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HIGHLIGHTS

(Rs. in Lakhs)

	Year Ended										
	31-3-95	31-3-96	31.3.97**	31-3-98	31-3-99	31-3-00	31-3-01	31-3-02	31-3-03	31-03-04	
SHARE CAPITAL	2578	2578	1289	1289	1289	1289	1289	1289	1289	1289	1289
RESERVES & SURPLUS	5969	7263	9035	9425	9399	8329	8740	8435	8112		8084
NET WORTH	8547	9841	10324	10714	10688	9618	10029	9725	9401		9374
FIXED ASSETS (NET)	9056	10146	5292	6628	9357	9316	8686	8146	7556		7091
GROSS INCOME	35870	37654	21941	15466	19235	13957	13954	14092	14353		14722
GROSS PROFIT	6614	4569	7176	1702	2039	1139	2544	2734	1122		1385
DEPRECIATION	632	692	360	356	419	618	701	695	688		667
INTEREST	1262	1738	487	590	1152	1480	1255	1051	774		584
PROFIT BEFORE TAX	4720	2139	6328	756	468	-959	587	988	-339		135
PROFIT AFTER TAX	3369	1939	5478	656	318	-962	567	790	-178		117
EARNINGS PER SHARE (Rs.)	13.07	7.52	42.49	5.09	2.47	-	4.40	6.13	-1.38		0.91
BOOK VALUE PER SHARE(Rs.)	33.15	38.17	80.08	83.11	82.91	74.61	77.79	75.43	72.93		72.71
DIVIDENDS ON EQUITY (%)	35*	25	25	25	25	10	11	20	10		10
DEBT EQUITY RATIO	0.51	0.55	0.41	0.67	0.76	0.76	0.62	0.47	0.35		0.39

* Including 10% recommended as Founder's Centenary Bonus Dividend.

** After Re-Organisation.

DIRECTORS

DUTT V.L
Chairman & Managing Director

INDIRA DUTT V.L
Joint Managing Director

KAVITHA D. CHITTURI
Executive Director

RAMAKRISHNAN P.R.

RAMAKRISHNAN V.H.
Nominee of IDBI

NANDAGOPAL S.

PANIKAR C.V.R.

PINNAMANENI KOTESWARA RAO

RAJU G.S.

REDDY D.S.

SWAMINATHA REDDY O.

**SECRETARY AND CORPORATE
GENERAL MANAGER (Finance)**

PRANESH K.B.

AUDITORS

M/s BRAHMAYYA & CO.
Chartered Accountants, Vijayawada

COST AUDITORS

M/s P. PARANKUSAM & CO., Hyderabad.

BANKERS

STATE BANK OF INDIA
CANARA BANK

REGISTERED AND CORPORATE OFFICE

"RAMAKRISHNA BUILDINGS"
2, Dr. P.V. CHERIAN CRESCENT,
EGMORE, CHENNAI - 600 008.
PH : 28270687 & 28279533 E MAIL : kcp@vsnl.com

**REGISTRARS & SHARE TRANSFER AGENT
&
DEPOSITORY REGISTRARS**

M/s INTEGRATED ENTERPRISES (INDIA) LIMITED
II FLOOR, "KENCES TOWERS",
NO.1, RAMAKRISHNA STREET,
NORTH USMAN ROAD, T.NAGAR,
CHENNAI - 600 017.
Ph : 28140801 to 803 Fax : 28142479
Website : www.iepindia.com

NOTICE TO SHAREHOLDERS

NOTICE is hereby given that the Sixty Third Annual General Meeting of the Shareholders of the Company will be held on Thursday, the 9th September, 2004 at the Registered Office of the Company at "Ramakrishna Buildings", No.2, Dr. P.V. Cherian Crescent, Egmore, Chennai-600 008 at 11.00 A.M. to transact the following business :

ORDINARY BUSINESS

1. To receive, consider and adopt the Directors' Report, the accounts of the Company for the year ended 31st March, 2004 and the Auditors' Report thereon.

2. To declare a dividend.

3. To appoint auditors for the current financial year and to authorise the Board of Directors to fix their remuneration. Messrs. Brahmayya & Company, Chartered Accountants, Vijayawada, retire at this Annual General Meeting and are eligible for re-appointment and to consider if thought fit, to pass the following resolution as Special Resolution.

Pursuant to Section 224A of the Companies Act and other applicable provisions, if any, RESOLVED that M/s. Brahmayya & Co., Chartered Accountants, Vijayawada retiring at this Annual General Meeting be and are hereby appointed as Statutory Auditors till the conclusion of next Annual General Meeting.

Further RESOLVED that the Board of Directors be and are hereby authorised to fix their remuneration.

4. To appoint a Director in the place of Sri. P.R. Ramkrishnan, who retires by rotation and who is eligible for re-appointment and to consider and if thought fit, to pass the following resolution as an Ordinary Resolution.

RESOLVED that Sri. P.R. Ramakrishnan, who retires by rotation be and is hereby re-appointed a Director of the Company.

5. To appoint a Director in the place of Sri. Pinnamaneni Koteswara Rao, who retires by rotation and who is eligible for re-appointment and to consider and if thought fit, to pass the following resolution as an Ordinary Resolution.

RESOLVED that Sri. Pinnamaneni Koteswara Rao, who retires by rotation be and is hereby re-appointed a Director of the Company.

6. To consider not to appoint a Director in the place of Sri. C.V.R. Panikar, who retires by rotation and is not seeking re-appointment and to consider and if thought fit, to pass with or without the modification, the following resolution as an Ordinary Resolution.

RESOLVED that the vacancy caused by the retirement of Sri. C.V.R. Panikar, who retires by rotation, be not filled up.

SPECIAL BUSINESS

7. To consider and if thought fit, to pass with or without modification, the following resolution, as an Ordinary Resolution.

RESOLVED that in accordance with the provisions of Section 198, 269 (read with Schedule XIII) 309, 310 and other applicable provisions of The Companies Act, 1956 and subject to necessary approvals, approval is hereby accorded to the appointment of Smt Kavitha D Chitturi as the Executive Director of the Company for a period of 5 years with effect from 01/10/2004 on the following terms and conditions:

I. **SALARY** : Rs.25,000/- per month i.e. Rs. 3,00,000/- per annum.

II. **PERQUISITES** :

a. **Housing** :

i. A.rent-free furnished accommodation by the Company or, B. 60% of the salary, as house rent allowance

ii. The Company shall meet the expenses of gas, water and electricity at her residence.

iii. The company shall provide assets to furnish residence occupied by her as appropriate.

b. **Medical Reimbursement**: Expenses incurred for the Executive Director and family subject to a ceiling of one month's salary i.e. Rs. 25,000/- in a year or 3 months salary i.e. Rs. 75,000/- over a period of 3 years.

c. **Leave Travel Concession**: For the Executive Director and her family once in a year incurred in accordance with the rules specified by the Company.

d. **Club Fees**: Fees of clubs subject to a maximum of two clubs.

e. **Personal Accident Insurance**: Premium not to exceed Rs. 2,000/- per annum.

f. **Provident Fund, Superannuation Fund / Annuity Fund**: Company's contribution towards Provident Fund, Superannuation Fund or Annuity Fund as per the rules of the Company, not exceeding 27% of the remuneration.

g. **Gratuity**: Gratuity payable as per the rules of the Company, but shall not exceed half a month's salary for each completed year of service.

h. **Leave and Encashment of Leave**: Entitlement to leave and encashment of leave will be as per the rules of the Company made applicable to her.

Contributions to Provident Fund, Superannuation Fund, Annuity Fund and Gratuity within the limits specified above and encashment of leave at the end of the tenure will not be included in the computation of overall ceiling on remuneration specified herein below.

i. **Car and Telephone**: Provision of car(s) for use on company's business and telephone(s) at the residence, for use on company's business.

III. **COMMISSION:** Remuneration by way of commission on net profits in addition to salary and perquisites is also payable. The amount of salary, perquisites and commission, in aggregate is subject to an overall ceiling of 1% of the net profits of the Company in a financial year, computed in accordance with the provisions of Sec.349 of the Companies Act, 1956.

IV. **MINIMUM REMUNERATION:** Where, in any financial year, during the tenure of the Executive Director, the Company has no profits or its profits are inadequate, the Company will pay her remuneration by way of salary and perquisites as specified above.

8. To consider and if thought fit, to pass with or without modification, the following resolution, as a Special Resolution.

RESOLVED that in accordance with the provisions of Section 198, 309, 310 and other applicable provisions of The Companies Act, 1956, if any, non-executive directors on the Board be paid a commission not exceeding in the aggregate 1% of the net profits of the company, as decided by the Board from time to time, exclusive of the fee payable to them under sub-section (2) of section 309 of the Companies Act, 1956, for a period of five years commencing 1/4/2004 and ending 31/3/2009.

9. To consider and if thought fit, to pass with or without modification, the following resolution, as a Special Resolution.

Resolved that pursuant to Section 372A of The Companies Act, 1956 and other applicable provisions, if any, the Board of Directors of the company be and are hereby authorised to extend Company's guarantee to Banks/Financial Institutions for loan/credit facilities extended by them, (a) to KCP Biotech Limited of Rs. 500 lakhs and (b) to Fives Cail KCP Limited of Rs. 1500 lakhs.

(BY ORDER OF THE BOARD OF DIRECTORS)

Place: Chennai-600 008
Date: 7th June, 2004

For **THE K C P LIMITED**
V L DUTT
CHAIRMAN

NOTES :

- Any member entitled to attend and vote may appoint a proxy to attend and vote instead of himself, and a proxy need not be a member.
- Any member/proxy wishing to attend the meeting must complete the admission slip and hand it over at the entrance.
- Shareholders are requested to notify their change of address, if any, without delay. IN ALL CORRESPONDENCE THE LEDGER FOLIO CIENT ID NUMBER SHOULD BE INDICATED.
- A brief profile of the Directors retiring by rotation and eligible for re-appointment, as required by Clause 49 (VI) (A) of the Listing Agreements signed by the Company with the Stock Exchanges, is given as item no. 13 in the Directors' Report forming part of the Annual Report.

5. Shareholders are requested to bring with them their copies of the Annual Report. Due to the prohibitive costs of printing, it will not be possible to supply extra copies.

6. The Register of Members and the Register of Share Transfer will remain closed from 1st September, 2004 to 9th September, 2004, both days inclusive.

7. Members who wish to have their dividend warrant printed with the bank account for direct credit may please forward a mandate for payment of dividend, to avoid loss during postal transit or interception and encashment by unscrupulous persons.

8. The Company has already transferred the unclaimed Dividend, declared upto the financial year ended 31st March 1996 to the Miscellaneous general services account of the Central Government as required by the Investor Education and Protection Fund (Awareness and Protection of Investors) Rules, 2001.

9. Shareholders who have not encashed the dividend warrants for the earlier years (prior to June, 1996) are requested to claim the amount from the Registrar of Companies (Tamil Nadu), Shastri Bhavan, No. 26, Haddows Road, Chennai - 600 006.

10. Members who have not encashed their dividend warrants pertaining to 1997 and after may approach the Company's Registered Office at No. 2, Dr. P.V. Cherian Crescent, Egmore, Chennai - 600 008.

EXPLANATORY STATEMENT ANNEXED TO THE NOTICE

Explanatory Statement annexed pursuant to Section 173(2) of The Companies Act, 1956.

Note on Item No. 3

Banks & Financial Institutions hold more than 25% of the subscribed and paid-up share capitals of the Company, mainly by way of shares held as security. In term of clarification of the Department of Company Affairs in this regard, it is necessary to pass a Special Resolution to appoint auditors in terms of Section 224A of The Companies Act, 1956. Accordingly a Special Resolution is tabled for consideration.

None of the directors of the Company is interested in this Resolution.

Note on Item No. 7

Smt. Kavitha Dutt Chitturi is a graduate in Business Management with specialization in International Business from Cedar Crest College Allentown, Pennsylvania. She also holds a Post-Graduate Diploma in Human Resources. She is presently a Member of Madras Chapter of Young Presidents Organisation, an International Organisation based at USA and Secretary of Madras Chapter FICCI Ladies Organisation. She was appointed as Executive Director of the Company from 1/10/1999 for a period of five years. The present resolution is tabled for consideration for appointment in office for another term of five years, on completion of the present term of office.

Dr. V L Dutt, Chairman and Managing Director and Smt. V L Indira Dutt, Joint Managing Director are interested in the above resolution.

Note on Item No. 8

Non-Executive Directors on the Board are paid a sitting fee of Rs. 4000 per meeting of the Board of Committee thereof, attended by them. The recent changes being introduced by statute and regulatory authorities are over enlarging the scope of the non-executive director's responsibility. To discharge such responsibility they are required to involve themselves more intently in the affairs of the Company. It is therefore appropriate that they are remunerated for such contribution to the affairs of the Company. In order to provide reasonable compensation, it is proposed that they be paid in aggregate a commission of 1% of the net profits of the Company. Further, as contemplated by The Companies Act, 1956, this commission payment will be in addition to the sitting fees being paid to the directors for attending Board or Committee Meetings.

Non-executive Directors are interested in this resolution.

Note on Item No. 9

(i) KCP Biotech Limited, a subsidiary of the Company is implementing a project for extraction of natural colours at a cost of Rs. 600 lakhs. The subsidiary has applied to the banks for a Term Loan of Rs. 250 lakhs for working

capital funding of Rs. 250 lakhs. This being a new venture, the banks require guarantee from the parent company as a collateral security. Accordingly, the Company needs to furnish a guarantee for the loans extended to KCP Biotech Limited.

(ii) Fives Cail-KCP Limited is a joint-venture wherein the Company is the Indian joint-venture partner. The joint-venture has obtained an order worth US\$ 7.6 million for supply of equipment to a sugar refinery project in Bangladesh. The joint-venture has applied to the banks for Packing Credit facility of Rs.1500 lakhs to execute the said project. The joint-venture Company is only a design company and does not have an asset base. Considering the financial position of the joint-venture and non-availability of an asset base, the bankers require a guarantee provided by the joint-venture partner viz., "the Company". Consequently, the Company needs to issue the said guarantee to enable the banker advance required funds for execution of the project.

None of the directors is interested in the above resolution. This resolution requires the consent of the members through postal ballot.

AT A GLANCE

	31.03.2004		31.3.2003	
Cement Produced (M.T.)	465684		496255	
Power Produced (KWH)	5263160		4086320	
TURNOVER:	Rs.	%	Rs.	%
	(000')		(000')	
Machinery & Equipment	542637	37.88	419392	30.85
Cement	844369	58.94	877282	64.54
Power	19300	1.35	24970	1.84
Others	26264	1.83	37624	2.77
	1432570	100	1359268	100
FIXED ASSETS				
Gross Block		1675556		1655826
Depreciation		969608		903592
Nett		705948		752234
RESERVES		808429		811244
PROFITS (Before Depreciation and taxation)		80140		34887
NETT PROFIT (After Depreciation and taxation, available for appropriation and dividends)		11729		-17841

REPORT OF THE DIRECTORS' FOR THE YEAR ENDED 31ST MARCH 2004

**Submitted to the Shareholders at the 63rd Annual General Meeting held
at the Registered Office of the Company on Thursday, the 9th September, 2004 at 11.00 a.m.**

1. Your Directors have pleasure in submitting their report for the financial year ended 31st March, 2004 together with the Balance Sheet on that date and the Profit and Loss Account for the year ended on that date.

2. PROFIT & APPROPRIATIONS

	Rs.	Rs.
The accompanying accounts		
Show a net profit of	1,17,29,006	
for the year 2003-2004 after		
providing for interest of	5,83,75,284	
Depreciation of.....	6,66,59,201	
Provision for current tax of.....	15,00,000	
Deferred tax of	59,52,484	
And withdrawal of excess		
provision for income-tax of.....	57,00,000	
Balance brought forward from	50,43,57,889	
2002-2003		

Deduct:

Proposed dividend and tax thereon	1,45,43,918	
Balance to be carried to the next year of account	50,15,42,978	

3. DIVIDENDS

Your Directors recommend payment of a Dividend of Rs. 1.00 per share on 12892116 Equity Shares of Rs. 10/- each amounting to Rs.1,28,92,116.

4. CAPITAL & RESERVES

Capital of the Company stood at Rs. 12,89,21,160 and the Reserves stood at Rs.80,84,29,121 as on 31st March, 2004.

5. FIXED DEPOSITS

As at 31st March, 2004, there were deposits matured and unclaimed amounting to Rs. 32,21,000 of 279 depositors. Since then, Rs. 9,20,000 of 44 depositors were renewed and Rs. 2,23,000 of 49 depositors were repaid.

6. MANAGEMENT DISCUSSION & ANALYSIS SALES & PROFITS

FINANCIAL YEAR	2003-2004	2002-2003
	(Rs. in lakhs)	
Sales	14,326	13,593
Profit before interest & tax	823	435
Profit(+)/Loss(-) after tax	117	-178
Current ratio	2.19	2.09
Debt equity ratio	0.05	0.13
Inventory Turnover	4.55	4.17

During the year, operating margin improved as compared to the previous year in spite of set- back in power generation, owing to improved performance of the Engineering segment.

For the second year in succession, inadequate water storage in Nagarjuna Sagar Dam owing to poor monsoon resulted in meager flow of water for shorter duration during the year. Consequently, power generation was less than 20% of capacity.

CEMENT

Operational Performance :

FINANCIAL YEAR	2003-2004	2002-2003
	(Rs. in lakhs)	
Cement produced (M.T.)	4,65,684	4,96,255
Capacity Utilisation (%)	93%	99%
Cement sold	4,68,095	4,92,900
Turnover (Rs. In lakhs)	8,444	8,780
Segment result	418	279

Prices continued on a downward trend from April, 2003 to September, 2003 and recovered from October, 2003 to maintain an upward trend till December, 2003. Again from January, 2004, prices declined till the end of the year. During the year prices were the highest in December. At the end of the year prices closed at June levels, which were lower than prices in April, 2003. However, average net realisation was higher during the year as compared to the previous year.

Overview :

The Company operates a plant of 5,00,000 tonnes annual capacity at Macherla in Guntur District of Andhra Pradesh. During the year under report, the Company marketed cement in Andhra Pradesh, Pondicherry and parts of Tamil Nadu, Karnataka and Orissa. The Company's prospects were in tune with the realisation in Andhra Pradesh since 86% of the production was marketed in Andhra Pradesh.

State of the Industry :

Andhra Pradesh continues to have surplus capacity in cement production. The Company's production capacity is 4% of the total production capacity available in the state. New units came into production during the year near Company's core market and subjected the company to higher level of competition. Consequently, quantity of cement sold during the year was lower, though the competitive price band was a trifle higher than the previous year.

The Company marketed 9% of its production in Tamil Nadu, during the year under report. Prices remained at unremunerative levels throughout the year. Therefore, the Company marketed lesser quantity in this market as compared to the previous year. During the year, due to adverse sales tax policy and severe competition, prices continued to be low in this market.

Increase in transport costs due to oil price increase and consequent increase in input costs, along with reduction in realisation, have had adverse impact on segment results.

Andhra Pradesh Electricity Regulatory Authority (APERC) have proposed a service line charge for the captive generating capacity of 9.9 MW diesel generator, at 50% of the Maximum Demand charges. The Company has filed an appeal against this order and obtained a stay from the AP High Court.

Outlook :

The Company produced 48% Blended Cement and 52% Portland Cement during the year. The company proposes to produce 60% Blended Cement and 40% Portland Cement in the ensuing year.

Prices have picked up during April and May, 2004, in all markets. It is the Directors' perception that in the year 2004/2005, owing to increase in demand, the company will compete in a higher price band. Consequently, this segment is expected to post better results in the ensuing year as compared to the year under review.

POWER

Operational Performance :

FINANCIAL YEAR	2003-2004	2002-2003
	(Rs. in lakhs)	
Hydel power generation in (KWH)	52,63,160	40,86,320
Usage (KWH)	51,71,391	65,48,942
Turnover (Rs. in lakhs)	193	250
Segment result	-206	-162

For the second year in succession, generation of electricity was less than 20% of the capacity due to inadequate water storage in Nagarjuna Sagar Dam, owing to poor monsoon.

Overview :

The Company set up five mini-hydel units aggregating to 8.25 MW capacity on the Guntur Branch Canal of the Nagarjuna Sagar Dam. This being an irrigation canal, water is expected to be available for seven to eight months of the year. Electricity generated in these units is wheeled to the Company's cement unit for use. Generation in excess of the consumption at the cement unit is banked on a monthly basis and is to be used within twelve months of generation. Electricity unused even after twelve months is sold to the Grid. Electricity used in the cement factory will be deducted from the monthly bills and will get a relief at the H.T rates, while electricity sold to grid will be paid for at the prevalent purchase price by APTRANSCO.

Risks :

Two of the five schemes are operating at half the capacity due to irrigation and canal constrains. Further, water flow in the canal is unpredictable which is entirely dependant on the monsoon and filling up of Nagarjuna sagar dam. For the second successive year, owing to failure of monsoon, water storage was very low. Consequently, water release was poor both in terms of quantum and number of days. During the year under report, this resulted in total generation being 20% of normal capacity.

