Services	54,38,661		67,07,065
Travelling & Conveyance	53,38,156		51,40,195
Insurance	29,14,545		21,23,025
Advertisement, Publicity & Sales Promotion	2,36,60,120		2,41,29,324
Royalty & Fees on Sales	6,500,223		64,84,394
Commission & Discount	93,32,722		1,07,06,462
Music Expenses	45,38,122		36,55,012
Legal Professional & Consultancy Fees (including fees to Managing Director Rs. 30,00,000/-) (Prev. Year Rs. 13,50,000/-)	59,13,560		57,70,191
Sitting Fees	3,30,000		2,60,000
Sales-tax / Luxury Tax assessment dues	2,27,848		16,822
Donations	19,705		28,852
Bad Debts & Irrecoverable amounts written off (net) (Including Provision for Doubtful Debts of Rs. 2,97,710/-) (Prev. Year Rs. 4,43,884/-)	16,05,575		4,47,651
Amortisation of Expenses	17,66,781		43,16,417
Loss on sale of Investments	—		75,952
Loss on sale of Fixed Assets	9,63,054		—
General Expenses	55,85,870		35,32,272
		7,66,73,924	7,67,64,087
TOTAL		26,72,90,989	25,84,25,389
SCHEDULE "L"			
INTEREST AND FINANCIAL CHARGES :			
On Fixed Loans (Including Prepayment Premium)		12,57,35,793	14,48,76,973
On Other Loans		1,53,65,878	59,55,415
Financial Charges		23,15,000	11,90,000
TOTAL		14,34,16,671	15,20,22,388

SCHEDULE FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2003.

SCHEDULE "M"

SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

A. SIGNIFICANT ACCOUNTING POLICIES:

1. Basis of Accounting:

The financial statements are prepared under historical cost convention on an accrual basis and are in accordance with the requirements of the Companies Act, 1956.

2. Sales & Services:

Sales are stated exclusive of taxes.

3. Fixed Assets:

(a) Fixed Assets are stated at cost of acquisition including related expenses less depreciation.

(b) Operating Supplies i.e. Crockery, Cutlery, Linen, Uniforms etc. purchased in the initial year at Company's various Units (other than the hotel unit "The Orchid" at Vile Parle) are capitalised without providing for depreciation and purchases in the subsequent years are being charged to Profit & Loss Account as replacement thereof.

(c) In respect of deposit amounts paid for acquiring management and other rights of enduring nature in the hotel and other properties owned by other parties, the same are shown under fixed assets without providing for any depreciation.

(d) Preoperative Expenses being indirect expenses during construction, including interest and finance charges upto the date of commencement of commercial operations are capitalised prorata over the items of fixed assets.

(e) Original cost of the Fixed Assets acquired through foreign currency loans is adjusted (a) by exchange differences arising out of repayment of such loans during the year, and (b) at the end of each financial year by any change in

liability arising out of expressing the outstanding foreign loan at the rate of exchange prevailing at the date of the Balance Sheet.

(f) Initial Licence Fees paid for **ECOTEL Certification** is written off over a period of five years.

4. Depreciation:

Depreciation is provided in the accounts on Straight Line Method (SLM) at the rates prescribed under Schedule XIV to the Companies Act, 1956 as amended.

5. Inventories:

(a) Items of inventory at "The Orchid" hotel unit are valued as under:

(i) Food & Beverages – at weighted average cost; and
(ii) Stores & Operating Supplies – at lower of weighted average cost and net realisable value after providing for reduction in value due to wear and tear.

(b) Items of inventories of food provisions, beverages and stores at other units are valued at cost.

6. Retirement Benefits for Employees:

Gratuity payable in accordance with the provisions of the Payment of Gratuity Act, 1972 and Leave Encashment benefit are provided for in the accounts on the basis of actuarial valuation. Company's contribution payable during the year to Provident Fund is charged to the Profit & Loss Account.

7. Investments:

Long Term Investments are stated at cost. Provision is made for any permanent diminution in the value of long-term investments.

8. Foreign Currencies:

(a) All exchange differences other than those relating to the acquisition of fixed assets are dealt with in the Profit & Loss Account. The rest is adjusted to the cost of the assets.

(b) All the other foreign currency transactions are converted at the rate prevailing on the date of the transaction. Foreign currency in hand is translated at the year-end exchange rate. Gains and losses out of fluctuations in exchange rates are accounted for on realisation.