Concerns :

The Company has entered into an agreement with Andhra Pradesh Transmission Corporation Limited (APTRANSCO) for wheeling the generated energy at Hydel Stations to the cement plant at a charge of 2% fixed for a period of 20 years.

However, Andhra Pradesh Electricity Regulatory Commission reviewed these provisions and hiked the wheeling charges by about 15 times. This issue was challenged and the A.P. High Court has quashed the order of APERC.

During the year Government of Andhra Pradesh hiked water cess exorbitantly. The company's appeal to the High Court is pending before the Court.

Outlook :

Prospects of this unit are dependent on good monsoon in catchment area of Nagarjuna Sagar Dam. Further, due to constant endeavour for ways and means to augment revenue earnings, State Electricity Authorities, are likely to end up increasing costs for power producers. Considering this, Directors expect a moderate return from this segment.

ENGINEERING

Operational Performance :

FINANCIAL YEAR	2003-2004	2002-2003
	(Rs. in lakhs)	

Turnover :

Domestic	3,617	4,112
Export	2,072	453
Segment result	867	129

The Company operates a versatile engineering facility that is capable of manufacturing heavy mechanical equipment to a given design for various industries. The workshop has foundry, heavy fabrication and machine shop facilities, integrated within the plant location. The Company continued to use the facility at Arakonam for manufacture through sub-contracting.

Operation of the Engineering Unit at Tiruvottiyur was substantially better than the previous year in terms of turnover and profits.

Overview:

Status of capital goods sector:

During the year capital goods industry revived on both domestic and export demand. Acceptability of engineering goods of Indian origin in the global market in terms of quality, improved. Consequently, new opportunities are emerging. Similarly, in the domestic market, investment in capital goods by core industries increased during the year owing to better performance of these industries.

Opportunities:

The Company has added new range of products like valves and filters to the product line. Further, prompt execution of export jobs with quality has generated international enquiries from new customers.

Risks :

Product mix and customer mix are the deciding factors for the performance of this segment. These are variables with shorter time cycle. Consequently, this segment is open to drastic variations in job orders and hence the results.

Outlook :

With the orders on hand at Rs. 4,188 lakhs and the existing product-mix, performance during fiscal 2004-2005 is expected to yield similar results as that of the year under report.

7. CORPORATE INVESTMENTS

Performance :

Fives Cail K.C.P. Limited :

Operations during the year ended 31.03.2004 were better than the previous year. Fresh orders for equipment were executed and the Company posted profits for the year. The Company has secured an export order for supply of equipment to a sugar refinery, in Bangladesh. The supply is expected to be completed during the year and hence the Joint Venture is expected to post satisfactory results and recover past losses partially, in the ensuing fiscal.

Sudalagunta Sugars Limited :

Sudalagunta Sugars Limited crushed 291575 tonnes during the season ended 14-3-2004 with a recovery of 10.27 %. During this financial year, the Company also sold 2,59,89,884 units of electricity. The Company has also obtained OTS and restructured debts. Though sugar price is currently ruling high, reduction in cane yield due to drought will reduce profits. Wiping of past losses will take a considerable time.

As contemplated, the Company has divested 10% of the holdings to the promoter at par. The entire holding is to be sold to the promoter in a phased manner in three to four years.

K.C.P. Biotech Limited :

Project construction is in progress and is expected to be completed before end July, 2004 at a cost of Rs.600 lakhs. Commercial production of natural colourants is scheduled to commence by August,2004.

Somayajulu & Co. Limited :

Company's investment in Somayajulu & Co. Ltd. did not return any income during the current year. Operations during the year 31-3-2004, were good owing to the better performance of the stock and debt markets. This investment is expected to yield returns from the ensuing year.

KCP Vietnam Industries Limited :

KCP Vietnam Industries Limited concluded the second season with a crush of 410392 tonnes and a recovery of 8.98%. Realisation was lower than that of the previous year. For the year ended 31-12-2003, the Company earned a cash profit of Rs. 348 lakhs. However, after absorbing depreciation, workings resulted in a loss of Rs.385 lakhs. Performance in the ensuing year is expected to be better.

This unit obtained ISO 9001 Certification during the year and the 'Refined Sugar Superior' produced and marketed by the Company was awarded Gold medal as the best quality sugar produced during the year, in Vietnam.

During the year under review, the subsidiary bought a 150 TCD sugar factory in the adjacent Dong Xuan District to ensure availability of the contiguous cane area.

Diminution in value of investments:

During the current year, further provisions towards shortfall in value of investments were effected, as warranted.

Overview :

Status and risks:

Investment in Sugar:

A substantial part of the Company's assets is deployed in the Company's subsidiary engaged in manufacture and sale of sugar in Vietnam. Prospects of this business will impact the Parent Company. Return from this project for the equity investment is not expected before 2 or 3 years from now.

During the season ended June, 2004, the subsidiary crushed 330,000 tonnes of cane with a recovery of 9.9%. Cane yields fell sharply due to drought in the growth period. However, recovery was higher. This was a countrywide phenomenon in Vietnam. Consequently, aggregate production is expected to fall by 20%. Sugar prices have therefore, firmed up. During the current year the Company is expected to post profits which will reduce accumulated losses.

Investment in Biotechnology:

Natural colour extracts have vast market potential. The Company has identified customers abroad and is likely to export entire production.

8. CAUTIONARY STATEMENT

Statements in the "Management Discussion and Analysis" describing the Company's objectives, expectations or predictions are as perceived currently. Actual results may differ materially from those expressed in the statement. Important factors that could influence the Company's operations include: domestic supply and demand conditions affecting selling prices of finished goods, input prices, changes in government regulations, tax laws, economic developments within the country and other factors such as litigation and industrial relations.

9. SAFETY & POLLUTION CONTROL

Cement Unit has consent from Pollution Control Board and the emission levels are well within the prescribed limits. Engineering Unit's application for consent is under consideration.

10. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, EXPORT AND FOREIGN EXCHANGE EARNINGS AND OUTGO

A statement giving the details of conservation of energy, technology absorption, export and foreign exchange earned and outgo in accordance with the companies (Disclosure of particulars in the report of Board of Directors), Rules, 1988 is enclosed.

11. SUBSIDIARIES

The financial details required under Sec.212 of the Companies Act, 1956 in respect of subsidiaries, M/s. KECEPE Investments Pvt. Ltd., Singapore, M/s. KCP Vietnam Industries Limited, Vietnam and K.C.P. Biotech Limited, India have been attached to the Balance Sheet of the current year.

12. DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Clause 2(AA) of Section 217 of the Companies Act, 1956, Board of Directors hereby states-

- 1) that in the presentation of annual accounts, applicable Accounting Standards have been followed and there is no material departure;
- 2) that the directors have selected such Accounting Policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company, as at 31st March, 2004 and profit of the Company for the year ended 31st March, 2004;
- 3) that the directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- 4) that the directors have prepared the annual accounts on a 'going-concern' basis.

13. DIRECTORS

Messrs. P.R. Ramakrishnan, C V R Panikar, Pinnamaneni Koteswara Rao, retire by rotation at the forthcoming Annual General Meeting. Mr.C.V.R. Panikar does not offer himself for re-appointment. Mr.P.R.Ramakrishnan and Mr.Pinnamaneni Koteswara Rao, being eligible, offer themselves for re-appointment. Details of those retiring directors, whose reappointment is coming up for consideration at the AGM, are given below:

PROFILE OF EACH DIRECTOR:

- a) Mr. P.R Ramakrishnan, M.Sc.,(M.I.T) an Industrialist with six decades of experience in industry is a promoter non-executive director on the Board of the company from March, 1974.

In addition to the directorship in the company, he holds the following positions:

1. Jeypore Sugar Finance and Investment Corporation Ltd. - Director
2. Sri Rama Distilleries Limited - Chairman
3. The Jeypore Sugar Co. Ltd. - Chairman
4. Krishna Industrial Corporation Ltd. - Chairman

- b) Mr. Pinnamaneni Koteswara Rao, is an agriculturist and served as Zilla Parishad Chairman in Krishna district of Andhra Pradesh. He joined the Board in January, 1976.

In addition to the directorship in the company, he holds the following positions:

1. Veeraiah Non-conventional Power Projects Limited - Director

14. MANAGEMENT STAFF

The Company employs 296 officers.

There were no employees in receipt of remuneration higher than the limit prescribed in Section 217(2A) of The Companies Act, 1956.

15. STAFF RELATIONS

The Company employs 646 workers and 148 staff members. Industrial relationship remains cordial.

16. AUDITORS

M/s. Brahmayya & Co., Chartered Accountants, Vijayawada retire at the conclusion of this Annual General Meeting and are eligible for re-appointment.

M/s. Parankusam & Company, Hyderabad are the Cost Auditors of the Company to conduct the cost audit for the Cement and Hydel Unit for the year ending 31st March, 2005.

17. INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The Internal Audit department conducted audits at various locations based on an annual audit plan. In line with the practices, planning and conduct of the internal audit is oriented towards a review of controls in the management of risks, along with the maintenance of proper accounting records and the reliability of financial information used within the business.

The Internal Audit department reports significant audit observations, on a quarterly basis, to the Audit Committee. The Committee met 4 times during the year to review the audit observations and review of periodical financial statements. The external auditors also attended the meetings to convey their views to the Audit Committee on the adequacy of internal control systems in the Company.

18. CORPORATE GOVERNANCE

The Company has complied with all mandatory provisions of Corporate Governance as prescribed under the Listing Agreements of the Stock Exchanges with which the Company is registered.

A separate report on Corporate Governance is annexed as a part of the Annual Report along with the Auditors' statement on its compliance.

19. DEPOSITORY SYSTEM

The Company has entered into agreements with the National Securities Depository Limited (NSDL) as well as the Central Depository Services (India) Limited (CDSL) to enable shareholders to hold shares in a dematerialised form. The Company also offers simultaneous dematerialisation of the physical shares lodged for transfer.

20. CONSOLIDATED FINANCIAL STATEMENTS

As stipulated by Clause 32 of The Listing Agreement, Consolidated Financial Statements have been prepared by the Company in accordance with the requirements of Accounting Standard 21 - 'Consolidated Financial Statements' issued by the Institute of Chartered Accountants of India. The audited Consolidated Financial Statements' form part of the Annual Report.

21. ACKNOWLEDGEMENT

The Board wishes to thank the public financial institutions, and the bankers for their continued and positive support. The Board also places on record their appreciation of the work done by all the employees of the Company.

(BY ORDER OF THE BOARD OF DIRECTORS)

Place : Chennai-600 008

Date : 7th June, 2004

**V.L. DUTT
CHAIRMAN**

REPORT ON CORPORATE GOVERNANCE

The Company believes that

- Effective Corporate Governance is an essential component of a successful enterprise in a globalised economy.
- Value addition through wider consultations and compliance of standards, sharpens the organisational skill to achieve results better than before.
- Appropriate disclosures to shareholders ensure adequate information to assess and match risk of and reward from the enterprise.
- Consequently, Corporate Governance delivers a cohesive group of shareholders who cherish similar values, share similar perspectives and expect similar returns.

The Company makes disclosures of its operations and performance to public through the Annual Report, quarterly financial results, its website (www.kcp.co.in), timely press releases and Electronic Data Information Filing And Retrieval Systems (EDIFAR). The Company has implemented the mandatory requirements of the 'Code of Governance' as mentioned in Clause 49 of the Listing Agreement.

The report on corporate governance is divided into five parts:

- Board of Directors
- Remuneration of Directors
- Committees of the Board
- Shareholder information
- Other disclosures

I. BOARD OF DIRECTORS

Composition of Board and attendance particulars :

During the year six meetings were held on the following dates :

30-04-2003, 20-06-2003, 30-07-2003, 29-09-2003, 31-10-2003, 29-01-2004.

Directors	No. of Board Meetings attended during the year	Attendance at last AGM (29.09.2003)	No. of other Directorships	No. of other Board / Committee in which Director is a member
Non-Executive Independent Directors :				
Sri. S. Nandagopal	6	P	5	3
Sri. C.V.R. Panikar	5	P	6	2
Sri. Pinnamaneni Koteswara Rao	6	P	1	-
Sri. G.S. Raju	6	P	1	1
Sri. D.S. Reddy	2	LOA	4	-
Sri. O. Swaminatha Reddy	6	P	13	6
Sri. V.H. Ramakrishnan - Nominee of IDBI	5	p	3	1
Non-Executive Promoter Director :				
Sri. P.R. Ramakrishnan	5	P	4	-
Executive Promoter Directors :				
Dr. V.L. Dutt, Chairman & Managing Director	6	P	7	1
Smt. V.L. Indira Dutt, Joint Managing Director	6	P	6	1
Smt. Kavitha D Chitturi, Executive Director	6	P	2	1

II. REMUNERATION OF DIRECTORS

A. Remuneration to Non-Executive Directors for the year ended 31st March, 2004

The Non-Executive Directors were paid sitting fees of Rs. 4000/- each for every meeting of the Board and Committee of the Board attended by them.

B. Remuneration to Executive Directors.

Remuneration to Executive Directors is fixed by the Board and approved by the shareholders at the Annual General Meeting. Particulars of their remuneration for the year ended 31st March, 2004 are given below.

Directors	Salary & Perquisites (Rs.)	Commission (Rs.)	Total (Rs.)
V.L. Dutt Chairman&Managing Director	3,20,416	-	3,20,416
V.L. Indira Dutt Joint Managing Director	5,80,307	-	5,80,307
Kavitha Dutt Chitturi Executive Director	5,85,173	-	5,85,173

III. COMMITTEES OF THE BOARD

A. Audit Committee

The Audit Committee provides direction to the audit and risk management function in the Company and monitors the quality of internal audit. The responsibilities of the Audit Committee include overseeing the financial reporting process to ensure proper disclosure of financial statements, recommending appointment and remuneration of external auditors, reviewing the periodic interim and annual financial statements before submission to the Board, reviewing adequacy of internal control systems and adequacy, structure and staffing of the internal audit function and discussing the scope of audit with external auditors.

During the year, four meetings were held on the following dates :

20-06-2003, 30-07-2003, 31-10-2003, 29-01-2004.

The Audit Committee comprises 5 Non-Executive Independent Directors and 2 Executive Directors. The Committee is chaired by an independent Director Sri. S. Nandagopal, a Chartered Accountant by qualification.

The composition of the Audit Committee is given below :

Members	Number of Meetings attended
Non-Executive Independent Directors :	
Sri. S. Nandagopal	4
Sri. C.V.R. Panikar	3
Sri. G.S. Raju	4
Sri. O. Swaminatha Reddy	4
Sri. V.H. Ramakrishnan (w.e.f. 29.08.2002)	4
Executive Promoter Directors :	
Smt. V.L. Indira Dutt	4
Smt. Kavitha D Chitturi	4

The Audit Committee reviewed the quarterly, half-yearly and annual financial statements of the Company before submission to the Board of Directors.

Sri. S. Nandagopal, Chairman of the Audit Committee, attended the Annual General Meeting of the Company held on 29th September, 2003.

B. Share Transfer & Shareholders/Investors' Grievance Committee

This Committee is constituted to approve transfer of shares and to attend to redressal of any specific grievance raised by the shareholders/investors.

During the year, sixteen meetings were held on the following dates :

21-04-2003, 12-05-2003, 06-06-2003, 01-07-2003, 24-07-2003, 14-08-2003, 08-09-2003, 24-09-2003, 15-10-2003, 07-11-2003, 28-11-2003, 19-12-2003, 09-01-2004, 29-01-2004, 19-02-2004, 11-03-2004.

Members	Number of Meetings attended
Non-Executive Independent Directors :	
Sri. S. Nandagopal	16
Sri. C.V.R. Panikar	16
Executive Promoter Directors :	
Dr. V.L. Dutt	11
Smt. V.L. Indira Dutt	11
Smt. Kavitha D Chitturi	14

- Chairman is appointed at the respective meetings.
- Sri. K.B. Pranesh, Secretary & Corporate General Manager (Finance) of the Company has been designated as the Compliance Officer.
- The Company received 63 complaints from shareholders during the year, all of which were redressed to the satisfaction of the concerned shareholders.
- The Company had no applications for transfer of shares, pending as on 31st March 2004.

IV. SHAREHOLDER INFORMATION

1. Ensuing Annual General Meeting

- Date and Time : 9th September, 2004 at 11.00 a.m.
- Venue : "Ramakrishna Buildings"
2, Dr. P.V. Cherian Crescent
Egmore, Chennai 600 008

2. Financial Calendar : April 1 to March 31

3. Book Closure : 1st September, 2004 to 9th September, 2004

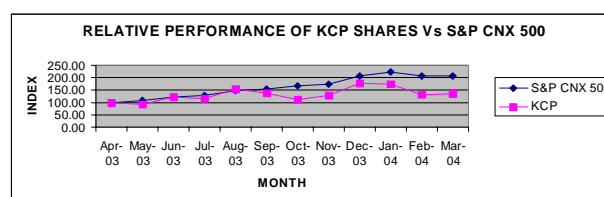
4. Dividend Payment Date : on or before 24th September, 2004

5. Registered Office : "Ramakrishna Buildings",
No. 2, Dr. P.V. Cherian Crescent,
Egmore, Chennai-600 008

6. Listing of Equity Shares on Stock Exchanges : National Stock Exchange, Mumbai.
Listing Fees as Prescribed have been paid to these Stock Exchanges upto March 31, 2005
Delisting has been sought from Hyderabad and Madras Stock Exchanges pursuant to the resolution passed by the Shareholders in the 62nd AGM held on 29th September, 2003.

7. Stock Code : Stock Exchange **Stock Code**
National Stock Exchange, Mumbai KCP

8. Stock Performance :
The Company's stocks were regularly traded during the year only on the National Stock Exchange. Relative performance of the company's shares with NSE-S&P CNX 500 was as depicted below.



9. Share Price Data

Month	NATIONAL STOCK EXCHANGE (NSE)	
	High	Low
April 2003	18.75	14.45
May 2003	17.50	13.80
June 2003	22.70	16.05
July 2003	22.00	17.70
August 2003	28.85	18.05
September 2003	25.75	16.50
October 2003	21.25	18.30
November 2003	23.90	17.10
December 2003	35.50	21.50
January 2004	32.50	22.50
February 2004	24.75	22.50
March 2004	25.45	21.35

10. Registrars & Transfer Agents for demat & physical shares: : Integrated Enterprises India Limited,
II Floor, "Kences Towers",
No. 1, Ramakrishna Street,
North Usman Road,
T. Nagar, Chennai-600 017

11. Share Transfer System

Share Transfer in physical form is normally effected within a maximum period of 30 days of receipt of the documents, if found in order. All share transfers are approved by the Share Transfer Committee, which meets once in three weeks. All requests for dematerialisation of shares are processed and the confirmation is given to the respective depositories i.e. National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) within 15 days.

12. Distribution of Shareholding as on March 31, 2004

No. of Equity Shares held	No. of Shareholders	% Shareholding	No. of Shares	% Shareholding
1 - 500	9815	85.80	1069348	8.29
501 - 1000	703	6.15	497196	3.86
1001 - 2000	399	3.49	553151	4.29
2001-3000	167	1.46	409198	3.17
3001 - 4000	92	0.80	320639	2.49
4001 - 5000	71	0.62	326498	2.53
5001 - 10000	84	0.73	571020	4.43
10001 and above	109	0.95	9145066	70.94
TOTAL	11440	100.00	12892116	100.00

13. Categories of Shareholding as on March 31, 2004

Category	No. of Shareholders	No. of Shares	% Shareholding
Clearing Member	6	735	0.0057
Foreign Bank	1	50	0.0004
Foreign Institutional Investors	1	50	0.0004
Banks, Financial Institutions & Insurance Companies	19	1060774	8.2281
Indian Promoters	27	5680322	44.0604
Mutual Funds & UTI	4	1850	0.0143
NRI/OCB	19	182700	1.4171
Private Corporate Bodies	162	250222	1.9409
Indian Public	11200	5628038	43.6550
Trust	1	87375	0.6777
TOTAL	11440	12892116	100.00

14. Dematerialisation of shares and liquidity

25.54 % of total Equity Capital is held in dematerialised form with NSDL and CDSL as on March 31, 2004. Trading in Equity Shares of the Company is permitted only in dematerialised form w.e.f. 29th May, 2000 as per notification issued by the Securities and Exchanges Board of India (SEBI).

15. The Company has not issued any GDRs/ADRs/Warrants or any other convertible instruments that are outstanding at the Balance Sheet date.

16. Plant Locations : CEMENT UNIT
Macherla 522 426
Guntur District
Andhra Pradesh

HYDEL UNIT
B. No. AE-1, NSP Colony
Nekarikallu 522 615
Guntur District
Andhra Pradesh

ENGINEERING UNITS

1) Tiruvottiyur
Chennai 600 019

2) Mosur Road
Ekhunagar
Arakonam 631 004

V. OTHER DISCLOSURES

1. Details of Annual General Meetings

Location and time of Annual General Meetings held in last 3 years :

Year	AGM	Location	Date	Time
2001	60 th	"Ramakrishna Buildings" 2, Dr.P.V.Cherian Crescent Egmore, Chennai-600 008	31/08/2001	4.00 p.m.
2002	61 st	"Ramakrishna Buildings" 2, Dr.P.V.Cherian Crescent EgmoreChennai-600 008	29/08/2002	4.00 p.m.
2003	62 nd	"Ramakrishna Buildings" 2, Dr.P.V.Cherian Crescent EgmoreChennai-600 008	29/09/2003	11.30 a.m.

Special resolutions were passed at the last annual General Meeting to delist the Company's Equity Shares from Madras Stock Exchange Limited and The Hyderabad Stock Exchange Limited, and for appointment of auditors.

2. Means of Communication

Quarterly results of the Company in the prescribed proforma were published in the following newspapers :

Indian Express in English
Dinamani in Tamil
Andhra Jyothi in Telugu

These results were simultaneously posted on the website of the Company at www.kcp.co.in. Information as prescribed was posted to Electronic Data Information Filing And Retrieval Systems (EDIFAR) during the year. The Company has not issued any official news release about its financial results during the year. A management discussion analysis of relevant matters forms part of the Report of the Board of Directors.

ANNEXURE

FORM A

(See Rule II)

**FORM OF DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY
CEMENT UNIT, MACHERLA.**

POWER AND FUEL CONSUMPTION	CURRENT YEAR 2003 - 2004	PREVIOUS YEAR 2002 - 2003
1. ELECTRICITY		
A) PURCHASED FROM APSEB		
Unit K.W.H	3,42,52,334	3,51,65,503
Total Amount Rs.	13,42,53,058	14,19,00,820
Rate/Unit Rs.	3.92	4.04
B) OWN GENERATION		
1) THROUGH DIESEL GENERATOR		
Unit K.W.H	1,08,890	67,394
Units per Ltr.of Diesel Oil	3.08	2.25
Cost/Unit Rs.	21.72	31.88
2) THROUGH HYDEL POWER		
Unit K.W.H	50,67,231	63,29,525
Total Amount Rs.	1,83,81,230	2,36,14,124
Cost/Unit Rs.	3.63	3.73
2. COAL(SPECIFY QUANTITY AND WHERE USED)		
Qty Tonnes	71,118	69,057
Total cost Rs.	13,57,16,498	12,98,35,757
Average rate Rs.	1908.34	1880.12
3. PET COKE		
Qty Tonnes	—	1,331
Total Cost Rs.	—	32,28,048
Rate/Unit Rs.	—	2425.00
4. DIESEL OIL		
Qty (Ltrs)	11,508	5,965
Total cost Rs.	2,45,906	1,13,062
Average Rate Rs.	21.37	18.95
5. CONSUMPTION PER UNIT OF PRODUCTION		
Electricity KWH	83.55	88.75
Coal	0.150	0.155
Pet Coke	—	0.003
Cottonstems	—	0.001

FORM B (See Rule 2)

Form of Disclosure of Particulars with respect to TECHNOLOGY ABSORPTION

	2003-2004 Rs.	2002-2003 Rs.
1. EXPENDITURE ON RESEARCH AND DEVELOPMENT		
(a) Capital	—	—
(b) Recurring	14,56,033	14,16,938
(c) Total	14,56,033	14,16,938
(d) Percentage of R&D Expenses on Total Turnover	0.102%	0.104%
2. TECHNOLOGY ABSORPTION		
The Company continues to utilise the in-house R&D facilities		
3. FOREIGN EXCHANGE EARNINGS AND OUTGO		
Total Foreign Exchange Used	2,52,31,997	3,17,63,789
Total Foreign Exchange Earned	20,94,18,777	4,76,96,861

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

(Amount in Rs. Thousands)

I. Registration Details	
a. Registration No.	1,128
b. State Code	18
c. Balance Sheet Date	31.3.2004
II. Capital raised during the year	
a. Public Issue	Nil
b. Rights Issue	Nil
c. Bonus Issue	Nil
d. Private Placement	Nil
III. Position of Mobilisation & Deployment of Funds	
a. Total Assets	20,12,955
b. Total Liabilities	20,12,955
Sources of Funds:	
a. Paid-up Capital	1,28,921
b. Reserves & Surplus	8,08,429
c. Secured Loans	3,28,740
d. Unsecured Loans	2,27,696
e. Deferred Tax Liability	79,852
Total	15,73,638
Application of Funds:	
a. Nett Fixed Assets	709061
b. Investments	3,39,859
c. Nett Current Assets	5,24,718
Total	15,73,638
IV. Performance of Company:	
a. Turnover	14,32,573
b. Other Income	39,671
c. Total Expenditure	14,58,763
d. Profit / (Loss) Before Tax	13,481
e. Profit / (Loss) After Tax	11,729
f. Earnings Per Share in Rs.	0.91
g. Dividend Rate %	10
V. Generic Names of Three Principal Products/ Services of Company (as per monetary terms)	
1. Item Code No.(ITC Code)	2,52,321.00
Product Description	Cement
2. Item Code No.(ITC Code)	8,43,830.02
Product Description	Machinery & Equipment for Sugar Machinery
3. Item Code No.(ITC Code)	8,41,989.11
Product Description	Machinery & Equipment for Cement Machinery

(BY ORDER OF THE BOARD)

Per our report annexed
For BRAHMAYYA & CO
Chartered Accountants

V.L.DUTT
Chairman &
Managing Director

C.V.R. PANIKAR
Director

S. NANDAGOPAL
Director

K.B.PRANESH
Secretary & Corporate
General Manager (Finance)

C.MURALIKRISHNA
Partner

Place: Chennai - 600 008.
Date : 7th June, 2004

AUDITORS' REPORT TO THE SHAREHOLDERS OF THE KCP LIMITED

We have audited the attached Balance Sheet of The KCP Limited, as at 31st March 2004, its Profit and Loss Account for the year ended on that date annexed thereto, and its cash-flow statement for the year ended on that date. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We 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.

As required by the Companies (Auditors' Report) Order, 2003 issued by the Government of India in terms of sub-Section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

Further to our comments in the Annexure referred to above, we report that:

- a. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
- b. In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of such books;

- c. The Balance Sheet and Profit and Loss Account and Cash-flow Statement dealt with by this report are in agreement with the books of account;
- d. In our opinion, the Balance Sheet and Profit and Loss account and the Cash-flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
- e. On the basis of written representations received from the directors, as on March 31, 2004, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2004 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;
- f. In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;
 - i. In the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2004,
 - ii. In the case of the Profit and Loss Account, of the profit for the year ended on that date,
 - iii. In the case of the cash-flow statement, of the cash-flows of the company for the year ended on that date

For BRAHMAYYA & CO
Chartered Accountants

C.Muralikrishna

Partner

Camp : Chennai

Date : 7th June, 2004

ANNEXURE REFERRED TO IN PARAGRAPH 3 OF OUR REPORT OF EVEN DATE

- 1.1 According to the information and explanations furnished to us, the company has maintained proper records showing full particulars including quantitative details and situation of its fixed assets, except at its cement production unit where the said register remains to be updated.
- 1.2 According to the information and explanations furnished to us, the company has not physically verified all its fixed assets during the year. However, the company has adopted a phased programme of verification which, in our opinion, is reasonable having regard to the size of the company and the nature of the assets. No material discrepancies were noticed on such verification carried out during the year.
- 1.3 According to the information and explanations furnished to us, the company has not disposed of a substantial part of its fixed assets during the year.
- 2.1 According to the information and explanations furnished to us, the company has physically verified its inventories during the year. In our opinion, the frequency of such verification is reasonable.
- 2.2 In our opinion, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
- 2.3 According to the information furnished to us, the company is maintaining proper records of its inventory and the discrepancies if any noticed on verification

between the physical stocks and the book records were not material, and have been properly dealt with in the books of account.

3.1.1 According to the information and explanations furnished to us, the company has taken loans aggregating to Rs.30368585, from three directors and one company covered by the register maintained under Section 301 of the Companies Act 1956.

3.1.2 According to the information and explanations furnished to us, the company has not granted any loans to companies, firms or other parties covered by the register maintained under Section 301 of the Companies Act 1956.

3.2.1 In our opinion, the rate of interest and other terms and conditions on which loans have been taken by the company from companies, firms or other parties covered by the register maintained under section 301 of the Companies Act, 1956 are not, prima facie, prejudicial to the interest of the company.

3.3.1 According to the information and explanations furnished to us, the company has been regular in repaying the principal and interest amounts as stipulated on the loans taken by it from the concerns listed in the registers maintained under Section 301 of the Companies Act 1956.

3.4.1 According to the information and explanations furnished to us, there were no overdue amounts of more than rupees one lakh in respect of loans taken by the company from persons listed in the register maintained under Section 301 of the Companies Act 1956

4. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the company and the nature of its business with regard to purchases of inventory, fixed assets and with regard to the sale of goods. Further, during the course of our audit, we have not come across any instances of major weaknesses in internal control, that require correction and have so continued without correction

5.1 Based on the information and explanations given to us, we are of the opinion that the transactions that are required to be entered in the register maintained under section 301 of the Companies Act, 1956 have been so entered.

5.2 In our opinion and according to the information and explanations given to us, the transactions which have been entered into, pursuant to contracts that have been entered in the register maintained under Section 301 of the Companies Act 1956, and having an aggregate value exceeding rupees five lakhs in respect of each party during the year under report, have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.

6. In our opinion and according to the information and explanations given to us, the company has complied with the provisions of section 58A and 58AA of the Companies Act, 1956 and Companies (Acceptance of Deposits) Rules, 1975 with regard to the deposits accepted from the public. According to the information furnished to us, no Order has been passed on the company by the Company Law Board for non-compliance with the provisions of Sections 58A and 58AA of the Companies Act 1956.

7. In our opinion, the company has an internal audit system commensurate with the size and nature of its business.

8. We have broadly reviewed the books of account and records maintained by the company at its cement and hydro electric power generation units pursuant to the Rules made by the Central Government for the maintenance of Cost Records under section 209 (1) (d) of the Companies Act, 1956 and we are of the opinion that prima facie the prescribed accounts and records have been made and maintained. We have however not carried out a detailed audit of the same.

9.1 According to the information furnished to us, the company has been regular in depositing with the appropriate authorities, the undisputed statutory dues including Provident Fund, Investor Education Protection Fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Custom Duty, Excise Duty, Cess and other material statutory dues applicable to it.

9.2 There were no undisputed statutory dues mentioned in the preceding paragraph in arrears, as at the date of the Balance Sheet under report, for a period of more than six months from the date they became payable.

9.3 According to the information furnished to us, the following amounts of Sales Tax, Customs Duty, Excise Duty, Cess, Income Tax, Wealth Tax, have been disputed by the company, and hence, were not remitted to the concerned authorities at the date of the Balance Sheet under report

S.No	Nature of the dues	Name of Statute	Amount	Pending before
1	Sales Tax and related demands	Sales Tax Acts of Various state Governments	11124082	Various appellate authorities
2	Excise Duty and related demands	Central Excise Act 1944	2436942	Various appellate authorities

10. According to the information and explanations furnished to us by the company, it had no accumulated losses at the end of the financial year, and it did not incur cash losses during the financial year covered by our audit and in the immediately preceding financial year.

11. In our opinion and according to the information and explanations furnished to us by the company, there were no defaults in repayment of dues to financial institutions, banks or debenture holders at the date of the Balance Sheet.
12. According to the information furnished to us, the company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures, and other securities.
13. In our opinion and according to the information and explanations furnished to us, the company is not a chit fund or a nidhi / mutual benefit fund/ society and hence, the requirements of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company during the year under report.
14. According to the information furnished to us, the company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the requirements of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
15. In our opinion, and according to the information furnished to us, the terms and conditions on which the company has given guarantees for loans taken by its subsidiary from banks are not prejudicial to the interest of the company.
16. In our opinion, and according to the information and explanations furnished to us, the term loans taken by the company have been applied for the purpose for which they were raised.
17. According to the information and explanations given to us and on an overall examination of the Balance Sheet of the company, we report that funds raised on short-term basis have not been used for long-term investment, and no long-term funds have been used to finance short-term assets.
18. According to the information and explanations furnished to us, the company has not made any preferential allotment of shares during the year to parties and companies covered in the register maintained under section 301 of the Act, or to any others.
19. According to the information and explanations given to us, the company has not issued any debentures during the year under report.
20. The company has not raised any monies through public issue of its securities during the year, and the question of end use of such moneys does not arise during the year.
21. According to the information and explanations furnished to us, and based on the audit procedures generally adopted by us, we report that, during the year, no fraud on or by the company has been noticed or reported; that is either significant or could have caused a material misstatement in the financial statements.

For BRAHMAYYA & CO
Chartered Accountants

C.Muralikrishna
Partner

Camp : Chennai
Date : 7th June, 2004

AUDITOR'S CERTIFICATE ON CORPORATE GOVERNANCE

The Members
The K C P Limited
Ramakrishna Buildings
No.2, Dr.P.V.Chерian Crescent
Egmore, Chennai – 600 008

We have examined the compliance of conditions of Corporate Governance by The KCP Limited for the year ended March 31, 2004 as stipulated in clause 49 of the Listing Agreement of the said Company with the stock exchange(s).

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, and the representations made by the directors and the management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We have to state that as per the records maintained, and certified by the Registrars of the Company, there were no investors grievances remaining unattended as at 31st March 2004.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For BRAHMAYYA & CO
Chartered Accountants

C.Muralikrishna
Partner

Camp : Chennai
Date : 7th June, 2004

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2004

	2004			2003
	ADD Rs.	LESS Rs.	TOTAL Rs.	Rs.
A. CASH FLOW FROM OPERATING ACTIVITIES				
Net Profit before Tax			1,34,81,490	-3,39,11,007
			1,34,81,490	-3,39,11,007
ADJUSTMENTS FOR				
Depreciation	6,66,59,021			6,87,97,717
Foreign Exchange Difference	1,94,58,322			70,42,932
Provision for diminution in value of investments	78,502			8,41,522
Profit/Loss on Sale/Conversion of Assets		5,14,722		-3,39,956
Assets Written off	10,99,042			9,82,176
Profit/Loss on Sale of Investment	9,33,155			-67,23,049
Interest (Nett)	4,70,06,713			3,02,62,365
Dividend Received		26,535		-5,98,249
Provision for diminution in value of investments of earlier years withdrawn		16,52,646		
	13,52,34,755	21,93,903	13,30,40,852	10,02,65,458
OPERATING PROFIT BEFORE WORKING CAPITAL :			14,65,22,342	6,63,54,451
Trade and other Receivables	12,38,879			-3,98,02,945
Inventories	1,12,16,702			1,13,97,650
Trade Payables & Provision		1,87,36,033		-2,18,23,270
	1,24,55,581	1,87,36,033	-62,80,452	-5,02,28,565
CASH GENERATED FROM OPERATIONS			14,02,41,890	1,61,25,886
Direct Taxes refunds received/ Paid		1,39,01,232	-1,39,01,232	62602763
			12,63,40,658	7,87,28,649
CASH FLOW BEFORE EXTRAORDINARY ITEMS				
Foreign Exchange Difference		1,94,58,322		-70,42,932
		1,94,58,322	-1,94,58,322	-70,42,932
NET CASH FROM OPERATING ACTIVITIES A			10,68,82,336	7,16,85,717
B. CASH FLOW FROM INVESTING ACTIVITIES				
Purchase of Fixed Assets		2,20,52,745		-1,01,69,459
Capital Work-in-Progress	2,16,127			-7,17,026
Purchase of Investments		53,85,000		-98,928
Loan to subsidiary company	1,88,66,323			60,73,775
Sale of Fixed Assets	10,95,907			4,70,898
Sale of Investments	53,87,512			88,62,140
Interest Received	1,13,68,571			4,70,97,334
Dividend Received	26,535			5,98,249
	3,69,60,975	2,74,37,745	95,232,30	0
NET CASH USED IN INVESTING ACTIVITIES ... B			95,23,230	5,21,16,983
C. CASH FLOW FROM FINANCING ACTIVITIES				
Repayment of Long Term Borrowings (Secured)		4,23,81,094		42,22,069
Dividends Paid		1,28,92,116		-2,57,84,232
Tax on Distributed Profits		16,51,802		0
Interest Paid		5,83,75,284		-7,73,59,699
Repayment of Long Term Borrowings (Unsecured)	1,32,70,336			-2,13,99,000
	1,32,70,336	11,53,00,296	-10,20,29,960	-12,03,20,862
NET CASH USED IN FINANCING ACTIVITIES ... C			-10,20,29,960	-12,03,20,862
Net increase/decrease in cash and cash equivalents (A+B+C)			1,43,75,606	34,81,838
Opening Cash Balance			4,78,82,326	4,44,00,488
Closing Cash Balance			6,22,57,932	4,78,82,326

(BY ORDER OF THE BOARD)

Per our certificate of even date

for BRAHMAYYA & CO
Chartered Accountants

C.MURALIKRISHNA
Partner

V.L. DUTT
Chairman & Managing Director

BALANCE SHEET AS AT 31ST MARCH 2004

PARTICULARS	Schedule	AS AT 31-3-2004		AS AT 31-3-2003	
		Rs.	Rs.	Rs.	Rs.
(I) SOURCES OF FUNDS:					
1. Shareholders' Funds:					
(a) Capital	A	12,89,21,160		12,89,21,160	
(b) Reserves & Surplus	B	80,84,29,121		81,12,44,033	
			93,73,50,281		94,01,65,193
2. Loan Funds:					
(a) Secured Loans	C	32,87,39,728		37,11,20,821	
(b) Unsecured Loans	D	22,76,96,336		21,44,26,000	
			55,64,36,064		58,55,46,821
3. Deferred Tax Liability (Net)					
(a) Deferred Tax Liability		8,74,12,130		9,68,19,931	
(b) Less: Deferred Tax Asset		75,60,524		2,29,20,809	
			7,98,51,606		7,38,99,122
Total			1,57,36,37,951		1,59,96,11,136
(II) APPLICATION OF FUNDS:					
1. Fixed Assets:					
(a) Gross Block	E	1,67,55,56,427		1,65,58,26,349	
(b) Less: Depreciation		96,96,08,377		90,35,91,796	
(c) Nett Block		70,59,48,050		75,22,34,553	
(d) Capital Work-in-Progress		31,13,301		33,29,428	
			70,90,61,351		75,55,63,981
2. Investments					
3. Current Assets, Loans and Advances:					
(a) Inventories	G1	31,46,00,412		32,58,17,114	
(b) Sundry Debtors	G2	13,68,28,762		12,65,34,115	
(c) Cash and Bank Balances	G3	6,22,57,932		4,78,82,326	
(d) Other Current Assets	G4	36,40,783		40,17,669	
(e) Loans and Advances	H	44,67,06,318		46,28,28,049	
		96,40,34,207		96,70,79,273	
Less: Current Liabilities and Provisions:					
(a) Liabilities	I-1	40,49,70,148		42,45,49,175	
(b) Provisions	I-2	3,43,46,570		3,77,03,576	
		43,93,16,718		46,22,52,751	
Nett Current Assets			52,47,17,489		50,48,26,521
Total			1,57,36,37,951		1,59,96,11,136

Notes, Schedules & Statement on Accounting Policies form an integral part of the Balance Sheet

(BY ORDER OF THE BOARD)

V.L.DUTT
Chairman &
Managing Director

C.V.R. PANIKAR
Director

S. NANDAGOPAL
Director

K.B.PRANESH
Secretary & Corporate
General Manager (Finance)

Per our report annexed
For BRAHMAYYA & CO
Chartered Accountants

C.MURALIKRISHNA
Partner

Place: Chennai - 600 008.
Date: 7th June, 2004

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

PARTICULARS	Schedule	For the year ended 31-3-2004	For the year ended 31-3-2003
		Rs.	Rs.
INCOME FROM:			
Sale of Products and Services (including Excise duty recovered Rs.23,68,49,063/- (Rs.20,60,71,238/-)		1,43,25,73,037	1,35,92,67,823
Other Income	1	3,96,71,270	7,61,02,629
		1,47,22,44,306	1,43,53,70,452
EXPENDITURE ON:			
Materials Consumed	2	18,59,55,946	25,49,85,808
Payments and Benefits to Employees	3	15,83,99,061	16,22,74,320
Manufacturing, Selling, Administrative and other expenses	4	74,36,77,921	68,32,41,613
Excise Duty and Taxes (excluding income-tax)	5	24,56,95,582	22,26,22,302
Interest and Lease finance charges		5,83,75,284	7,73,59,699
Depreciation		6,66,59,021	6,87,97,717
		1,45,87,62,816	1,46,92,81,459
PROFIT/(LOSS) FOR THE YEAR:		1,34,81,490	-3,39,11,007
Less: Provision for Taxation-Current		15,00,000	-
Deferred		59,52,484	-1,60,70,407
Add : Income Tax Provision no longer required withdrawn during the year		57,00,000	-
PROFIT/(LOSS) AFTER TAXATION		1,17,29,006	-1,78,40,600
Income Tax Refund		-	92,058
Balance brought forward from last Year		50,43,57,889	53,66,50,349
		51,60,86,896	51,89,01,807
This Year	Previous Year		
Rs.	Rs.		
Less: Proposed Dividend	1,28,92,116	1,28,92,116	
Tax on distributed Profits (see Directors' Report)	<u>16,51,802</u>	<u>16,51,802</u>	1,45,43,918
Balance carried forward to next Year		50,15,42,978	50,43,57,889
Basic Earnings per equity share of Rs.10 each - (EPS)		0.91	-1.38
Net Profit / Loss after tax Rs. 11729006/- (Rs.17840601/-)/No.of equity shares 12892116 (12892116)			

Notes, Schedules & Statement on Accounting Policies form an integral part of the Profit & Loss Account.