9. Borrowing Costs:

Borrowing costs that are directly attributable to the acquisition or construction of qualifying assets are capitalised as part of the cost of such assets. However, Capitalisation of such costs is suspended during extended periods in which active development of qualifying assets is interrupted. A qualifying asset is one that necessarily takes substantial period of time to get ready for intended use. All other borrowing costs are charged to revenue.

10. Prior Period and Extra-Ordinary Items:

Income and expenditure pertaining to prior period as well as extra-ordinary items, where material, are disclosed separately.

11. Amortisation of Expenses:

Hitherto the Company was amortising the Share & Debenture Issue expenses over a period of ten years and the balance of unamortised expenses as on 1st April 2002 was Rs. 94,18,758/-. The Company has changed the basis of amortising such expenses during the year and adjusted the entire unamortised Share & Debenture Issue expenses of Rs.94,18,758/- against the Share Premium Account during the year as permissible under Section 78(2) of the Companies Act, 1956. As a result of this change, the profits of the Company for the year ended 31st March 2003 are stated more by Rs.25,50,790/-. The Pre-operative Expenses are continued to be amortised over a period of five years.

12. Deferred Revenue Expenditure:

Expenditure, the benefit of which is expected to accrue over a period of more than one year, are treated as Deferred Revenue Expenditure and are written off under relevant heads of expenses over the estimated period over which such benefit is expected to accrue. Premium paid on prepayment and refinancing of term loans is charged off over the tenor of the old loans in proportion to the principal amount outstanding.

13. Segment Accounting:

Reportable Segments are identified having regard to the dominant source of revenue and nature of risks and returns.

14. Taxes on Income:

Tax on income for the current period is determined on the basis of taxable income and tax credits computed in accordance with the provisions of the Income Tax Act, 1961. Deferred tax is recognized on timing differences between the accounting income and the taxable income for the year, and quantified using the tax rates and laws enacted as on the Balance Sheet date. Deferred tax assets are recognized and carried forward to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized.

B. NOTES ON ACCOUNTS:

1. Estimated amount of capital commitments to be executed on capital account and not provided for Rs. 2,61,37,810/- (Prev. Year Rs. 2,61,37,810/-) (Net of advances).
2. Contingent liability not provided for in respect of :
 - (a) Disputed Income Tax Demand Rs.27,73,939/- (Prev. Year Rs.33,04,484/-).
 - (b) Custom Duty which may arise if obligation for exports is not fulfilled against import of food and beverages and certain equipments – Amount indeterminate.
 - (c) Other matters Rs. 78,15,932/- (Prev. Year Rs. 14,03,500/-)
3. The Company has made provision for property tax at Rs. 1,63,17,438/- (Previous year Rs.1,63,17,438/-) on the basis of bills raised by the Bombay Municipal Corporation on the basis of assessment of ratable value of the Company's Hotel at Vile Parle. The Company has disputed the assessment of the said ratable value by filing appeals, which are pending before an

appropriate Court. Adjustments, if any, will be made on disposal of appeals.

4. There were no amounts due and remaining unpaid to Small-Scale and/or Ancillary Industrial suppliers on account of principal and/or interest as at the close of the financial year. This disclosure is based on the information available with the Company regarding the status of the suppliers as defined under the Interest on Delayed Payments of Small Scale and Ancillary Industrial Undertaking Act, 1993.
5. In accordance with the terms of issue, the Company redeemed 12,00,000 14% Secured Non-Convertible Debentures of Rs.100/- each during the previous year and paid/adjusted the redemption value to the debenture holders. However, certain debenture holders did not surrender the debenture certificates to the Company duly discharged and the same are pending redemption. Pending completion of formalities for redemption of the said debentures, the Company has shown the unpaid amount (net of amount due on allotment) under Secured Loans (Schedule "C") and retained a sum of Rs. 5,00,000/- in the Debenture Redemption Reserve.
6. In terms of the Loan Agreement, the Financial Institution (IDBI) has a right to convert at its option a part of loan into equity shares at par during the currency of the loan.
7. Segment Reporting :
Based on the guiding principles given in the Accounting Standard 17, the Company's primary business consists of hotel related activities inter alia comprising revenue from rooms, sale of food & beverages, revenue from provision of other hospitality services including swimming pool, health club, etc. which mainly have identical risks and returns. Besides the above primary segment, the Company also earns some revenue as detailed in the Profit & Loss Account from its Institute of Hotel Management. However, based on the quantum of the revenue, this division does not fall in the definition of reportable segments as given in the aforesaid Accounting Standard.
8. Related Party Disclosures under Accounting Standard 18:
 - (a) Holding Company or Subsidiary Company: None
 - (b) Associates:
Plaza Hotels Private Limited
Kamats Development Private Limited
The Himco (India) Limited
Kamat Holiday Resorts Private Limited;
Kamat Holiday Resorts (S) Private Limited
Indira Investments Private Limited
Vishal Amusements Limited
Concept Hospitality Limited
Conwy Finance & Leasing Private Limited
 - (c) Key Management Personnel