(BY ORDER OF THE BOARD)

V.L.DUTT
Chairman &
Managing Director

C.V.R. PANIKAR
Director

S. NANDAGOPAL
Director

K.B.PRANESH
Secretary & Corporate
General Manager (Finance)

Per our report annexed
For BRAHMAYYA & CO
Chartered Accountants

C.MURALIKRISHNA
Partner

Place: Chennai - 600 008.
Date: 7th June, 2004

SCHEDULES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET

Schedule 'A'

"Share Capital"

PARTICULARS	AS AT	AS AT
	31-3-2004	31-3-2003
	Rs.	Rs.
Authorised:		
5,00,00,000 Equity Shares of Rs.10/-each	<u>50,00,00,000</u>	<u>50,00,00,000</u>
Issued:		
1,28,97,748 Equity Shares of Rs.10/-each	<u>12,89,77,480</u>	<u>12,89,77,480</u>
Subscribed and Paid-up:		
1,28,92,116 Equity Shares of Rs.10/-each fully paid	<u>12,89,21,160</u>	<u>12,89,21,160</u>
Total taken to Balance Sheet	12,89,21,160	12,89,21,160

Of the above equity shares, 1,26,65,220 shares represent Bonus Shares allotted as fully paid up, by capitalisation of Profits/Reserves.

Schedule 'B'

"Reserves & Surplus"

Particulars	AS AT	Added during the year	withdrawn during the year	AS AT
	31.03.2003			31.03.2004
	Rs.	Rs.	Rs.	Rs.
Investment Allowance Reserve (utilised)	8,88,95,000	0	0	8,88,95,000
Capital Reserve - on reorganisation	2,79,91,144	0	0	2,79,91,144
General Reserve	19,00,00,000	0	0	19,00,00,000
Surplus (i.e) Balance in				
Profit and Loss Account	50,43,57,889	0	0	50,15,42,978
Total taken to Balance Sheet	81,12,44,033	0	0	80,84,29,121

Schedule 'C'
"Secured Loans"

PARTICULARS	AS AT	AS AT
	31-3-2004	31-3-2003
	Rs.	Rs.
I. Short-Term Loans:		
a) Working capital facilities from banks against paripassu first charge on hypothecation of work-in-progress, finished goods, raw materials, stores and spares, books debts at Cement and Engineering Units, and except the specific Current Asset mentioned in (b) below and a second charge paripassu on the fixed assets of the company and partly secured by personal guarantees of some of the directors	17,36,70,485	16,70,88,039
b) Packing credit facilities against hypothecation of specific current assets of Engineering Unit.	2,77,39,722	5,80,74,782
c) From a bank against paripassu first charge on the entire Fixed Assets of the company	52,82,91,92	0
d) From a company on the security of some of the shares held as investments.	2,52,65,585	2,61,00,000
II. Long-Term Loans :		
a) From I.D.B.I under PFS secured by hypothecation of all movable and immovable assets both present and future, except charges created on the current assets for working capital, paripassu with other lenders	4,64,00,000	8,18,90,000
b) From Export Import Bank of India secured by hypothecation of all movable and immovable assets both present and future, except charges created on the current assets for working capital, pari-passu with other lenders, and further secured by pledge of shares held as investments in the subsidiary company.	-	3,79,68,000
c) From ICICI Bank Limited against security of specific asset	28,34,744	-
Total taken to Balance Sheet	32,87,39,728	37,11,20,821

Schedule 'D'
"Unsecured Loans"

PARTICULARS	AS AT	AS AT
	31-3-2004	31-3-2003
	Rs.	Rs.
i) Fixed Deposits (including Rs.51,03,000 /- (Rs.19,53,000/-) from Directors.)	21,14,68,000	18,09,26,000
ii) Form a Subsidiary	1,62,28,336	3,35,00,000
Total taken to Balance Sheet	22,76,96,336	21,44,26,000

Schedule 'E'
"Fixed Assets"

Sl.	DESCRIPTION	GROSS BLOCK				DEPRECIATION		NETT BLOCK
		Cost upto 31.3.2003	Additions during the year	Deductions during the year	Cost upto 31.3.2004	Total Depreciation upto 31.3.2004	As at 31.3.2004	As at 31.3.2003
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
1	Lands	11124787	-	-	11124787	-	11124787	11124787
2.	(a) Buildings	182119605	283520	-	182403125	69471959	112931166	116661094
	(b) Leasehold Buildings	1547500	-	-	1547500	361894	1185606	1210830
3	Tramways & Railway Sidings	7012865	-	-	7012865	4466300	2546565	2869632
4	Plant & Machinery							
	Owned	1362586412	15545902	2115591	1376016693	821482091	554534602	599174606
	Leased Assets	803107	-	-	803107	497835	305272	562625
5	Furniture, Fixtures & Office Equipment	35361834	375626	52706	35684754	25804020	9880734	10845461
6	Vehicles & Earthmoving Equipment							
	Owned	45478576	5847697	154340	51171933	42824762	8347171	3368614
	Leased Assets	8022630	-	-	8022630	2968083	5054547	6377226
7	Research & Development Equipment	869034	-	-	869034	831433	37601	39677
8	Patents	900000	-	-	900000	900000	-	-
	Grand Total	1655826349	22052745	2322637	1675556427	969608377	705948050	752234553

1	Registered Office	74945980	2450906	146209	77250677	39951483	37299194	37701912
2	Engineering Unit	303390862	1466051	-	304856913	268079230	36777683	40494084
3	Cement Production Unit, Macherla	742337274	15870162	564703	757642703	524815842	232826861	248991149
4	Research & Development	1610532	-	-	1610532	1392748	217784	229344
5	Hydel Project	524279297	2318655	2390387	524207565	132085722	392121843	417643438
6	Cement Marketing	4230610	739357	13724	4956243	2293225	2663018	2967491
7	Engineering Unit, Arakkonam.	5031794	-	-	5031794	990127	4041667	4207135
	Total	1655826349	22845131	3115023	1675556427	969608377	705948050	752234553
	Less: Internal Transfers	-	792386	792386	-	-	-	-
	Grand Total	1655826349	22052745	2322637	1675556427	969608377	705948050	752234553

Schedule 'F'
"Investments"

PARTICULARS		AS AT 31-3-2004		AS AT 31-3-2003
		Details	Total	Total
	Rs.	Rs.	Rs.	Rs.
I.SHARES OF COMPANIES:				
1. Trade Investments:				
(a) Quoted Equity Shares - Fully paid				
i) 1,00,000 shares of Rs.10/- each in Prudential Mouli Sugars Ltd.	(A)	10,00,000		
Less: Provision for diminution in value		8,61,000	1,39,000	2,15,000
(b) Unquoted Equity Shares - Fully paid:				
i) 4,00,000 Shares of Rs.10/- each in Fives Cail KCP Limited (Formerly FCB KCP Ltd)		40,00,000		40,00,000
ii) 60,00,000 Equity Shares of Rs.10/- each in Sudalagunta Sugars Limited		6,00,00,000		6,00,00,000
	(B)		6,40,00,000	6,40,00,000
2. Non-Trade Investments:				
(a) Quoted Equity Shares -Fully Paid:				
(i) 350 Shares of Rs.10/-each in ICICI Bank Limited (Allotted against 700 shares held in ICICI Limited.)		18,005		18,005
(ii) 50,000 Shares of Rs.10/- each in South Asian Financial Exchange Limited	5,00,000			
Less : Written off to the extent of	4,99,999	1		1
(iii) 300 Shares of Rs.10/- each in State Bank of India		30,000		30,000
(iv) 2,44,000 Equity Shares of Rs.10/- each in Vantech Industries Limited.	1,00,91,937			
Less : Written off to the extent of	1,00,91,936	1		1
(v) 100 Shares of Rs.10/- each in Industrial Finance Corporation of India	3,500			
Less : Provision for diminution in value	2,502	998		3,500
(vi) 14240 shares of Rs.10/- each in Industrial Development Bank of India	11,57,000			
Less : Provision for diminution in value	3,29,655	8,27,345		2,29,620
	(C)		8,76,350	2,81,127
			8,76,350	2,81,127

"Investments"

PARTICULARS	Rs.	AS AT 31-3-2004		AS AT 31-3-2003
		Details Rs.	Total Rs.	Total Rs.
(b) Unquoted Equity Shares - Fully Paid:				
(i) 30 Equity Shares of Rs.10/-each in Andhra Pradesh Heavy Machinery & Engineering Company Limited	300			
Less : Written off to the extent of	<u>299</u>	1		1
(ii) 500000 Equity Shares of Rs.10/- each in Somayajulu & Company Limited.		50,00,000		50,00,000
in Subsidiary companies				
(iii) 97,35,163 Equity Shares of S\$ 1 each, in KECEPE Investment private limited, Singapore.		23,71,43,668		23,71,43,668
(iv) 37,50,000 Equity Shares of Rs.10/- each in KCP Bio-tech Limited.		<u>2,71,16,975</u>		<u>2,71,16,975</u>
			26,92,60,644	
	(D)		26,92,60,644	<u>26,92,60,644</u>
II. OTHER INVESTMENTS:				
(a) Quoted :				
Unit Trust of India (earmarked towards deposits under Companies (Acceptance of Deposits) (Rules, 1975)				
(i) 53,850 6.75% Tax free Bonds of Rs.100/- each (received during the year in conversion of 531522 Units of US 64 Scheme)		53,85,000		
(ii) 23918.49 Units of US 2002 Scheme Less : Provision for diminution in value	2,02,617 <u>5,050</u>	1,97,567		54,61,312
(b) Unquoted:				
(i) Indira Vikas Patra		0		2,000
(ii) National Savings Certificates		50		50
(iii) Postal Time Deposit		500		500
	(E)		55,83,117	54,63,862
Total taken to Balance Sheet	A+B+C+D+E		33,98,59,111	33,92,20,633

1. All the above are long term investments.

2. Aggregate values of quoted investments :	31-3-2004	31.3.2003
	Rs.	Rs.
At Cost	77,96,124	87,29,791
At Market value	65,97,917	59,57,439
3. Aggregate cost of unquoted investments	33,32,61,194	33,32,63,194

Schedule 'G-1'
"Current Assets"
Inventories

PARTICULARS	AS AT	AS AT
	31-3-2004	31-3-2003
	Rs.	Rs.
(as certified by the Managing Director.)		
(1) Stores and Spares at Cost	13,36,42,056	16,02,93,967
(2) Stores and Raw Materials in transit at Cost	2,82,265	8,360
(3) Stocks-in-trade		
a) Raw Materials at cost	65,85,275	1,00,82,658
b) i) Finished Goods at Cost	5,98,16,247	2,07,30,843
ii) Finished Goods at Market Value	155,64,404	2,13,68,746
(c) Work-in-progress at cost	9,87,10,164	11,33,32,540
Total taken to Balance Sheet	31,46,00,412	32,58,17,114

Schedule 'G-2'
"Sundry Debtors"

(A) Debts outstanding for a period exceeding six months: Considered Good (including Rs.11,32,290/- (Rs.62,08,715/-) due from subsidiary company)		
(a) Fully Secured:	20,22,186	7,55,848
(b) Unsecured:	1,12,64,342	4,06,89,968
Considered Doubtful	5,22,405	37,640
	1,38,08,933	4,14,83,456
Less: Provision for doubtful debts	5,22,405	37,640
	1,32,86,528	4,14,45,816
(B) Other Debts Considered Good (including Rs.1,09,10,036/- (Rs.39,35,791/-) due from subsidiary company)		
(a) Fully Secured	51,90,571	85,42,307
(b) Unsecured	11,83,51,663	76,545,992
Total taken to Balance Sheet	13,68,28,762	12,65,34,115

Schedule 'G-3'
"Cash and Bank Balances"

(1) Cash /Cheques on hand	64,38,351	62,79,153
(2) At Scheduled Banks:		
i) in Fixed Deposits	2,77,85,637	2,32,01,677
ii) in Current Accounts	2,80,33,944	1,84,01,496
Total taken to Balance Sheet	6,22,57,932	4,78,82,326

Schedule 'G-4'
"Other Current Assets"

Interest accrued	36,40,783	40,17,669
Total taken to Balance Sheet	36,40,783	40,17,669

Schedule "H"
"Loans And Advances"

PARTICULARS	AS AT	AS AT
	31-3-2004	31-3-2003
	Rs.	Rs.
(1) Advances, (unsecured, recoverable in cash or in kind, for value to be received)		
Considered Good	5,53,44,796	
Considered Doubtful	34,03,403	
	<u>5,87,48,199</u>	
Less : Provision for Doubtful Advances (includes Rs.1,12,60,480/-(Rs.28,66,606/-) to subsidiaries)	<u>34,03,403</u>	
	5,53,44,796	6,57,30,277
(2) Prepaid Expenses	1,02,39,949	90,00,684
(3) Excise Duty paid in advance	48,22,359	51,79,466
(4) Income-tax / Wealth -tax paid in advance	8,91,11,601	7,24,19,299
(5) Income-tax deducted at source	54,95,016	82,86,086
(6) Deposits recoverable	3,68,66,584	3,00,54,044
(7) Claims recoverable	90,75,237	1,75,41,094
8) Loan to Subsidiary Company	23,57,50,776	25,46,17,099
Total taken to Balance Sheet	44,67,06,318	46,28,28,049

Schedule "I-1"

"Current Liabilities and Provisions"

A. CURRENT LIABILITIES:

(1) a. Sundry Creditors - Due to Small Scale Industrial Undertakings	40,34,575	2,22,78,069
b. Sundry Creditors- Due to Others (includes Rs.Nil (Rs.1,08,798/-) due to Managing and whole time directors)	21,93,20,963	23,41,83,331
(2) Advances received against sales	11,77,23,539	10,60,73,856
(3) Trade Deposits	3,53,93,351	3,41,98,060
(4) Security Deposits from staff	63,000	92,700
(5) Unclaimed dividends	51,45,823	56,54,439
(6) Interest accrued but not due on loans	88,80,332	53,73,417
(7) Due to Superannuation and Gratuity Trusts (NET)	144,08,565	1,66,95,303
Total taken to Balance Sheet	40,49,70,148	42,45,49,175

Note:- There are no amounts due to be remitted to Investor Education & Protection Fund out of the above amounts.

Schedule "I-2"

B. PROVISIONS:

1) for Income Tax & Wealth Tax	1,31,84,480	1,73,84,480
(2) for Proposed Dividend	1,28,92,116	1,28,92,116
(3) for Tax on Distributed Profits	16,51,802	16,51,802
(4) for Leave Encashment	66,18,172	57,75,178
Total taken to Balance Sheet	3,43,46,570	3,77,03,576

Signature to Schedules A to I-2 (BY ORDER OF THE BOARD)

Per our report annexed
For BRAHMAYYA & CO
Chartered Accountants

V.L.DUTT
Chairman &
Managing Director

C.V.R. PANIKAR
Director

S. NANDAGOPAL
Director

K.B.PRANESH
Secretary & Corporate
General Manager (Finance)

C.MURALIKRISHNA
Partner

Place: Chennai - 600 008.
Date:7th June, 2004

SCHEDULES ANNEXED TO AND FORMING PART OF THE PROFIT AND LOSS ACCOUNT

Schedule-1 "Other Income"

PARTICULARS	For the Year ended 31.3.2004	For the year ended 31.3.2003
	Rs.	Rs.
(1) Interest received from Banks and others (Tax deducted on above Rs.298824/- (Rs.362835/-))	1,13,68,571	4,70,97,334
(2) Dividends Received (Gross) From Non-Trade Investments	26,535	5,98,249
(3) Rents received	12,03,116	12,46,307
(4) Miscellaneous Receipts	1,04,77,002	76,74,610
(5) Profit on sale of Assets	5,14,722	3,77,519
(6) Unclaimed balances credited back	32,75,528	4,08,731
(7) Claims/refunds received	4,75,610	38,747
(8) Profit on Sale of Investments	-	67,23,049
(9) Provision no longer required credited back	71,40,186	93,14,004
(10) Bad debts recovered	51,90,000	25,60,000
(11) Prior Year adjustments	-	64,080
Total taken to Profit and Loss Account	3,96,71,270	7,61,02,629

Schedule-2 "Materials Consumed"

Opening Stocks:

Raw materials	1,00,82,658	60,70,107	
Work-in-Progress	11,33,32,540	11,57,10,505	
Finished goods	4,20,99,589	9,36,47,674	
	16,55,14,787	21,54,28,286	

ADD:

i) Purchases:			
Raw materials & Components	11,06,60,356	13,72,27,822	
ii) Cost of raw materials produced	9,04,56,893	6,78,44,487	
	20,11,17,249	20,50,72,309	
	36,66,32,036	42,05,00,595	

LESS :

Closing Stocks:

Raw materials	65,85,275	1,00,82,658	
Work-in-Progress	9,87,10,164	11,33,32,540	
Finished goods	7,53,80,651	4,20,99,589	
	18,06,76,090	16,55,14,787	
Total taken to Profit and Loss Account	18,59,55,946	25,49,85,808	

Schedule-3 "Payments and Benefits to Employees"

Salaries, Wages and Bonus	12,19,87,617	12,39,25,627	
Contribution to Provident Fund and Family Pension Scheme	93,31,995	94,43,679	
Contribution to Superannuation Funds	43,90,258	45,33,991	
Contribution to Gratuity Funds	39,40,804	44,16,937	
Workmen and Staff Welfare expenses	1,87,48,387	1,99,54,087	
Total taken to Profit and Loss Account	15,83,99,061	16,22,74,320	

Schedule-4

PARTICULARS	For the Year ended 31.3.2004	For the year ended 31.3.2003
	Rs.	Rs.
“Manufacturing ,Selling, Administrative and Other Expenses”		
Manufacturing:		
Stores and Spares (including Packing Materials) consumed	15,06,89,141	11,73,13,361
Sub-contracted works	3,74,94,283	3,30,48,623
Power and Fuel	34,78,65,380	35,26,81,714
Insurance	39,48,961	27,12,146
Research & Development	3,50,717	3,69,666
Lease Rentals	18,07,155	18,16,920
Repairs to Buildings	1,28,82,281	1,13,95,100
Repairs to Machinery	2,02,49,938	1,62,60,891
Repairs to Other Assets	90,40,673	92,03,338
	(A) <u>58,43,28,528</u>	<u>54,48,01,760</u>
Selling:		
Advertisement	66,36,938	1,01,45,420
Loading,Unloading,Transport etc	6,18,86,024	5,68,95,163
Commission on Sales	13,60,860	18,41,507
	(B) <u>6,98,83,823</u>	<u>6,88,82,090</u>
Administrative:		
Rent	11,80,972	9,63,954
Payments to Auditors (see note No.16(a))	10,10,251	16,67,079
Directors' Sitting Fee	3,68,000	3,06,000
Managerial Remuneration (see note no.17(ii))	14,85,896	15,08,433
Miscellaneous Expenses	5,60,93,102	5,39,05,000
	(C) <u>6,01,38,221</u>	<u>5,83,50,466</u>
Other Items:		
Warranty Claims	69,03,423	15,46,737
Provision for doubtful debts	5,60,096	86,940
Bad debts and irrecoverable advances written off	2,94,809	6,69,428
Nett value of discarded assets written off	10,99,042	9,82,176
Loss on sale of assets	-	37,563
Loss on sale / conversion of Investments	9,33,155	-
Short fall in value of Investments	78,502	8,41,522
Difference in exchange (NET)	1,94,58,322	70,42,932
	(D) <u>2,93,27,349</u>	<u>1,12,07,298</u>
Totals taken to Profit and Loss Account	A+B+C+D <u>74,36,77,921</u>	<u>68,32,41,613</u>

Schedule-5

“Excise Duty & Taxes (Excluding Income tax)”

Excise Duty and Cess	23,89,67,955	21,53,77,968
Rates and Taxes	67,27,627	72,44,334
Total taken to Profit and Loss Account	<u>24,56,95,582</u>	<u>22,26,22,302</u>

Signature to Schedules 1 to 5
(BY ORDER OF THE BOARD)

Per our report annexed
For BRAHMAYYA & CO
Chartered Accountants

V.L.DUTT
Chairman &
Managing Director

C.V.R. PANIKAR
Director

S. NANDAGOPAL
Director

K.B.PRANESH
Secretary & Corporate
General Manager (Finance)

C.MURALIKRISHNA
Partner

Place: Chennai - 600 008.
Date:7th June, 2004

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

1. GENERAL

Financial statements are prepared under the historical cost convention and in accordance with generally accepted accounting practices

2. FIXED ASSETS

Fixed assets are stated at cost, less accumulated depreciation. Cost of acquisition of fixed assets is inclusive of freight, duties, and taxes, incidental expenses relating thereto, interest on direct borrowals upto commissioning, wherever applicable, and the cost of installation/erection, as applicable. Modvat availed, if any, on Fixed Assets, is not included in the Cost of such Fixed Assets capitalised.

3. ASSETS UNDER FINANCE LEASE:

Assets acquired under finance lease arrangement on or after 01.04.2001 are recognised separately among the fixed assets, at the inception of the lease at lower of their fair value or the present value of minimum lease payments in respect thereof. Depreciation and lease charges on such assets are accounted for in accordance with the Accounting Standard-19 – “Accounting for Leases” issued by The Institute of Chartered Accountants of India.

4. INVESTMENTS

Investments (Long Term) are stated at cost, except where written down, in which case they are shown as their written down values. Dividends thereon are accounted for on accrual.

5. INVENTORIES

- (a) Finished goods are valued at cost or market value, whichever is lower.
- (b) Stock of scrap -
 - i. In respect of Engineering Unit, purchased scrap and internally generated scrap for use in production are both valued at average cost of purchased scrap.
 - ii. In respect of other scrap, the stock of scrap is not valued and adjusted. Sales, as and when made, are adjusted.
- (c) Work-in-Progress, raw materials, stores, spares, material in transit, are valued at cost except where the net realisable value of the finished goods they are used in is less than the cost of finished goods and in such an event, if the replacement cost of such materials etc., is less than their book values, they are valued at replacement cost.

6. SALES AND OTHER EARNINGS

- (a) Sales are inclusive of excise duty, freight, insurance etc. recovered thereon.

- (b) Despatches from Engineering Unit are in completely knocked down condition and are invoiced at the appropriate technically evaluated values, which are matched with contracted sale prices.

- (c) Power sold by the Hydroelectric Power unit of the company to its other units is accounted at the tariff rates charged by the State Electricity Board.

7. FOREIGN EXCHANGE TRANSACTIONS

- (a) Export sales are initially accounted at the exchange rate prevailing on the date of documentation/invoicing and the same is adjusted with the difference in the rate of exchange arising on actual receipt of proceeds in foreign exchange.
- (b) Earnings in foreign currency other than export sales are accounted for at the rate of conversion on the date of realisation.
- (c) Import of material/capital equipment and other expenditure in foreign exchange are accounted at the rates at which the actual payments are effected.
- (d) Export earnings retained in EEFC account is translated at the rates prevalent on the date of realisation. Expenditure out of the above account is also recorded at the same rates
- (e) Foreign currency assets and liabilities covered by forward contracts are stated at the forward contract rates, while those not covered by forward contracts are restated at rates ruling at the year end. Exchange differences relating to fixed assets are adjusted in the cost of the asset. Any other differences are dealt with in the Profit and Loss Account.

8. RETIREMENT BENEFITS

- (a) All the employees of the Company are entitled to retirement benefits of Provident Fund, Gratuity and Superannuation.

Contributions to gratuity and superannuation fund are made on the basis of demands raised by LIC, and charged to revenue accordingly. Provident Fund contributions are accounted for at the prescribed rates, on accrual.

- (b) The above liabilities are funded with Trusts duly approved by Income-tax authorities (managed by LIC) / paid to the Provident Fund Commissioner, as the case may be.
- (c) Provision is made in the accounts for the estimated liability as at each Balance Sheet date based on actuarial valuation towards available leave eligible for encashment on retirement/cessation of service of the employee, as per the rules of the company.

9. DEPRECIATION

Depreciation is provided in accordance with the rates and rules prescribed under Schedule XIV to the Companies Act, 1956, as follows:—

- i. In respect of assets existing as on 30-6-1988, under the written down value method: and
- ii. In respect of assets acquired on or after 1-7-1988, under the straight line method.

10. WARRANTY CLAIMS

Company's liability for Warranty claims and Guarantee claims are accounted on accrual basis as per contracts, after adjusting the claims no longer required.

11. DIVIDENDS

Provision is made in the accounts for the dividends payable by the Company as recommended by the Board of Directors, pending approval of the shareholders at the Annual General Meeting. Income Tax on dividends payable is provided for in the year to which such dividends relate.

12. BORROWING COSTS

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use. All other borrowing costs are charged to revenue in the period in which they are incurred.

13. EXPENDITURE ON APPROVED RESEARCH AND DEVELOPMENT PROGRAMME

In respect of approved Research and Development Programme, expenditure of capital nature is included in the fixed assets and other expenditure is charged off to revenue in the year in which such expenditure is incurred.

14. TAXATION

Provision is made for income tax liability estimated to arise on the results for the year at the current rate of tax in accordance with the Income tax Act, 1961.

In accordance with the Accounting Standard – 22, Accounting for Taxes on Income, issued by the Institute of Chartered Accountants of India (ICAI), and effective from 1st April 2001 and in accordance with the listing agreements with the respective stock exchanges, the company has recognised the deferred tax liability in the accounts, whereby

- The net deferred tax liability arising on account of timing differences at 1.4.2001 has been adjusted against the General reserve as at 1.4.2001.
- Deferred tax resulting from timing differences between book and tax profits is accounted for under the liability method, at the current rate of tax.
- Deferred tax assets arising on account of brought forward losses and unabsorbed depreciation are recognised only when there is virtual certainty supported by convincing evidence that such assets will be realised. Deferred tax assets arising on other temporary timing differences are recognised only if there is a reasonable certainty of realisation.

(BY ORDER OF THE BOARD)

V.L.DUTT
Chairman &
Managing Director

C.V.R. PANIKAR
Director

S. NANDAGOPAL
Director

K.B.PRANESH
Secretary & Corporate
General Manager (Finance)

Per our report annexed
For BRAHMAYYA & CO
Chartered Accountants

C.MURALIKRISHNA
Partner

Place: Chennai - 600 008.
Date: 7th June, 2004

NOTES FORMING PART OF THE ACCOUNTS

BALANCE SHEET

1. There are various issues relating to Income Tax, Sales Tax, Excise Duty and other matters existing or likely to arise out of the company's reorganisation arrangement pursuant to the Scheme of Arrangement approved by the Hon'ble High Court of Madras vide its Order dated 18th March, 1996 under Section 391/394 of the Companies Act, 1956 which will be settled and accounted for in terms of the Scheme of Arrangement as and when such liabilities/benefits are finally determined.

31st March, 2004 31st March, 2003

	Rs.	Rs.
2. Claims against the Company not admitted	4,28,73,516	4,35,62,989
3. Estimated amount of contracts remaining to be executed on Capital account and not provided for	54,00,000	60,45,246
4. Corporate Guarantees extended on behalf of another company.	1,55,10,700	1,72,49,073
<p>5.a) The Government of Andhra Pradesh issued GOMS No.39 dated 2.4.2002 in supersession of the orders issued in its earlier GOMS No.1276 dated 30.12.1976 levying non-consumptive user charges for usage of water by power generating units. However in view of the lack of clarity in the said order, the Government has so far been unable to compute the said charge and raise a demand on the company. In the absence of a tenable demand from the government and also due to the lack of clarity as aforesaid, the company is unable to even estimate the probable liability for the said charges. The company has also disputed the levy of the said charges before the appropriate authorities. No provision therefore has been made in the accounts.</p> <p>b) Income Tax and Wealth Tax assessments of the Company have been completed upto assessment year 2001-2002. Appeals filed by the company against disputed items in various Assessment Orders are pending at different stages before concerned appellate authorities. After taking into due consideration the allowances in the appeals for earlier years no provision is considered necessary for disputed demands of Income Tax, Wealth Tax and interest thereon aggregating to Rs.3,14,72,450/-. Against the said demands, an amount of Rs.5,23,92,671/- has been paid / adjusted by the department under protest from the Company, as on the date of the Balance Sheet, and included in Advance Tax A/c under "Loans and Advances".</p> <p>c) No provision has been made in accounts towards probable liability upto Jute year ended 30th June ,1998,if any, that may arise as a result of non-compliance with the requirements of Jute Packaging Materials (compulsory use of Packaging Commodities) Act,1987, consequent to differing decisions of different Courts and also the representations of industry before the Government,since the same is not ascertainable at this stage.</p>		
6. Fixed Assets include Lands- 12.64 acres of the carrying amount of Rs.3,73,651/- at Arakkonam, and 14.23 acres of carrying amount of Rs.4,62,475/- at Macherla pending transfer of title to the company.		
7. The Company has issued counter guarantees to bankers for the guarantees issued by them aggregating to US \$ 5 million, to the company's subsidiary for loans obtained by the said subsidiaries from their bankers, the amount outstanding against which as at 31st March,2004 was US \$ 5 million. The guarantees referred to herein are secured by a second charge on all the movable and immovable assets of the company, present and future, and by transfer and pledge in favour of the bankers of some of the shares in companies held as investments by the company , the beneficial interest in which, continues to be held by the company. The guarantees are also counter guaranteed by another company and some of the directors of this company in their individual capacity.		
8. In compliance with AS-22 "Accounting for Taxes on Income" major components of deferred tax assets and liabilities arising on account of timing differences are :		

PARTICULARS	ASSETS	LIABILITIES
1. Depreciation		8,74,12,130
2. Items u/s 43 B of IT Act	61,52,140	
3. Provision for Doubtful debts	14,08,384	
	<u>75,60,524</u>	<u>8,74,12,130</u>
Net deferred tax liability as on 31.3.2004		7,98,51,606

9. Cash and Bank balances include
- a. Rs.1,50,000 (Rs.1,50,000/-) on account of Staff Security Deposit.
 - b. Rs.52,24,351/- (Rs.58,03,706/-) towards Unclaimed Dividends.
 - c. Rs.2,36,24,637(Rs.2,07,18,750/-) representing Fixed Deposit Receipts lodged with Bankers as securities against Guarantees issued by them.
 - d. Rs.Nil (Rs.20,00,000) deposited as per provisions of section 58A of the Companies Act, 1956 and the rules made the reunder.
10. List of SSI Undertakings to whom the company owes any sum outstanding for a period exceeding thirty days, at the Balance Sheet date.

A.K.S Engineering CO., Ayilya Auto Components P Ltd, control Equipments, Chaitanya Engineering Co, D V S Engineering Co, Durai & Swamy, Durga Engineering, Electro Ferro Alloys P Ltd, Madras Hard tools Ltd, Hi-Tech Castings P Ltd, Hi-Tech Engineers, Harsh Precision Engineers (P) Ltd, Industrial Radiographic Inspection, India Pattern Makers, J.N.G.Engineering Enterprises, Yayalakshmi Industries, J.K.Industires, Kwikonveyors,MVM Perfect Tool Makers, Metal Engineers, Magnum Engineers P Ltd, Niam Pipes & Vessels, Omega Enterprises, Prathap Industries, R R I Rubber Products, R G Industries, R.K.Rubber Products, Ravi Industries, Ramskar Agencies (P) Ltd, Selvi Engg Contractors, Satya Fbricators Private Ltd, Sharada Ceramics P Ltd, Shri Vinayak Alloy Casting (P) Ltd, Shri Prakah Porcelain Works, Sri Devi Industries, S V T Engineering Works, Shivaram Industries, S R Foundries, Vadivu Engineering Works, Vimmel Enterprises,Wadhwa Brothers Engg., Y.R.V Engineering Works, Dakshin Fasteners.

The above particulars are based on the information regarding the status of the creditors as available with the company. The same has been relied upon by the auditors.

PROFIT AND LOSS ACCOUNT:

11. Sale of Products and Services (including Excise Duty)

	Quantity	31-3-2004 Value Rs.	Quantity	31-3-2003 Value Rs.
Power (KWH)	53,21,558	1,93,00,895	66,91,810	2,49,69,570
Cement (MT)	4,68,095	84,43,69,217	4,92,900	87,72,82,371
Sugar Machinery*		7,50,13,114		2,79,43,176
Cement Machinery*		3,83,14,420		5,41,46,897
General Engineering Products*		42,93,10,416		33,73,02,356
Service Receipts		2,23,14,493		3,36,27,891
Others		39,50,482		39,95,562
* Unit quantification not possible		<u>1,43,25,73,037</u>		<u>1,35,92,67,823</u>

Note: Sale of Products includes:

- (1) Machinery and components valued at Rs.75,19,476/- (Rs.43,82,161/-) supplied by Engineering Unit to the other units of the Company.
- (2) Cement valued at Rs.9,68,919/- (Rs.9,05,525/-) used internally.
- (3) Electric Power generated by Hydel unit and consumed within the company 51,71,391 KWH (65,48,942 KWH) valued at Rs.1,87,57,420/- (Rs.2,44,28,265/-) and surrendered to AP Transco towards wheeling and Banking charges 1,50,167 KWH (1,42,868 KWH) valued at Rs 5,43,475/- (Rs 5,41,305/-).
- (4) Excise Duty Rs.23,68,49,063/- (Rs.20,60,71,238/-).

12. Raw Material Consumed:

	Quantity M.T.	31-3-2004 Value Rs.	Quantity M.T.	31-3-2003 Value Rs.
i) Cement-Limestone	5,78,934	6,34,45,452	5,66,293	6,74,51,679
Laterite	20,073	66,38,130	13,855	44,33,385
Morum	903	2,68,166	13,962	41,46,661
Fly Ash	51,219	1,79,97,905	34,865	1,21,70,493
Gypsum	8,451	5,12,33,302	7,085	42,64,667
Iron Ore	975	4,75,790	-	-
Red Oxide Lumps	7	5,531	-	-
ii) a) Engineering Unit-Iron and Steel, Nickel, Scrap and Equipments	6,286	11,06,60,356	4,199	10,85,92,873
		20,46,14,632		20,10,59,758

13. Opening and Closing Stock of Finished Goods:

	Units	Opening Stock		Closing Stock	
		31-3-2004	31-3-2003	31-3-2004	31-3-2003
Cement	MT	4,989	1,635	2,578	4,989
	Rs.	78,33,814	28,37,583	38,21,193	78,33,814
Industrial Machinery and Equipment	Not quantifiable				
	Rs.	3,40,91,991	8,64,02,838	7,14,59,839	3,40,91,991
Power	KWH	58,398	26,63,888	-	58,398
	Rs.	74,165	43,05,112	-	74,165
Noni Juice	No	79	81	79	79
	Rs.	99,619	1,02,141	99,619	99,619
Total		4,20,99,589	9,36,47,674	7,53,80,651	4,20,99,589

14. Particulars regarding Capacity and Production:

Class of Goods	CAPACITY		ACTUAL PRODUCTION	
	Licenced	Installed	31-3-2004	31-3-2003
a) Hydel	8.25 M W H	8.25 M W H	5263160 KWH	4086320 KWH
b) Cement	500000 Tonnes per annum		465684	496255
c) Industrial Machinery and equipments.			Industrial Machinery and equipments	Industrial Machinery and equipments

15. (a) "Materials Consumed" - Cost of raw materials (Limestone for Cement Factory) produced includes among other things	31-3-2004	31-3-2003
	Rs.	Rs.
(a) Salaries, Wages and Bonus	63,80,547	66,14,018
(b) Contribution to Provident and other funds	9,25,480	9,44,679
(c) Workmen and Staff Welfare Expenses	9,50,034	8,94,319
(d) Stores and Spares Consumed	32,84,694	59,02,638
(e) Power and Fuel	60,11,023	66,70,367
(f) Royalty	2,27,42,085	2,30,24,080
(g) Rates and Taxes	14,900	2,35,583
(h) Repairs to Building and Roads	13,40,980	5,37,726
(i) Repairs to Machinery	30,81,915	19,79,098
(j) Repairs to Other Assets	2,73,393	3,26,802
(k) Insurance	3,87,623	1,61,723
(l) Lease Rentals	18,82,226	49,21,956
(m) Compensatory afforestation	-	36,24,804
(n) Lime Stone Freight	2531001	-
(b) "Power and Fuel" - includes the following expenditure incurred among other things on Generation of Power.		
(a) Salaries, Wages and Bonus	7,07,582	7,27,291
(b) Contribution to Provident and other funds	1,13,280	1,07,395
(c) Workmen and Staff Welfare Expenses	21,679	12,822
(d) Power and Fuel	2,14,182	3,04,772
(e) Stores and Spares Consumed	7,56,152	4,95,850
(f) Repairs to Building and Roads	29,021	6,296
(g) Repairs to Machinery	21,750	1,280
(h) Repairs to Other Assets	1,00,560	4,598
(i) Insurance	31,453	28,091
(j) Rates and Taxes	-	38,451
16. (a) "Payment to Auditors" Comprise:		
For Statutory Audit	3,24,000	3,15,000
For Taxation matters (including tax audits)	1,68,250	8,83,500
For Certification and other services	3,25,400	1,65,500
For Company law matters	10,000	10,000
For Audit of Gratuity and Superannuation Trusts	27,000	26,250
Sales Tax Audit	16,200	15,750
Out of pocket expenses	43,001	11,829
	<u>9,13,851</u>	<u>14,27,829</u>
Fees for Cost Audit	81,000	79,250
Fees for Certification and Other Services	15,400	1,60,000
Total	<u>10,10,251</u>	<u>16,67,079</u>
(b) "Miscellaneous Expenses" include: Donations	5,000	5,000
(c) Interest paid includes:		
On Fixed Loans	4,15,23,461	5,70,19,683
To Managing Director and Other Whole-time Directors	4,21,379	15,42,602

17. Remuneration to Managing Director and Whole Time Directors:

(i) Computation of Nett Profit in accordance with sec 349 of the Companies Act, 1956.

	Rs.	31-3-2004 Rs.
Profit for the year as per Profit and Loss account		1,34,81,490
Add :		
Directors' sitting fee	3,68,000	
Remuneration to Managing Director & Whole Time Directors	14,85,896	
Loss on conversion of investments	9,33,155	
Profit on sale of Assets allowable as per sec 349	<u>46,576</u>	
		28,33,627
		1,63,15,177
Less :		
Profit on Sale of assets as per P & L A/c	5,14,722	
Deficit from earlier years brought forward U/s 349 (1)(1)	<u>3,91,71,306</u>	
		3,96,86,028
Adjusted Net Loss U/s 349		-23370911

(ii) Details of Remuneration to Managing Director and other Whole Time Directors

	31.03.2004 Rs.	31-3-2003 Rs.
Salary	9,00,000	9,00,000
House Rent Allowance	3,60,000	3,60,000
Company's Contribution to Provident Fund	72,000	72,000
Company's Contribution to Superannuation Fund	90,000	90,000
Company's Contribution to Gratuity Fund	31,848	32,602
Personal Accident Insurance Premium	10,149	7,464
Other Perquisites	13,700	16,265
Medical Expenses	8,199	30,102
	<u>14,85,896</u>	<u>15,08,433</u>

Note: In the absence of Profit for the year computed as per the provisions of Sec 349 of the Companies Act, 1956 the managerial personnel have been paid only the above as minimum remuneration.