Mr. Vithal V. Kamat	– Chairman & Managing Director
Mr. K.P. Kannampilly	– Wholetime Technical Director
Mr. Ramesh N. Shanbhag	– Wholetime Director
Mr. Krishna V. Kamat	– Non-executive Director and also a relative.
Padmashree Thangam	– Non-executive independent Director
E. Philip	– Non-executive independent Director
Mr. M. R. Pai (Now deceased)	– Non-executive independent Director
Mr. Sadanand A. Shanbhag	– Nominee Director (IDBI) (Upto 21.04.2003)
Mr. Kishor M. Kher (SICOM Ltd.)	– Nominee Director (Upto 08.04.2003)
Mr. M. D. Katpitia	– Nominee Director of Small Shareholders
 - (d) Other related parties with whom transactions have taken place during the year:
V.V.Kamat HUF
Sportfield Amusements
Sportsfield Construction

KAMAT HOTELS (INDIA) LIMITED

(e) Summary of transactions during the year with Related Parties and status of outstanding balances as on 31st March, 2003:

Sr. No.	Nature of transactions	Associates	Key Management Personnel & relatives *	Other related parties
1	Gross Sale of services including Management & Consultancy Fees	63,37,049 (22,92,000)	Nil (Nil)	Nil (Nil)
2	Remuneration including Sitting Fees	Nil (Nil)	17,55,007 (30,71,133)	Nil (Nil)
3	Consultancy Fees/Fees paid towards hotel property under Management Agreement	42,49,492 (42,92,602)	30,00,000 (13,50,000)	Nil (Nil)
4	Reimbursement of contractual remuneration of personnel deputed to Company	82,35,906 (63,29,548)	Nil (Nil)	Nil (Nil)
5	Rent paid incl. Reimbursement of expenses	2,44,910 (1,19,014)	Nil (2,61,928)	10,70,174 (10,99,899)
6	Reimbursement received towards expenses incurred	27,07,997 (80,02,408)	Nil (Nil)	10,07,277 (Nil)
7	Interest paid	65,37,300 (75,52,927)	Nil (491)	59,78,000 (49,70,945)
8	Dividend paid	32,73,600 (52,37,760)	43,654 (14,738)	58,400 (93,440)
9	Security Deposit given	1,74,93,960 (Nil)	3,00,000 (Nil)	Nil (Nil)
10	Advances given on Current Account	35,92,470 (61,44,571)	Nil (Nil)	Nil (Nil)
11	Deposits taken	10,00,000 (Nil)	Nil (Nil)	Nil (Nil)
12	Redemption of Secured Debentures	Nil (4,66,95,000)	Nil (5,000)	Nil (4,27,00,000)
13	Receipt of Unsecured Loans	Nil (4,66,95,000)	Nil (Nil)	Nil (4,27,00,000)
14	Balance outstanding at the year end:			
	Unsecured Loans taken	4,31,02,530 (4,05,50,429)	Nil (Nil)	4,20,73,320 (4,27,00,000)
	Accounts receivable	54,43,008 (22,92,000)	Nil (Nil)	Nil (Nil)
	Advances recoverable	Nil (79,95,043)	Nil (Nil)	Nil (Nil)
	Deposit paid incl. Under Management Contract	62,55,00,000 (60,80,06,040)	Nil (Nil)	25,00,000 (25,00,000)
	Amounts Payable	11,56,484 (8,19,493)	32,40,932 (14,48,934)	1,81,500 (29,860)
15	Corporate Guarantee provided by	97,25,00,000 (92,25,00,000)	Nil (Nil)	Nil (Nil)

*Relatives of Key Management Personnel : Mrs. Vidya V. Kamat, Vishal Kamat, Vikram Kamat and Ms. Vidita Kamat (wife and children respectively of Mr. Vithal V. Kamat), Mrs. Sharda S. Kamat (sister of Mr. Vithal V. Kamat & Mr. Krishna V. Kamat) and Mrs. Sabrina Kannampilly (wife of Mr. K.P. Kannampilly).

9. The Company's significant leasing arrangements are in respect of operating leases for premises. These leasing arrangements which are not non-cancelable range between 11 months and 9 years generally, or longer and are usually renewable by mutual consent on mutually agreeable terms. The aggregate lease rentals payable are charged as rent under Schedule "K" and aggregate Licence fees Income for shops is shown under Schedule "J".

10. Earnings per share (E.P.S.) under Accounting Standard 20:

Basic:

	Current Year (Rupees)	Previous Year (Rupees)
Profit after tax as per Accounts	7,09,544	2,30,171
No. of Shares issued (Nos.)	1,07,42,850	1,07,42,850
Nominal Value of Share	10.00	10.00
Basic E.P.S.	0.07	0.02

Diluted :

In view of anti-dilutive effect of potential equity shares, i.e. shares that may result on conversion of loan by a financial institution, the diluted earnings per share is the same as basic earnings per share as worked out above.

11. Deferred Tax Liability:

Major Components of Deferred Tax Assets and Deferred Tax Liabilities:

Particulars	2002-2003 (Rupees)	2001-2002 (Rupees)
Deferred tax liabilities		
Tax effect due to -		
Difference between the written down value of assets under the Companies Act, 1956 and the Income Tax Act, 1961.	17,14,57,402	15,56,30,030
Expenditure claimed as revenue under the Income Tax Act, 1961 but treated as deferred revenue expenditure in the books.	28,30,474	27,66,211
Total	17,42,87,876	15,83,96,241
Deferred tax assets		
Tax effect due to -		
Expenses allowable for tax purpose on payment basis	95,92,308	68,89,601
Unabsorbed Depreciation / Business Loss	12,31,85,890	11,40,05,032
Provision for doubtful debts	3,27,686	2,12,042
Total	13,31,05,884	12,11,06,675
Deferred Tax Liability (net)	4,11,81,992	3,72,89,566
Incremental Liability (See Note (b) below)	38,92,426	

Notes :

a) In view of the Company's current financial performance and the future projections, the Company expects to fully recover the deferred tax assets.

b) Out of the above a sum of Rs. 1,78,827/- being additional Deferred Tax Liability upto 31st March, 2001, being the initial year of adoption, has been charged to the General Reserve in the year ended 31st March, 2003 and Rs. 11,13,788/- relates to the previous year.

12. Balances of Debtors, Creditors, Advances and Deposits are subject to confirmation and consequent reconciliation and adjustments, if any.

13. Details of Auditors' Remuneration:

Particulars	Current Year (Rupees)	Previous Year (Rupees)
As Audit Fees *	1,75,500	1,70,625
For Tax Audit Fees *	42,000	42,000
For Tax Matters	15,000	15,000
For Certification, etc. *	7,350	16,675
Reimbursement of Expenses	20,000	20,000

* [Include Service Tax of Rs. 15,350/- (Previous year Rs. 10,800/-)]