The cost to the company of the perquisites allowed during the year to the Chairman and Managing Director in addition to the remuneration shown above works out to Rs.70,519/-. The value of the said perquisites computed in accordance with Income Tax rules 1962, works out to Rs.Nil

18. C.I.F Value of Imports made by the Company during the year

	31.03.2004 Rs.	31-3-2003 Rs.
(i) Raw Materials	11,29,140	1,87,88,814
(ii) Components and Spare Parts	2,28,47,007	97,61,653
(iii) Tools	-	7,62,307
(iv) Capital goods	-	2,64,180

19. Expenditure in Foreign Currency during the financial year on account of:

(i) Foreign Travel (excluding tickets)	12,44,616	9,39,141
(ii) Membership	11,234	49,797
(iii) Commission	-	9,72,880
(iv) Stores Consumed at Projects	-	1,85,674
(v) Seminars	-	34,034
(vi) Tender Documents	-	5,309

20. Earnings in Foreign Exchange:

- (i) F.O.B. value of goods exported during the year Rs.20,72,25,777/- (Rs.4,53,26,861/-)
 (ii) Guarantee commission Rs.21,93,000/- (Rs.23,70,000/-)

21. Comparison between Consumption of imported and indigenous raw materials, spare parts and components during the financial year:

	31-3-2004		31-3-2003	
	Rs.	%	Rs.	%
(a) Raw Materials				
(i) Imported	13,12,746	0.64	59,03,916	2.94
(ii) Indigenous	<u>20,33,01,886</u>	<u>99.36</u>	19,51,55,842	97.06
	<u>20,46,14,632</u>	<u>100</u>	<u>20,10,59,758</u>	<u>100</u>
(b) Spare parts and Components (debited to respective heads)				
(i) Imported	3,87,07,056	21.01	29,77,879	2.08
(ii) Indigenous	<u>14,55,18,109</u>	<u>78.99</u>	14,02,07,131	97.92
	<u>18,42,25,165</u>	<u>100</u>	<u>14,31,85,010</u>	<u>100</u>

22. Particulars disclosed pursuant to "AS-18 Related Party Disclosures" :-

A. List of Related parties:

Subsidiary Companies

KCP Vitetnam Industries Limited
 KECEPE Investment Private limited
 KCP Bio Tech Limited

Joint Venture Companies

Fives Cail KCP Limited

Key Management Personnel

Dr. V.L. Dutt - Chairman and Managing Director, The K C P Ltd
 Mrs. V.L. Indira Dutt - Joint Managing Director, The K C P Ltd
 Mrs. Kavitha D Chitturi - Executive Director, The K C P Ltd

Relatives of Key Management Personnel

Mrs. S.R. V. Rajalakshmanma Mother of Mrs. V. L Indira Dutt
 Mrs. V. Chandra Kumar Brother of Smt. V. L Indira Dutt
 Mrs. Uma S Vallabaneni Sister of Smt. V. L Indira Dutt
 Mrs. V. Rama Kumari Sister of Smt. V. L Indira Dutt
 Kum. Sivani Dutt Chitturi Daughter of Smt. Kavitha Dutt Chitturi

Companies controlled by

Key management Personnel/Relatives

KCP Technologies Limited
 V. Ramakrishna Sons (P) Limited

B. Transactions with related parties:

	Subsidiary Companies	Joint Ventures	Key management personnel	Relatives of Key management Personnel	Companies Controlled by KMP/ relatives of Key management Personnel
Transactions during the year	Rs.	Rs.	Rs.	Rs.	Rs.
Sale of Goods	1,41,27,764	6,74,33,261			
	(32,33,517)	(3,11,08,975)			
Sale of Assets		0			
		(2,004)			
Services rendered	64,29,181	3,65,000	30,000		1,22,880
	(68,91,757)	(76,01,511)	0		(8,95,980)
Interest Received	88,14,973				
	(1,10,50,850)				
Loans / Deposits Received	0		3,25,000		
	(2,40,00,000)		(19,00,000)		
Commission towards Counter Guarantee		2,60,096			
		(1,56,225)			
Purchase of Goods		17,67,454			
		(14,37,710)			

	Subsidiary Companies	Joint Ventures	Key management personnel	Relatives of Key management Personnel	Companies Controlled by KMP/ relatives of Key management Personnel
	Rs.	Rs.	Rs.	Rs.	Rs.
Purchase of Assets	0	0			
	(1,03,923)	(1,79,513)			
Services received and others			8,360		6374
			(1,986)		(8,486)
Remuneration paid			14,85,896		
			(15,08,433)		
Interest paid	25,18,564		4,21,379		1,456
	(25,53,165)		(15,42,602)		0
Dividend paid			4,73,443		25,157
			(7,92,686)		2,70,000
Loans paid/Given	1,72,71,664		3,00,000		
	(90,00,000)		(1,90,00,000)		

Balances as at 31.03.2004

Share capital held by KCP in	26,42,60,643	40,00,000			
	(26,42,60,643)	(40,00,000)			
Loans given - KCP Vietnam Industries Limited-outstanding at the year end / maximum amount due US \$5 Million	23,57,50,776				
	(25,46,17,100)				
Guarantees/Counter Guarantees Extended	21,93,00,000	1,55,10,700			
	(23,68,50,000)	(1,72,49,073)			
Receivable - Trade dues	1,20,42,326	64,35,514			
	(1,14,20,767)	(41,51,851)			
Receivable - Interest	1,12,60,480				
	(2,72,16,221)				
Share capital in KCP held by			54,87,310		13,00,000
			(39,63,430)		(13,50,000)
Loans/Advance/Deposits received	1,62,31,652	1,08,27,708	49,03,000		11,000
KCP Biotech Limited - outstanding at the end of the year Rs. 1,62,31,652 Maximum amount due during the year Rs. 3,35,00,000	(3,35,00,000)	(34,92,508)	(19,53,000)		
Guarantees received			21,93,00,000		
			0	(27,71,48,438)	
Payable - Trade dues	0	9,62,630	0		0
	(1,00,607)	(12,18,633)	(3,972)		(16,972)
Payable - Interest	5,35,760		0		
	(5,13,273)	0	(1,08,798)		
Provision for doubtful debts		0			
		(49,299)			

23. Particulars disclosed pursuant to "AS-19 Accounting for Leases":-

PARTICULARS	As On 31.3.2004 Rs.	Not Later than One Year Rs.	Later than 1 year and Not later than 5 Years Rs.	Later than 5 Years Rs.
Total minimum lease payments	66,64,845	26,32,920	40,31,925	Nil
Present value of minimum lease payments	42,41,715	19,23,739	23,17,976	Nil

-There are no material restrictions imposed under lease arrangements.

-There are no commitments for renewal or purchase of the leased assets at the end of the lease term.

24. The Company has 40% interest in its joint venture entity Fives Cail KCP Ltd (formerly FCB KCP Ltd), a company incorporated in India.

25. The Company share (at 40%) of the contingent liabilities of Fives Cail KCP Ltd at the Balance Sheet date works out to Rs.3,199

26. The Interest of the Company (at 40%) in the aggregate amount of the assets, income and expenses of Fives Cail KCP Ltd are as follows:

	31.03.2004 (Rs. Thousands)	31.03.2003 (Rs. Thousands)
(a) Total Assets	57129	38455
(b) Total Liabilities	57129	38455

SOURCES OF FUNDS

(a) Paid up Share Capital	4000	4000
(b) Reserves and Surplus	4320	4320
(c) Secured Loans	8233	8345
(d) Current Liabilities & Provisions	40576	21790

APPLICATION OF FUNDS

(a) Net Fixed Assets	248	289
(b) Current Assets	51475	31480
(c) Profit & Loss Account	5406	6686

PERFORMANCE OF COMPANY

(a) Turnover	100594	44966
(b) Other Income	519	818
(c) Total Expenditure	99747	53048
(d) Profit / (Loss) Before Tax	1366	-7264
(e) Profit / (Loss) After Tax	1280	-7138

General:

In respect of particulars relating to the Equipment and Components manufactured in the Company's Engineering Unit mentioned as such in the above paragraphs, unit quantification is not possible.

Paise have been rounded off.

Figures in brackets indicate those for the previous year.

Figures for the previous year have been regrouped, wherever necessary.

(BY ORDER OF THE BOARD)

V.L.DUTT
Chairman &
Managing Director

C.V.R. PANIKAR
Director

S. NANDAGOPAL
Director

K.B.PRANESH
Secretary & Corporate
General Manager (Finance)

Per our report annexed
For BRAHMAYYA & CO
Chartered Accountants

C.MURALIKRISHNA
Partner

Place: Chennai - 600 008.
Date: 7th June, 2004

STATEMENT UNDER SECTION 212 OF COMPANIES ACT, 1956 IN RESPECT OF SUBSIDIARY COMPANIES

KECEPE INVESTMENTS PRIVATE LIMITED

1. The KCP Limited held 97,35,163 equity shares of S\$ 1 each equivalent to US \$ 6 million (Rs. 23,71,43,668) representing 66.67% of the share capital.
2. KECEPE Investments Private Limited earned a net profit of S\$ 32112 (Rs.8,56,748/-) for the period ended 31st December, 2003 and a net loss of S\$ 1,11,295 (Rs.29,69,351/-) from inception to 31st December, 2003.
3. No part of the above profit has been dealt with in the company's accounts.
4. Holding company's interest as mentioned above, continued to be the same as at 31st March, 2004

KCP VIETNAM INDUSTRIES LIMITED :

(wholly-owned subsidiary undertaking of KECEPE Investments Private Limited)

1. KECEPE Investments Private Limited held the entire share capital of VND 115,343,475,000 equivalent to US\$ 9 million (Rs. 42,63,30,000).
2. The Company incurred a net loss of VND 13704203000 (Rs.3,98,44,743/-) for the year ended 31st December 2003 and a net Loss of VND 66370545000 (Rs.19,29,71,254/-) from inception to 31st December, 2003.
3. No part of the above loss has been dealt with in the company's accounts.
4. Holding company's interest as mentioned above, continued to be the same as at 31st March, 2004.

KCP – BIOTECH LIMITED

1. The KCP Limited held 37,50,000 equity shares of Rs10 each representing 99.98% of the share capital.
2. KCP – BIOTECH LIMITED earned a net profit of Rs.24,35,440/- for the year ended and net profit Rs.4,48,437/- from the inception to 31st March, 2004.
3. No part of the above profit has been dealt with in the company's accounts.

(BY ORDER OF THE BOARD)

V.L.DUTT
Chairman &
Managing Director

C.V.R. PANIKAR
Director

S. NANDAGOPAL
Director

K.B.PRANESH
Secretary & Corporate
General Manager (Finance)

Place: Chennai - 600 008.
Date:7th June, 2004

**KECEPE INVESTMENTS PRIVATE LIMITED
(Incorporated in the Republic of Singapore)
AND ITS SUBSIDIARY**

**FINANCIAL STATEMENTS
FINANCIAL YEAR ENDED 31 DECEMBER 2003**

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REPORT OF THE DIRECTORS

The directors present their report together with the audited financial statements of the Company and of the Group for the financial year ended 31 December 2003.

1. The directors in office at the date of this report are:

Dr Velagapudi Lakshmana Dutt

Mrs Velagapudi Lakshmana Indira Dutt

Mr Vallabhaneni Subba Rao

Mr Ismail Bin Senin

2. There was no acquisition or disposal of subsidiary company during the financial year.

3. Neither at the end of the financial year nor at any time during the financial year did there subsist any arrangement whose object is to enable the directors of the Company to acquire benefits by means of the acquisitions of shares or debentures of the Company or any other body corporate.

4. The directors holding office at the end of the financial year have no interests in the share capital and debentures of the Company as recorded in the register of directors' shareholdings kept by the Company under Section 164 of the Companies Act, Cap. 50 except as follows:

Name of directors	Shareholdings in the name of director	
	At beginning of the year	At end of the year
The Company	No. of ordinary shares of S\$1 each	
Mr Vallabhaneni Subba Rao	37,036	37,036
Ultimate and Immediate Holding Company - The KCP Limited	No. of ordinary shares of Rs. 10 each	
Mr Vallabhaneni Subba Rao	23,905	23,905
Dr Velagapudi Lakshmana Dutt	273,153	333,943
Mrs Velagapudi Lakshmana Indira Dutt	76,540	76,540

In accordance with the Articles of Association, Dr Velagapudi Lakshmana Dutt retires by rotation and being eligible offer himself for re-election.

5. Before the financial statements of the Company were made out, the directors took reasonable steps to ascertain that current assets of the Company which were unlikely to realise in the ordinary course of business their book values have been written down to their estimated realisable values or that adequate provisions have been made for the diminution in value of such current assets.

At the date of this report, the directors are not aware of any circumstances, which would render the values attributable to current assets in the consolidated financial statements misleading.

6. During the financial year, director's fees of S\$2,667 were payable to a company in which a director is an employee. The director has neither received nor will he become entitled to receive any benefits arising out of this transaction other than those he may be entitled to as an employee of the firm. Apart from the above, since the end of last financial year, no director has received or become entitled to receive a benefit which is required to be disclosed by Section 201(8) of the Companies Act, Cap. 50 by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member, or with company in which he has a substantial financial interest.

7. During the financial year, no option to take up unissued shares of the Company has been granted.

8. During the financial year, no options were exercised.

9. At 31 December 2003, no unissued shares of the Company were under option.

10. Paul Wan & Co. have expressed their willingness to accept re-appointment as auditors.

On behalf of the directors

Mr Vallabhaneni Subba Rao

Singapore

Dr Velagapudi Lakshmana Dutt

STATEMENT BY DIRECTORS

We, **Mr Vallabhaneni Subba Rao** and **Dr Velagapudi Lakshmana Dutt** state that, in the opinion of the directors:

(i) the accompanying financial statements set out on pages 45 to 55 are drawn up so as to give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2003 and of the results of the business of the Group, changes in equity of the Company and of the Group and cash flows of the Group for the financial year ended on that date; and

(ii) at the date of this statement there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the directors

Mr Vallabhaneni Subba Rao

Singapore

Dr Velagapudi Lakshmana Dutt

REPORT OF THE AUDITORS TO THE MEMBERS

We have audited the accompanying financial statements set out on pages to for the financial year ended 31 December 2003. These financial statements are the responsibility of the Company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Singapore Standards on Auditing. 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 the directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

(a) the financial statements and consolidated financial statements are properly drawn up in accordance with the provisions of the Companies Act and Financial Reporting Standards and so as to give a true and fair view of:

(i) the state of affairs of the Company and of the Group as at 31 December 2003 and of the results of the business, changes in equity of the Company and of the Group and cash flows of the Group for the financial year ended on that date; and

(ii) the other matters required by Section 201 of the Act to be dealt with in the financial statements.

(b) the accounting and other records, and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

We have considered the financial statements and auditors' report of the subsidiary company of which we have not acted as auditors, being financial statements included in the consolidated financial statements. The name of the subsidiary is stated in note 7 to the financial statements.

We are satisfied that the financial statements of the subsidiary that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations as required by us for these purposes.

The auditors' reports on the financial statements of the subsidiary were not subject to any qualification.

PAUL WAN & CO
Certified Public Accountants,
Singapore

INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2003

	Note	The Group	The Company
		2003 S\$	2002 S\$
Turnover	3	16,062,345	14,643,213
Cost of sales		(13,206,763)	(12,730,534)
Gross Profit		2,855,582	1,912,679
Other operating income		102,587	149,841
Distribution costs		(781,241)	(307,012)
Administrative expenses		(544,744)	(495,902)
Other operating expenses		-	(259)
Profit from operations		1,632,184	1,259,347
Finance cost		(2,456,198)	(2,562,430)
Loss for the year before taxation	4	(824,014)	(1,303,083)
Taxation	18	(3,747)	(1,607)
Loss for the year after taxation		(827,761)	(1,304,690)

The notes set out on pages 51 to 55 form an integral part of these financial statements.

BALANCE SHEET AS AT 31ST DECEMBER 2003

	Note	The Group		The Company	
		2003 S\$	2002 S\$	2003 S\$	2002 S\$
ASSETS					
Non-current assets					
Plant and equipment	6	30,794,954	34,483,170	-	-
Investment in subsidiary company	7	-	-	14,338,845	14,338,845
Investment in securities	8	545	-	-	-
Construction in progress	9	130,520	-	-	-
		<u>30,926,019</u>	<u>34,483,170</u>	<u>14,338,845</u>	<u>14,338,845</u>
Current assets					
Stocks	10	1,464,200	854,740	-	-
Trade debtors		209,243	67,455	-	-
Advances to suppliers	16	329,119	152,904	-	-
Other debtors and prepayment	11	2,531,015	1,456,781	333	-
Cash at bank and in hand		934,850	1,322,578	94,795	52,909
Amount due from a subsidiary company	12	-	-	70,015	105,091
		<u>5,468,427</u>	<u>3,854,458</u>	<u>165,143</u>	<u>158,000</u>
TOTAL ASSETS		<u>36,394,446</u>	<u>38,337,628</u>	<u>14,503,988</u>	<u>14,496,845</u>
EQUITY AND LIABILITIES					
Capital and reserve					
Share capital	13	14,555,085	14,555,085	14,555,085	14,555,085
Accumulated losses		(10,127,523)	(9,299,762)	(111,295)	(143,407)
Translation reserve		(1,423,672)	(809,358)	-	-
		<u>3,003,890</u>	<u>4,445,965</u>	<u>14,443,790</u>	<u>14,411,678</u>
Non-current liabilities					
Bank loan	15	29,408,821	30,441,887	-	-
		<u>29,408,821</u>	<u>30,441,887</u>	-	-
Current liabilities					
Trade creditors		1,909,085	1,035,080	-	-
Other creditors and accruals	14	2,068,903	2,377,089	60,198	47,560
Amount due to a related company	17	-	36,000	-	36,000
Provision for taxation	18	3,747	1,607	-	1,607
		<u>3,981,735</u>	<u>3,449,776</u>	<u>60,198</u>	<u>85,167</u>
TOTAL EQUITY AND LIABILITIES		<u>36,394,446</u>	<u>38,337,628</u>	<u>14,503,988</u>	<u>14,496,845</u>

The notes set out on pages 51 to 55 form an integral part of these financial statements.

BALANCE SHEET AS AT 31ST DECEMBER 2003

	The Company		The Company	
	2003 S\$	2002 S\$	2003 Rs.	2002 Rs.
			(Conversion Rate)	
			26.68	27.66
ASSETS				
Non-current assets				
Investment in subsidiary company	14,338,845	14,338,845	382,560,385	396,612,453
	14,338,845	14,338,845	382,560,385	396,612,453
Current assets				
Other debtors and prepayment	333	0	8,884	0
Cash at bank and in hand	94,795	52,909	2,529,131	1,463,463
Amount due from subsidiary company	70,015	105,091	1,868,000	2,906,817
	165,143	158,000	4,406,015	4,370,280
TOTAL ASSETS	14,503,988	14,496,845	386,966,400	400,982,733
EQUITY AND LIABILITIES				
Capital and reserve				
Share capital	14,555,085	14,555,085	388,329,668	402,593,651
Accumulated loss	-111,295	-143,407	-2,969,351	-3,966,638
	14,443,790	14,411,678	38,53,60,317	39,86,27,013
Non-current liabilities				
Current liabilities				
Other creditors and accruals	60,198	47,560	1,606,083	1,315,510
Amount due to a related company	0	36,000	0	995,760
Provision for taxation	0	1,607	0	44,450
	60,198	85,167	1,606,083	2,355,719
TOTAL EQUITY AND LIABILITIES	14,503,988	14,496,845	386,966,400	400,982,733

DETAILED TRADING, PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER 2003

	The Company		The Company	
	2003 S\$	2002 S\$	2003 Rs.	2002 Rs.
			(Conversion Rate)	
			26.68	27.66
INCOME:				
Management Fees	63,788	65,062	1,701,864	1,799,615
Administrative Expenses				
Accountancy fees	2,000	2,000	53,360	55,320
Auditors Remuneration	10,000	7,500	266,800	207,450
Director's fees	2,667	-	71,156	-
General Expenses	1,415	1,037	37,752	28,683
Legal and Professional fees	13,500	1,500	360,180	41,490
Exchange difference	864	7,173	23,052	198,405
Management Fees	-	36,000	-	995,760
Secretarial fees				
Current year	1,200	1,500	32,016	41,490
Over provision for prior year	(300)	-	(8,004)	-
	-31,346	-56,710	(836,311)	(1,568,599)
FINANCE COST				
Bank charges	-330	-362	(8,804)	(10,013)
PROFIT for the year before taxation	32,112	7,990	856,748	221,003

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2003

The Group	Share Capital S\$	Translation Reserve S\$	Accumulated Loss S\$	Total S\$
Balance as at 31 December 2001	14,555,085	(967,586)	(7,995,072)	5,592,427
Exchange difference arising from year end translation of VND financial statement into S\$ currency	-	158,228	-	158,228
Net profit not recognised in the income statement	-	158,228	-	158,228
Loss for the year after taxation	-	-	(1,304,690)	(1,304,690)
Balance as at 31 December 2002	14,555,085	(809,358)	(9,299,762)	4,445,965
Exchange difference arising from year end translation of VND financial statement into S\$ currency	-	(614,314)	-	(614,314)
Net loss not recognised in the income statement	-	(614,314)	-	(614,314)
Loss for the year after taxation	-	-	(827,761)	(827,761)
Balance as at 31 December 2003	14,555,085	(1,423,672)	(10,127,523)	3,003,890

The Company	Share Capital S\$	Accumulated Profit/ (Loss) S\$	Total S\$
Balance as at 31 December 2001	14,555,085	(149,790)	14,405,295
Profit for the year after taxation	-	6,383	6,383
Balance as at 31 December 2002	14,555,085	(143,407)	14,411,678
Profit for the year after taxation	-	28,365	28,365
Balance as at 31 December 2003	14,555,085	(115,042)	14,440,043

The notes set out on pages 51 to 55 form an integral part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2003

	Note	2003 S\$	2002 S\$
CASH FLOW FROM OPERATING ACTIVITIES			
LOSS for the year before taxation		(824,014)	(1,303,083)
Adjustment for:			
Amortisation		-	2,761
Depreciation	6	2,843,869	2,948,543
Exchange difference		191,934	3,327,202
Plant and equipment		-	3,784,045
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES		2,211,789	8,759,468
In stocks		(609,460)	477,657
In trade debtors		(141,788)	29,321
In advance to suppliers		(176,215)	(133,209)
In other debtors and prepayment		(1,074,234)	(1,297,633)
In trade creditors		874,005	(553,099)
In other creditors and accruals		(308,186)	74,441
In amount due to a director		-	(37,000)
In amount due to a related company		(36,000)	(36,000)
Net cash generated from operations		739,911	7,283,946
Income tax paid	18	(1,607)	(3,552)
		738,304	7,280,394
CASH FLOW FROM INVESTING ACTIVITIES			
Investment in securities		(545)	-
Purchase of plant and equipment	6	(370,444)	(4,378,601)
Addition of construction in progress	9	(130,520)	-
Net cash used in investing activities		(501,509)	(4,378,601)
CASH FLOW FROM FINANCING ACTIVITIES			
Repaymnt/Net proceeds of bank loan		(624,523)	(2,965,532)
Net cash used in financing activities		(624,523)	(2,965,532)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(387,728)	(63,739)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	A	1,322,578	1,386,317
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	A	934,850	1,322,578

The notes set out on pages 51 to 55 form an integral part of these financial statements.