14. In respect of the Company's turnover of Food & Beverages, it is not possible to give quantity-wise details of such turnover. The Government of India, Ministry of Law, Justice & Company Affairs (Department of Company Affairs) vide their Order No. 46/92/2003-CL-III dated 17.06.2003 has exempted the Company from giving these particulars in the accounts for the financial year ending March 2003 to March 2005, subject to certain specific disclosures, which have been complied with by the company.
15. The Company has made an application to the Central Government under Section 297(1) of the Companies Act, 1956 for approval of a contract with a Private Limited Company for availing the benefit of deferred sales tax to the extent of Rs.41.67 lacs for the period from December 2002 to March 2003, transferable to the Company under the Incentive Scheme of Government of State of Maharashtra. The approval is awaited. Pending receipt of the approval no entries have been passed in the accounts for the year ended 31st March 2003 for the entitlement fees that might be approved by the Central Government and payable for acquiring such benefit by the Company, the amount of which is not final.
16. Current Assets, Loans & Advances include:
- (a) Rs. 2,00,00,000/- (Previous Year Rs.2,00,00,000/-) being Inter Corporate Deposits given by the Company to two companies in earlier year against which the Company has initiated legal proceedings under Section 138 of the Negotiable Instruments Act, 1881 for default in repaying the deposit and interest thereon and also filed civil summary suits which are pending before appropriate Courts. Pending disposal of the summary suits, no credit has been taken on the basis of legal advice, for interest relatable for the year under reference due on these deposits in view of uncertainty of its receipt ultimately.
- (b) Rs. 3,04,43,008/- (Previous Year Rs. 1,77,33,083/-) due from The Himco (India) Limited, a company under the same management. (Maximum balance Rs. 3,04,43,008/-, previous Year Rs. 1,77,93,083/-).
- (c) Rs. 5,00,000/- (Previous Year Rs.5,00,000/-) being deposit for premises paid to a private limited company in which a director of the company is a director.
17. Amortisation of Expenses of Rs. 17,66,780/- (Previous year Rs.43,16,417/-) include Rs. Nil (Previous year Rs. 25,50,790/-) being Share & Debenture Issue Expenses; Rs. 14,19,672/- (Previous year Rs. 14,19,672/-) being Pre-Operative Expenses; and Rs.3,47,108/- (Previous year Rs. 3,45,955/-) being Initial Fees for Ecotel Certification.
18. Miscellaneous Income of Rs. 43,18,339/- (Previous year Rs. 16,48,515/-) includes Rs. 21,64,672/- (Previous year Rs. Nil) being credit for Sales tax relating to earlier years.
19. In the opinion of the Board of Directors, the current assets, loans & advances are approximately of the value stated, if realised in the ordinary course of the business and the provision for all known liabilities is adequate and not in excess of the amount reasonably considered necessary.
20. Balance with a Non-Scheduled Bank held in Current Account: Name of the Bank: Fremont Bank, USA; Balance outstanding as on 31.3.2003- Rs. 4,381/- (Previous year Rs. 4,735/-); and Maximum amount outstanding at any time during the year Rs. 29,40,435/- (Previous year Rs. 4,735/-).

21. Additional information pursuant to the provisions of paragraphs 3 and 4 of Part-II and IV of Schedule VI to the Companies Act, 1956 are given as under to the extent applicable:

I) **Directors' Remuneration:**

Particulars	Current Year (Rupees)	Previous Year (Rupees)
Salaries and allowances [Including Rs.Nil (Prev. Year Rs.14,14,194/-) to Managing Director]	11,88,600	24,58,266
Contribution to Provident Fund	1,15,848	2,27,719
Directors sitting fees	3,30,000	2,60,000
Perquisites	1,20,559	1,25,148
Total	17,55,007	30,71,133

II) **Earnings in foreign exchange: (Hotel Services)**

Particulars	Current Year (Rupees)	Previous Year (Rupees)
As reported to the Department of Tourism and certified by the management and relied upon by the Auditors (including direct encashments)	19,90,04,826	25,89,45,522

In addition to the above earnings, the Company has earned Management Fees of Rs. 5,55,242/- (Prev. Year Rs. 4,23,877/-) from a foreign party.

III) **Expenditure in foreign currency (including provisions) on account of:**

Particulars	Current Year (Rupees)	Previous Year (Rupees)
Commission to Travel Agents, Membership & Subscription, Internet / Website Charges etc.	24,30,706	27,74,833

IV) The Company has not made any remittance in Foreign Currencies on account of dividends during the year under report and does not have information as to the extent to which remittance in foreign currencies on account of dividends have been made by or on behalf of non-resident shareholders. The particulars of dividends paid to non-resident shareholders are as follows:

Particulars	Current Year (Rupees)	Previous Year (Rupees)
(a) Number of non-resident shareholders	606	629
(b) Number of Equity Shares held	5,66,549	5,80,700
(c) Amount of Dividend remittable and paid for 2001-2002 (Gross)	2,83,274	4,64,560

V) **Value of Imports on CIF basis:**

Particulars	Current Year (Rupees)	Previous Year (Rupees)
Capital Goods	5,30,283	4,39,153
Provisions, Wines etc.	7,10,431	Nil

As per our report of even date

For J. G. VERMA & CO.
Chartered Accountants

For ANAY GOGTE & CO.
Chartered Accountants

V. V. Kamat

Chairman and Managing Director

K. P. Kannampilly

Wholetime Technical Director

J.G. Verma
Partner

A.R. Gogte
Proprietor

P.R. Hinduja
General Manager-Finance

K.V. Kamat

Director

Place : Mumbai.
Dated : 28th July, 2003.

V. K. Kumar
Company Secretary

R.N. Shanbhag

Wholetime Director

KAMAT HOTELS (INDIA) LIMITED

Information pursuant to Part IV of Schedule VI to the Companies Act, 1956:

I. Registration Details:

Registration No. 3 9 3 0 7

(Rupees in Thousands)

State Code 1 1

Balance Sheet as at 3 1 0 3 2 0 0 3

Date Month Year

II. Capital Raised during the Year:

Public/Fresh Issue

N I L

Right Issue

N I L

Bonus Issue

N I L

Private Placement

N I L

III. Position of Mobilisation and Deployment of Funds:

Total Liabilities

1 7 8 3 5 7 5

Total Assets

1 7 8 3 5 7 5

Sources of Funds

Paid-Up Capital

1 1 3 3 1 4

Reserves & Surplus

6 2 6 1 1 6

Secured Loans

9 1 2 0 4 3

Unsecured Loans

9 0 9 2 0

Deferred Tax Liability (Net)

4 1 1 8 2

Application of Funds:

Net Fixed Assets (incl. Capital work in progress)

1 6 2 6 4 2 1

Investments

1 7 1 4

Net Current Assets

1 4 6 7 7 5

Misc. Expenditure

8 6 6 5

Accumulated Losses

N I L

IV. Performance of the Company:

Turnover (including other income)

4 5 8 6 5 1

Total Expenditure

4 5 3 4 6 1

Profit(+)/Loss (-) before Tax

(+) 5 1 9 0

Profit(+)/Loss (-) after Tax

(+) 7 1 0

Earning Per Equity Share (Rs.)

0 . 0 7

Dividend on equity shares (Rate in %)

5

V. Generic Names of Three Principal Products of Company:

The Company is in the business of hoteliering and catering which is not covered under ITC classification.

KAMAT HOTELS (INDIA) LIMITED

Registered Office: 70-C, Nehru Road, Near Santacruz Airport,
Vile Parle (East), Mumbai 400 099.

ATTENDANCE SLIP

DP. Id **	
-----------	--

Master Folio No.	
------------------	--

Client Id **	
--------------	--

No. of Shares(s) held	
-----------------------	--

I hereby record my presence at the Sixteenth Annual General Meeting of the Company held at Kamats Klub, 12, Udyog Nagar, S. V. Road, Goregaon (West), Mumbai - 400062, on Monday, the 29th September, 2003 at 3.30 p.m.

NAME OF SHAREHOLDER / PROXY *

SIGNATURE OF SHAREHOLDER/PROXY*

* Strike out whichever is not applicable

** **Applicable for investors holding share in electronic form**

Note : Shareholder / Proxy holder wishing to attend the Meeting must bring the Attendance Slip to the Meeting and hand it over at the entrance of the Meeting venue duly signed.

KAMAT HOTELS (INDIA) LIMITED

Registered Office: 70-C, Nehru Road, Near Santacruz Airport,
Vile Parle (East), Mumbai 400 099.

DP. Id **	
-----------	--

Master Folio No.	
------------------	--

Client Id **	
--------------	--

PROXY FORM

No. of Shares(s) held	
-----------------------	--

I / Weof.....

being a Member/Members of the above named Company hereby appoint.....of

.....or failing him of

.....or failing him of

as my / our proxy to attend and vote for me / us on my / our behalf at the Sixteenth Annual General Meeting of the Company to be held at Kamats Klub, 12, Udyog Nagar, S. V. Road, Goregaon (West), Mumbai - 400062, on Monday, the 29th September, 2003 at 3.30 p.m. and at any adjournment thereof.

Signed this day of2003

Please affix
30 P.
Revenue
Stamp here

Folio No. _____

Signature

No. of Shares Held _____

** **Applicable for investors holding share in electronic form**

Note : The proxy must be deposited at the Registered Office of the Company not less than 48 hours before the commencement of the meeting.