NOTES TO CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2003

A. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash in hand and balance with banks. Cash and cash equivalents included in the cash flow statement comprise the following balance sheet amount:

	<u>The Group</u>	
	2003	2002
	S\$	S\$
Cash at bank and in hand	934,850	1,322,578

**NOTES TO THE FINANCIAL STATEMENTS FOR THE
YEAR ENDED 31 DECEMBER 2003**

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. CORPORATE INFORMATION

The principal activities of the Company are those as investment holding company and the principal activity of its subsidiary company is production of sugar and sugar by-products.

The company's registered office is located at 10 Anson Road, #35-07/08 International Plaza, Singapore 079903.

The subsidiary's head office and plant is located at Cung Son Town, Son Hoa District, Phu Yen province.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Accounting

The financial statements expressed in Singapore dollars are prepared in accordance with the historical cost convention and have been properly drawn up in accordance with the provisions of the Singapore Companies Act and Financial Reporting Standards.

b) Foreign Currencies

Monetary assets and liabilities are translated into Singapore dollars at rates of exchange closely approximate to those ruling at the balance sheet date and transactions in foreign currencies during the financial year are translated at rates closely approximate to those ruling at transaction dates. All transaction differences are dealt with through the income statements.

(c) Investment in Subsidiary Company

The investment in subsidiary company is stated at cost. Provision for diminution in value is made when, in the opinion of the directors, there has been a permanent diminution in value.

(d) Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary company made up to the end of the financial year. All intra-group accounts and transactions are eliminated upon consolidation.

The financial statements of foreign subsidiary are translated into Singapore dollars at rates of exchange approximate to those ruling at balance sheet date. Translation difference is taken directly to group translation reserve.

(e) Stocks & Work in Progress

Stocks are stated at the lower of cost and net realisable value. The cost is calculated on a FIFO basis and comprises of materials, direct labour and an appropriate proportion of all production overhead expenses.

(f) Plant and Equipment and Depreciation

Plant and equipment are stated at cost less accumulated depreciation. The depreciation is calculated on a straight line basis to write off the cost of the assets over their estimated useful lives.

The estimated useful lives of the plant and equipment are as follows:

	Year
Plant	25
Machinery and equipment	12
Transportation facilities	6
Office equipment	4

Fully depreciated assets are retained in the financial statements until they are no longer in use and no further charge for depreciation is made in respect of these assets.

(g) Investment in Securities

Investment in securities held on a long-term basis is stated at cost. Provision is made where there is permanent impairment in value.

h) Construction In Progress

The costs of construction in progress for the subsidiary are capitalised upon their occurrence and will be transferred to Plant and Equipment and depreciated over its useful life upon completion.

(i) Income Recognition

Income from sales of sugar and molasses are recognized based on delivery of goods and acceptance by customers.

Interest income is recognized on accrued basis.

(j) Related Company

Related company is a company in which the director has the ability to control the other or exercise significant influence over the other in making financial and operating decisions.

3. TURNOVER

These represent the sales of sugar and molasses, interests received on fixed deposit and management fees receivable.

4. LOSS FOR THE YEAR BEFORE TAXATION

	The Group	
	2003 S\$	2002 S\$
Loss for the year before taxation has been arrived at:		
After charging:		
Amortisation of land rights	-	2,761
Bank loan interest	1,984,480	2,001,679
Depreciation		
- Plant	236,574	236,847
- Machinery and equipment	2,557,061	2,630,133
- Transportation and facilities	37,635	39,009
- Office equipment and others	12,599	42,554
Exchange difference	357,189	567,563
Staff cost	785,164	648,306
Plant and equipment written off	-	3,784,045

5. ULTIMATE HOLDING COMPANY

The ultimate holding company is The KCP Limited, a company incorporated in India.

6. PLANT AND EQUIPMENT

	The Group			
	As at 01.01.03 S\$	Additions S\$	Exchange difference S\$	At at 31.12.03 S\$
Cost				
Plant	5,921,187	307,400	(208,594)	6,019,993
Machinery and equipment	31,800,518	33,557	(1,120,285)	30,713,790
Transportation facilities	229,466	-	(8,083)	221,383
Office equipment and others	180,897	29,487	(6,373)	204,011
	38,132,068	370,444	(1,343,335)	37,159,177
Accumulated Depreciation				
Plant	477,147	236,574	(16,809)	696,912
Machinery and equipment	2,842,942	2,557,061	(100,152)	5,229,851
Transportation and Facilities	168,168	37,635	(5,924)	199,879
Office equipment and other	160,641	12,599	(5,659)	167,581
	3,648,898	2,843,869	(128,544)	6,364,223

	As at 31.12.2003 S\$	As at 31.12.2002 S\$
Net Book Value		
Plant	5,323,081	5,444,040
Machinery and Equipment	25,413,939	28,957,576
Transportation Facilities	21,504	61,298
Office equipment and others	36,430	20,256
	30,794,954	34,483,170

7. INVESTMENT IN SUBSIDIARY COMPANY

Subsidiary Company	Principal Activity	Place of Business	2003 S\$		2002 S\$	
			31.12.03	31.12.02	31.12.03 US\$	31.12.02 US\$
Unquoted shares, at cost			14,338,845		14,338,845	
KCP Vietnam Industries Ltd* (Incorporated in the Socialist Republic of Vietnam)	Production of sugar and sugar by-products	Socialist Republic of Vietnam	100%	100%	9,000,000	9,000,000

* Audited by associate firm of Morissan International

8. INVESTMENT IN SECURITIES

	The Group	
	2003 S\$	2002 S\$
Government bond, at cost	545	-

The Government bond was issued by the Government of Vietnam and will mature in October 2008, at a rate of return of 8.5% per annum.

9. CONSTRUCTION IN PROGRESS

	The Group	
	2003 S\$	2002 S\$
Balance brought forward	-	2,878,691
Addition	130,520	-
Transfer to plant and equipment	-	(2,650,680)
Exchange difference	-	(228,011)
Balance carried forward	130,520	-

10. STOCKS

These comprise of:	The Group	
	2003 S\$	2002 S\$
Raw materials	1,424	13,302
Tools and supplies	988,601	785,280
Work in progress	240,979	29,918
Finished goods	233,197	26,240
	1,464,201	854,740

11. OTHER DEBTORS AND PREPAYMENT

	The Group		The Company	
	2003 S\$	2002 S\$	2003 S\$	2002 S\$
Other debtors	6,022	979,721	-	-
Prepayment	2,524,993	477,060	333	-
	2,531,015	1,456,781	333	-

12. AMOUNT DUE FROM A SUBSIDIARY COMPANY

	The Company	
	2003 S\$	2002 S\$
Trade	81,010	59,051
Non-trade	(10,995)	46,040
	70,015	105,091

The amount due from a subsidiary company is unsecured, interest-free and with no fixed terms of repayment.

13. SHARE CAPITAL

	The Company	
	2003 S\$	2002 S\$
Authorised 20,000,000 ordinary shares of S\$1/- each	20,000,000	20,000,000
Issued and Fully Paid 14,555,085 ordinary shares of S\$1/- each	14,555,085	14,555,085

14. OTHER CREDITORS AND ACCRUALS

	The Group		The Company	
	2003 S\$	2002 S\$	2003 S\$	2002 S\$
Other creditors	159,025	39,706	35,638	34,700
Accruals	1,909,878	2,337,383	24,560	12,860
	2,068,903	2,377,089	60,198	47,560

15. BANK LOAN
THE GROUP

This represents long term loans and short term loans obtained by the subsidiary company.

The long term loans are made up of:

- (1) The Medium-term loans of US\$ 253,577 and US\$152,500 obtained from The KCP Ltd to meet the interest obligations of Canara Bank, London. The interest is payable at the rate of 2.5% above six months LIBOR per annum. The loan is repayable from December 2001 to December 2003.
- (2) A long term loan of US\$4,968,944 was granted to the subsidiary company from KCP Limited for repaying the 72 Billion VND medium term loan availed from Vietcom Bank and Vietincom Bank Consortium. The interest is payable at the rate of 2.5% per annum and over and above the six months LIBOR rate. The loan is repayable in 12 quarterly instalments commencing from 31 January 2003 and ending 31 October 2005.

(3) A long-term loan facility of US\$ 5 millions was granted to the subsidiary company by Canara Bank, London to be used solely for the Sugarcane Milling Plant in Vietnam. The interest is payable at the rate of 2% above the three months LIBOR per annum, quarterly in arrears. The loan repayment of US\$ 2.5 millions will be due by 20 June 2004 and the balance of US\$ 2.5 millions by 20 June 2005. As at 31 December 2003, the amount of US\$5,000,000 was withdrawn under the facility. The loan was secured by a corporate guarantee of the company and the ultimate holding company.

(4) A long term of US\$2.2 millions are granted to the subsidiary company at for construction of sugar factory at interest rate of 3.3% per annum and over and above the three months LIBOR rate. The loan is repayable commencing from 1 July 2005 to 1 July 2010 by 11 equal instalment.

(5) The long term domestic loans for reconstruction of sugar factory at new location were obtained from the Vietnam Bank for Agriculture and Rural Development - Thua Thien Hue branch and Development Assistance Fund availed in VND converted into USD at year end exchange rate of 15,608 VND/USD, the loan balance in USD was 4,714,115. The interest is payable at the rate of 5.4% to 10.2% per annum. The loans are repayable commencing from 2004 to 2008.

16. ADVANCES TO SUPPLIERS
THE GROUP

Include in advances to suppliers, there was S\$ 308,493 (2002: NIL) due from Ultimate Holding Company.

17. AMOUNT DUE TO A RELATED COMPANY (TRADE)

The amount due to a related company is unsecured, interest-free and with no fixed terms of repayment.

18. PROVISION FOR TAXATION

	The Group		The Company	
	2003 S\$	2002 S\$	2003 S\$	2002 S\$
Balance brought forward	1,607	3,552	1,607	3,552
Add:-Provision for Current year	3,747	1,607	3,747	1,607
	3,747	1,607	3,747	1,607
	The Group		The Company	
	2003 S\$	2002 S\$	2003 S\$	2002 S\$
Less:Payment during the year	(1,607)	(3,552)	(1,607)	(3,552)
Balance carried forward	3,747	1,607	3,747	1,607

Reconciliation between accounting profit and tax payable

	2003 S\$	2002 S\$
Accounting profit	32,112	7,990
Tax at the applicable tax rate 22%	7,065	1,758
Tax effect of expenses/income not deductible/not allowable in determining tax profit	1,529	-
Additional tax on timing difference -exchange difference	-	2,556
Less : Tax savings on exempt amount	(4,847)	2,707
Tax payable	3,747	1,607

The subsidiary company is entitled to tax concessions whereby the profit of the first 4 financial years beginning with the first profit making year is exempted from corporate tax Vietnam and the profit of the subsequent 4 financial years is taxable at 50% reduction of the corporate tax.

19. RELATED PARTY TRANSACTIONS

The significant related party transactions during the year were as follows:

	The Company	
	2003 S\$	2002 S\$
Management fees payable	-	36,000
Management fees receivable from subsidiary company	63,788	65,062

The above related party transactions are transacted at normal commercial terms and were at arm's length.

20. CONTINGENT LIABILITIES

	The Company	
	2003 US\$	2002 US\$
Corporate guarantee on bank loan of subsidiary company	5,000,000	5,000,000

21. STRENGTH OF STAFF

	The Group	
	2003	2002
Number of staff as at 31 December	363	323

22. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with current year's presentation. The presentation in the current year financial statements has been modified in order to conform with requirements of Financial Reporting Standards issued by the Council on Corporate Disclosure & Governance (CCDG).

DETAILED TRADING PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2003

	2003 S\$	2002 S\$
INCOME		
Management fees	63,788	65,062
Less : ADMINISTRATIVE EXPENSES		
Accountancy fees	2,000	2,000
Auditors' remuneration	10,000	7,500
Director's Fee	2,667	-
General expenses	1,415	1,037
Legal and professional fees	13,500	1,500
Exchange difference	864	7,173
Management fees	-	36,000
Secretarial fees		
- current year	1,200	1,500
- over-provision in prior year	(300)	-
	<u>(31,346)</u>	<u>(56,710)</u>
FINANCE COSTS		
Bank charges	(330)	(362)
PROFIT for the year before taxation	<u>32,112</u>	<u>7,990</u>

**KCP VIETNAM INDUSTRIES LIMITED
(A 100% foreign invested company licensed
and incorporated in S.R. Vietnam)**

**FINANCIAL STATEMENTS
FINANCIAL YEAR ENDED 31 DECEMBER 2003**

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REPORT OF THE BOARD OF MANAGEMENT AND GENERAL DIRECTOR

The Board of Management and General Director submit their report together with the audited financial statements for the year ended 31st December 2003.

PRINCIPAL ACTIVITY

The principal activity of the company is production of sugar and sugar by-products.

RESULTS

The company has commenced its crushing operations for the season 2002-2003 on 31.12.2002 and closed on 12.07.2003 crushing 410,392 tons of sugar cane, against expected crushing of 400,000 tons. The average sugarcane price paid to the farmers during the season was 214,170 VND per ton. The average sugar recovery during the season 2002-2003 was 8.98%.

EXPLANATION AND INTERPRETATION OF THE RESULTS OF BUSINESS OPERATIONS

Production

Total sugar and molasses production during the season 2002-2003 are as follows.

Particulars	Production Tons	Total Tons
Brown sugar	68.500	
White sugar (Refined Grade)	14,895.700	
Refined sugar	22,733.040	37,697.240
Molasses	23,873.940	23,873.940

Sales

During the year the company sold 36,985.850 tons of sugar, leaving a closing stock of 711.390 tons as on 31st December 2003. During the year average sugar realisation per ton was at 3,666,380 VND (net). During the year the company sold 23,486.840 tons of molasses, leaving a closing stock of 387.100 tons as on 31st December 2003 and the average realisation per ton of molasses was at 486,113 VND(net).

FINANCIAL INDICATORS OF THE BUSINESS

	2003	2004
1. Asset structure		
- Fixed assets and long term investments/Total assets (%)	91.89%	86.13%
- Current assets and short term investments/Total assets(%)	8.10%	13.87%
2. Profitability		
- Net profit/Net sales (%)	(12.92%)	(9.30%)
- Net profit/Owners equity (%)	(26.72%)	(27.98%)
3. Financial situation		
- Liabilities/Total assets	82.73%	86.22%
- Liquidity		
Current ratio: Current assets and Short term investments / Current liabilities	2.90 times	2.64 times
Quick ratio: Cash / Current liabilities	1.11 times	0.41 times

OVERALL EVALUATION

In order to encourage the farmers to grow more sugarcane the company extended fertilizer and sugarcane seed to the farmers on loan basis. During the year the company issued 1083.66 tons of fertilizer valued at 2.81 B' VND and 2417.188 tons of new variety sugarcane seed valued at 576 M VND, purchased within Phu Yen Provinces and from other Provinces.

The company commenced the crushing operations for the season 2003-04 on 20th December 2003 and crushed 17,014 tons of cane as on 31st December 2003.

The company withdrew 69.59 Billions of VND from Development Assistant Fund out of the sanctioned amount of 72 Billions as on 31st December 2003 to meet the shifting expenditure. Upto 31st December 2003 the repaid an amount of 6B' VND to the Development Assistance Fund and 10B' VND to Agriculture and Rural Development Bank, T.T. Hue towards principal amount. During the year company paid an amount of US\$ 843,408.41 towards interest and other fees on foreign loans, an amount of 4.440 B' VND towards interest on the loan from Development Assistance Fund and 1.413 B' VND towards interest on the loan from Agriculture nad Rural Development Bank, T.T. Hue.

During the year the company borrowed an amount of 10 B' VND from Investment and Development Bank, Binh Dinh branch towards working capital loan and repaid the full amount by July 2003.

ACHIEVEMENTS :

During the year 2003 company was accredited with ISO 9001 certification by BVQI. The company also received Gold Medal for its products "Refined Sugar Superior" as the Best Quality Product during Trade Fair for "New Product and New Technology 2003" held at Hanoi from 27th May to 2nd June 2003.

AUDITORS

During the year 2003, the financial statements have been audited by M/s. Thuy Chung Auditing Co., Ltd. Ho Chi Minh City.

BOARD OF MANAGEMENT AND GENERAL DIRECTOR

The members of the Board of Management and the General Director during the period and to the date of this report are:

Board of Management:

Chairman : Dr. Velagapudi Lakshmana Dutt
 Member : Mrs. Velagapudi Lakshmana Indira Dutt
 Member : Dr. Gollamudi Venka Reddy
 General Director: Mr. K.V.S.R. Subbaiah

FUTURE PROSPECTS

With the successful operation of KCPVIL in Phu Yen Province Sugar Cane cultivation gained momentum, particularly in the areas earmarked for KCPVIL. A total sugarcane area covering 15000 Ha in four districts has been earmarked for KCPVIL for 2003-2004 crushing season. The sugarcane area earmarked in Son Hoa District, where KCPVIL is located increased to 7600Ha for season 2003-04. The company

invested on new sugarcane seeds and fertilizer to support the farming community on cane cultivation and to ensure the availability of new varieties of cane seed for fresh plantations. However the crops suffered moisture stress and drought during four months from January to April 2003. At the request of the company the Provincial and District authorities have responded positively to implement some irrigation projects in the sugar cane area earmarked for KCPVIL, which on completion will improve yields and ensure development of new varieties of sugarcane.

Company is also investing to repair internal roads in the cane areas to ensure smooth transportation of raw material to the factory. In spite of effect of drought on sugar cane yields, company is planning to draw cane from the additional area allocated for KCPVIL and targeting to crush around 4,50,000 tons of cane for 2003-04 crushing season. To handle this quantity of cane effectively company has invested on machinery to stabilize the capacity of the plant at 3000 TCD.

With the success of the product quality in the market during the year 2003, it is decided to invest on equipment to produce more grades of sugar which we can meet demands of various sections of the market. The company expects to realise higher price for its products by maintaining high quality that will satisfy the needs of the Customer.

The Company took over a small scale sugar factory of 150 TCD capacity in Dong Xuan District, after the balance sheet date.

This factory was owned by Khanh Hoi Sugar Company under the Ministry of Agriculture and Rural Development and was not under operation during 2002-03 crushing season as parent company Khanh Hoi Sugar Company was being restructured. As such the Dong Xuan Sugar factory was earmarked for sale and with the motivation of provincial authorities, company took a decision to take over Dong Xuan sugar factory to stabilize the raw material zone in the Dong Xuan District, which is presently shared by both the factories.

The contract to take over Dong Xuan sugar factory has been signed and necessary formalities and under progress to obtain license from concerned authorities. We have now commenced operation in this factory. It will be an advantage for KCPVIL to manage this factory in this location since it offers extended raw material zone for both the factories and semi finished product can be transported at lower cost from Dong Xuan factory to San Hoa factory to convert in to a high valued refined product. It is planned to crush around 15,000 tons of cane during 2003-2004 crushing season. In course of time, company will draw plans to develop the Dong Xuan factory.

The Company is also drawing up plans to increase the capacity of the plant further at Son Hua with the facility of Co-generation of power to ensure quick returns on investment and to effectively compete during implementation of AFTA (ASEAN Free Trade Agreement)

Government of Vietnam has reduced VAT on Sugar from 10% to 5% with effect from 01.01.2004. This will have the good effect on the business operations of the Company.

STATEMENT BY THE BOARD OF MANAGEMENT AND GENERAL DIRECTOR

We, Dr. V.L. Dutt on behalf of the Board of Management and K. V. S. R Subbaiah, General Director, do hereby state that in our opinion, the accompanying balance sheet and cash flow statement together with the notes thereto, have been properly drawn up and give a true and fair view of the state of affairs of the company as at 31st December 2003.

on behalf of the Board of Management

Dr. Velagapudi Lakshmana Dutt
Chairman,

K.V.S.R.Subbaiah
General Director

Phu Yen Province, S.R. Vietnam
Date: 19th March 2004

AUDITORS' REPORT ON THE FINANCIAL STATEMENTS FOR THE FISCAL YEAR 2003

To The Board of Members of KCP VIETNAM INDUSTRIES LIMITED

We have audited the financial statements for the year ended 31st December 2003 on pages from including Report of Board of Management and General Director, Balance Sheet, Cash Flow and Notes to the Financial Statements of your Company.

The Company's Director is responsible for the preparation of the financial statements. Our responsibility is to form an independent opinion based on our audit.

Basis of opinion

We conducted our audit in accordance with Vietnamese Standards on Accounting and Auditing as well as with international standards accepted by the Socialist Republic of Vietnam. An audit includes examination, on a test basis, of evidence relevant to the amounts and explanations in the financial statements, in order to make conclusion that the financial statements are free from significant material

misstatement. We consider that our audit provides us reasonable basis for our opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial state of affairs of the Company as at 31st December 2003, the financial statements have been prepared in accordance with accounting standards and systems currently in force in Vietnam.

The form and expression to this Financial Statement may differ from those generally accepted in countries other than Vietnam.

Yours faithfully

Director - CPA
Phung Thi Thanh Thuy
AC. No. : D.0126 / KTV

Auditor
Dang Duc Chuyen
AC.No. : 0345 / KTV

BALANCE SHEET AS AT 31 DECEMBER 2003

Unit : 1,000 VND

ITEMS	Code	As on 31.12.2002	As on 31.12.2003
1	2	3	4
ASSETS			
A. CURRENT ASSETS & SHORT-TERM INVESTMENTS	100	29,430,132	49,304,199
I. Capital in cash	110	11,239,780	7,708,155
1 Cash on Hand	111	307,486	582,621
2 Cash in bank	112	10,932,294	7,125,533
II. Short term investments	120	-	-
III. Account receivable	130	2,015,396	4,995,133
1 Account receivable-trade	131	597,150	1,919,969
2 Prepayment to suppliers	132	1,353,577	3,019,911
3 Other receivable	138	64,669	55,253
IV. Inventories	140	7,566,620	13,435,184
1 Raw materials	142	117,760	13,068
2 Tools and supplies	143	6,951,711	9,071,182
3 Work in progress	144	264,850	2,211,167
4 Finished goods	145	232,299	2,139,767
V. Other current assets	150	8,608,336	23,165,727
1 Advances	151	3,366,336	4,005,727
2 Short term deposits, mortgages and collateral	153	5,242,000	19,160,000
B. FIXED ASSETS & LONG TERM INVESTMENTS	200	333,450,344	306,108,792
I. Fixed assets	210	305,263,293	282,567,684
1 Tangible fixed assets	211	305,263,293	282,567,684
- Cost	212	337,565,271	340,964,387
- Accumulated depreciation	213	(32,301,978)	(58,396,704)
2 Intangible fixed assets	217	-	-
- Cost	218	456,190	456,190
- Accumulated Amortisation	219	(456,190)	(456,190)
II. Long term investments	220	-	5,000
Long term securities	221	-	5,000
III. Construction in progress	230	-	1,197,627
IV. Long Term deposit	240	-	-
V. Long term prepaid expense	241	28,187,051	22,338,481
TOTAL ASSETS (A+B)	250	362,880,476	355,412,990

Unit : 1,000 VND

ITEMS	Code	As on 31.12.2002	As on 31.12.2003
1	2	3	4
RESOURCE			
C. LIABILITIES	300	300,203,343	306,440,060
I. Current liabilities	310	10,137,712	18,649,519
1 Account payable-trade	313	4,038,518	7,052,846
2 Advances from customers	314	-	85,266
3 Taxes and payable to state budget	315	5,153,787	10,412,883
4 Payable to employees	316	764,983	788,377
5 Other payable	318	180,424	310,145
II. Long term liabilities	320	269,487,722	269,848,843
1 Long term borrowings	321	269,487,722	269,848,843
III. Others	330	20,577,909	17,941,698
1 Accured expenses payable	331	20,577,909	17,941,698
D. OWNER'S EQUITY	400	62,677,133	48,972,930
I. Capital sources and funds	410	62,677,133	48,972,930
1 Paid in capital	411	115,343,475	115,343,475
2 Undistributed profit	416	(52,666,342)	(66,370,545)
II. Budget sources	420	-	-
TOTAL RESOURCES (C+D)	430	362,880,476	355,412,990

Dr. Velagapudi Lakshmana Dutt
 Chairman, on behalf of the Board of Management
 Phu Yen Province, S.R. Vietnam
 Date: 19.03.2004

K.V.S.R. Subbaiah
 General Director

BALANCE SHEET AS AT 31 DECEMBER 2003

ITEMS	Code	As on 31/12/02	As on 31/12/03	As on 31/12/02	As on 31/12/03
1	2	3	4	5	6
	Unit :1000 VND	Unit :1000 VND		Rs	Rs
				Conversion Rate 321.57	343.94
ASSETS					
A. CURRENT ASSETS & SHORT-TERM INVESTMENTS	100	29,430,132	49,304,199	91,519,133	143,351,136
I. Capital in cash	110	11,239,780	7,708,155	34,952,439	22,411,331
1 Cash on Hand	111	307,486	582,621	956,192	1,693,961
2 Cash in bank	112	10,932,294	7,125,533	33,996,247	20,717,370
II. Short-term investments	120	-	-		
III. Account receivable	130	2,015,396	4,995,133	6,267,295	14,523,265
1 Account receivable-trade	131	597,150	1,919,969	1,856,962	5,582,277
2 Prepayment to suppliers	132	1,353,577	3,019,911	4,209,230	8,780,340
5 Other receivable	138	64,669	55,253	201,103	160,648
IV. Inventories	140	7,566,620	13,435,184	23,529,983	39,062,575
1 Raw materials	142	117,760	13,068	366,200	37,996
2 Tools and supplies	143	6,951,711	9,071,182	21,617,795	26,374,310
3 Work in progress	144	264,850	2,211,167	823,606	6,428,932
4 Finished goods	145	232,299	2,139,767	722,382	6,221,337
V. Other current assets	150	8,608,336	23,165,727	26,769,416	67,353,966
1 Advances	151	3,366,336	4,005,727	10,468,324	11,646,585
2 Short term deposits, mortgages and collateral	153	5,242,000	19,160,000	16,301,092	55,707,381
B FIXED ASSETS & LONG TERM INVESTMENTS	200	333,450,344	306,108,792	1,036,933,365	890,006,213
I. Fixed assets	210	305,263,293	282,567,684	949,279,853	821,560,833
1 Tangible fixed assets	211	305,263,293	282,567,684	949,279,853	821,560,833
-Cost	212	337,565,271	340,964,387	1,049,729,588	991,348,276
-Accumulated depreciation	213	(32,301,978)	58,396,704)	(100,449,735)	(169,787,443)
2 Finance lease assets	214	-	-		
3 Intangible fixed assets	217	-	-		
-Cost	218	456,190	456,190	1,418,618	1,326,365
-Accumulated Amortization	219	(456,190)	(456,190)	(1,418,618)	(1,326,365)

ITEMS	Code	As on 31/12/02	As on 31/12/03	As on 31/12/02	As on 31/12/03
1	2	3	4	5	6
II. Long term investments	220		5,000	-	14,537
Long term securities	221	-	5,000	-	14,537
III. Construction in progress	230	-	1,197,627	-	3,482,081
IV. Long term deposits	240	-	-		
V. Long term prepaid expense	241	28,187,051	22,338,481	87,653,512	64,948,762
TOTAL ASSETS(A+B)	250	362,880,476	355,412,990	1,128,452,498	1,033,357,349
RESOURCE					
C. LIABILITIES	300	300,203,343	306,440,060	933,544,882	890,969,371
I. Current liabilities	310	10,137,712	18,649,519	31,525,328	54,223,165
1 Account payable-trade	313	4,038,518	7,052,846	12,558,614	20,506,034
2 Advances from customers	314	-	85,266	-	247,911
3 Taxes and payable to state budget	315	5,153,787	10,412,883	16,026,775	30,275,285
4 Payable to employees	316	764,983	788,377	2,378,873	2,292,194
5 Other payable	318	180,424	310,145	561,066	901,741
II. Long term liabilities	320	269,487,722	269,848,843	838,028,256	784,581,017
1 Long term borrowings	321	269,487,722	269,848,843	838,028,256	784,581,017
III. Others	330	20,577,909	17,941,698	63,991,298	52,165,189
1 Accrued expenses payable	331	20,577,909	17,941,698	63,991,298	52,165,189
D. OWNER'S EQUITY	400	62,677,133	48,972,930	194,907,616	142,387,978
I. Capital sources and funds	410	62,677,133	48,972,930	194,907,616	142,387,978
1 Paid in capital	411	115,343,475	115,343,475	358,684,583	335,359,232
6 Undistributed profit	416	(52,666,342)	(66,370,545)	(163,776,967)	(192,971,254)
II. Budget sources	420				
TOTAL RESOURCES (C+D)	430	362,880,476	355,412,990	1,128,452,498	1,033,357,349

INCOME STATEMENT - YEAR 2003

PART I - PROFIT & LOSS

Unit: 1,000 VND

Items	Code	Previous year 2002	Current year 2003
1	2	3	4
Gross sales	01	129,629,483	147,384,711
Less deduction	03	-	188
+ Sales returns	07		188
1. Net income(01-03)	10	129,629,483	147,384,524
2. Cost of goods sold	11	112,697,434	121,182,340
3. Gross margin (10-11)	20	16,932,049	26,202,184
4. Profits from financial activities (31-32)	21	565,193	941,318
5. Expenses from financial activities	22	22,680,791	22,534,507
- In which: Interest payable	23	17,719,920	18,209,150
6. Selling expenses	24	2,717,829	7,168,492
7. General & administration expenses	25	9,605,498	11,144,706
8. Operating income[20 + (21 - 22) - (24+ 25)]	30	(17,506,876)	(13,704,203)
9. Other Income	31	761,277	-
10. Other expenses	32	2,295	-
11. Other profit (31 - 32)	33	758,982	-
12. Net profit before tax	40	(16,747,894)	(13,704,203)
13. Net profit after tax	50	(16,747,894)	(13,704,203)

PART II - OBLIGATIONS TO THE STATE BUDGET

Unit: 1,000 VND

Items	Code	Amount To be Paid at Opening Period	Generated Amount in Period		Accumul. from year Beginning		Amount to be Paid Ending Period
			Amount to be Paid	Amount Paid	Amount to be Paid	Amount Paid	
1	2	3	4	5	6	7	8=3+6-7
Tax	10	5,153,787	13,571,747	8,312,650	13,571,747	8,312,650	10,412,883
VAT of goods sold domestically	11	5,124,556	13,232,083	7,977,406	13,232,083	7,977,406	10,379,233
VAT for imported commodities	12	-	206,065	206,065	206,065	206,065	-
Other taxes	19	29,231	133,599	129,179	133,599	129,179	33,651
TOTAL	40	14,827	13,571,747	8,312,650	13,571,747	8,312,650	10,412,883

INCOME STATEMENT YEAR 2003 PART I PROFIT & LOSS

Items	Code	Previous	Current	Previous	Current
		year 2002 Unit: 1,000VND	year 2003 Unit: 1,000VND	year 2002 Rs	year 2003 Rs
1	2	3	4	5	6
				Conversion Rate	
				321.57	343.94
Gross sales	01	129,629,483	147,384,711	403,109,903	428,518,593
Less deduction (05+06+07+08)	03	-	188	-	545
+ Sales returns	07		188	-	545
1. Net income(01-03)	10	129,629,483	147,384,524	403,109,903	428,518,048
2. Cost of goods sold	11	112,697,434	121,182,340	350,456,167	352,335,635
3. Gross margin (10-11)	20	16,932,049	26,202,184	52,653,736	76,182,413
4. Profits from financial activities	21	565,193	941,318	1,757,585	2,736,866
5. Expenses from financial activities	22	22,680,791	22,534,507	70,530,648	65,518,704
- In which: Interest payable	23	17,719,920	18,209,150	55,103,786	52,942,800
6. Selling expenses	24	2,717,829	7,168,492	8,451,656	20,842,272
7. General & administration expenses	25	9,605,498	11,144,706	29,870,299	32,403,046
8. Operating income[20+(21-22)-(24+ 25)]	30	(17,506,876)	(13,704,203)	(54,441,281)	(39,844,743)
9. Other Income	31	761,277	-	2,367,350	-
10. Other expenses	32	2,295	-	7,137	-
11. Other profit (31 - 32)	33	758,982	-	2,360,213	-
12. Net profit before tax	40	(16,747,894)	(13,704,203)	(52,081,068)	(39,844,743)
13. Net profit after tax	50	(16,747,894)	(13,704,203)	(52,081,068)	(39,844,743)

INCREASE AND DECREASE OF FIXED ASSETS - 2003

(ATTACHMENT 01)

Unit 1000 VND

Item	Plant	Machinery	Intangible Assets	Means of Transportation	Office Equipments and others	Total
1/ Original price						
+At 01/01/2003	52,417,477	281,515,039	456,190	2,031,361	1,601,394	338,021,461
+Increase during the year	2,820,638	307,913	-	-	270,564	3,399,115
-New purchase	-	-	-	-	270,564	270,564
-New construction	2,820,638	307,913	-	-	-	3,128,551
+At 31/12/2003	55,238,115	281,822,952	456,190	2,031,361	1,871,958	341,420,576
2/ Depreciation						
+At 01/01/2003.	4,223,964	25,167,222	456,190	1,488,714	1,422,077	32,758,167
+Increase during the year	2,170,747	23,463,028	-	345,331	115,620	26,094,726
+At 31/12/2003.	6,394,711	48,630,250	456,190	1,834,045	1,537,697	58,852,893
3/ Net book value						
+At 01/01/2003	48,193,513	256,347,817	-	542,647	179,317	305,263,294
+At 31/12/2003	48,843,404	233,192,702	-	197,316	334,261	282,567,684

PART III VAT DEDUCTED, REFUNDED, REDUCED, LEVIED ON GOODS SOLD DOMESTICALLY

Unit: 1000 VND

ITEMS	CODE	AMOUNT	
		THIS PERIOD (2003)	ACCUMUL. FROM YEAR BEGINNING
1	2	3	4
I. VAT deducted			
1. VAT deducted, refunded at opening period	10	-	x
2. Deducted VAT generated	11	1,201,523	1,201,523
3. VAT deducted, refunded at ending period (12=13+14+15+16)	12	69,945	x
<i>Of which:</i>			
a. VAT has been deducted	13	1,133	1,133
b. VAT has been refunded	14	-	-
c. VAT of purchased goods returned, discounts of goods purchased	15	-	-
d. VAT has not been deducted	16	68,812	-
VAT shall be deducted, refunded at ending period (17=10+11-12)	17	1,131,578	-
II. VAT refunded			
1. VAT refunded at opening period	20	-	x
2. VAT refunded	21	-	-
3. VAT has been refunded	22	-	-
4. VAT shall be refunded at ending period (23=20+21-22)	23	-	x
III. VAT reduced			
1. VAT reduced at opening period	30	-	x
2. VAT reduced	31	-	-
3. VAT has been reduced	32	-	-
4. VAT shall be reduced at ending period (33=30+31-32)	33	-	x
IV. VAT levied on goods sold domestically			
1. VAT on goods sold domestically to be paid at beginning	40	5,124,556	x
2. Output VAT generated	41	14,364,793	14,364,793
3. Input VAT had been deducted	42	1,132,711	1,132,711
4. VAT on goods sold but returned	43	-	-
5. Reduced VAT offset from tax to be paid	44	-	-
6. VAT on goods sold domestically paid to the State budget	45	7,977,406	7,977,406
7. VAT on goods sold domestically at ending period	46	10,379,233	x

Note: No data for items marked by (x)

Date: 19 March 2004

Prepared by

Chief Accountant

General Director

Ha Thu Huyen

R. Sundar

K.V.S.R Subbaiah

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST DECEMBER 2003

(INDIRECT METHOD)

Unit: 1,000 VND

PARTICULARS	Code	At 31/12/2002	At 31/12/2003
I. CASH FLOW FROM BUSINESS AND PRODUCTION.			
Net Profit/(Loss) before tax:	01	(16,747,894)	(13,704,203)
Adjustment to reconcile operating profit/(loss):			
- Fixed assets depreciation	02	26,126,507	26,094,726
- Gain or loss on revaluation of assets and currency translation.	05	5,278,989	-
Net profit /(loss) before adjustment of working capital	10	14,657,602	12,390,523
- Increase or decrease in accounts receivable	11	(939,293)	(2,979,736)
- Increase or decrease in inventories	12	3,294,221	(5,868,564)
- Increase or decrease in accounts payable	13	(4,539,800)	8,511,806
- Other cash inflow	14	(6,522,959)	(8,708,822)
- Other cash outflow	15	2,185,574	(2,636,211)
Net cash flow from business and production	20	(6,522,256)	(11,681,527)
II. CASH FLOW FROM INVESTMENT ACTIVITIES		-	-
Investment in other entities	24	-	(5,000)
Purchase of fixed assets and construction in progress	25	(5,263,327)	(4,596,743)
Net cash outflow from investment activities	30	(5,263,327)	(4,601,743)
III. CASH FLOW FROM FINANCING ACTIVITIES			
Borrowings in cash	31	(2,827,842)	361,121
Net cash inflow/ (outflow) from financial activities	40	(2,827,842)	361,121
Net increase / (decrease) in cash	50	44,178	(3,531,626)
Cash in the beginning of the period	60	11,195,602	11,239,780
Cash at the end of the period	70	11,239,780	7,708,154

on behalf of the Board of Management

Dr. Velagapudi Lakshmana Dutt

Chairman,

Phu Yen Province,

S.R. Vietnam

Date: 19.03.2004

K.V.S.R. Subbaiah

General Director

NOTES TO THE FINANCIAL STATEMENTS

BUSINESS HIGHLIGHTS

1. Structure of ownership:

KCP Vietnam Industries Limited ("the Company") was established as a 100 % foreign invested enterprise in Vietnam under Investment License No 1969/GP dated 9th August 1997, 1969 / GPDC 1 dated 26th June 1998, 1969 / GPDC 2 dated 23rd April 1999 and 1969 / GPDC 3 dated 19th May 2000 issued by Ministry of Planning and Investment. The holding company is KECEPE Investment Pte Limited, a company incorporated in the Republic of Singapore. The Company's head office and plant are located at Cung Son Town, Son Hoa District, Phu Yen Province.

2. Structure of operation:

The principal activity of the Company is production of sugar and sugar by-products. Due to shortage of raw materials the plant was shifted from TT Hue Province to Phu Yen Province during the year 2004. At Phu Yen Province the raw / white sugar plant was commissioned during the year 2001 and refinery sugar plant was commissioned during the year 2002. The performance of the plant during this year was good. The average recovery for the season was 8.98% as against expected recovery of 10%.

3. Number of employees:

As at 31st December 2003, the company had 363 employees, including:

- Vietnamese staff	:	335
- Foreign Staff	:	28
Total	:	363

The Board of Management consists of 3 members and all the members are foreign members.

4. Accounting system and Accounting policies:

4.1 The company is applying the Vietnamese Accounting System and committing to the Letter No. 171 TC/CDKT dated 26th March 1998 and circular No.55/2002/TT-BTC dt.26th June,2002 issued by the Ministry of Finance.

4.2 The Company's fiscal year is from 01st January to 31st December.

4.3 The financial statements are prepared in Vietnamese Dong (VND).

Transactions arising in foreign currencies are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rates of exchange ruling at the balance sheet date.

4.4 The Company uses Journal Ledger to record its transactions.

4.5 The Company's fixed assets are booked in accordance with the Vietnamese Accounting System.

Intangible fixed assets represent the unamortized value of land clearance fee paid.

Up to 31st December 2003, the total of basic construction costs capitalized into fixed assets were as follows:

- Machinery and Equipment	: 281,822,952,617 VND
- Plant	: 55,238,115,308 VND

Depreciation on all fixed assets of the company has been calculated and accounted for the period from 1st January 2003 to 31st December 2003.

Depreciation on all fixed assets have been calculated as per the regulations of Vietnamese accounting system.

The Company followed straight-line method for claiming depreciation:

No.	Description of Asset	Number of years to be depreciated	Depr eciation Rate
1	Plant	25 years	4.00%
2	Machinery and equipment	12 years	8.33%
3	Office equipment	4 years	25.00%
4	Intangible fixed assets	3 years	33.33%
5	Means of transportation	6 years	17.00 %

4.6 The value of finished goods has been calculated on the basis of factory cost in 2003. The elements of the factory cost comprise of material cost, direct labour and an appropriate portion of all production overhead expenditure.

The cost of goods sold for the year 2003 have been arrived on the basis of factory cost applying FIFO method.

4.7 Prior year figures have been regrouped wherever necessary.

II. DETAILS OF SELECTED BALANCES IN THE FINANCIAL STATEMENTS:
1. Cash

	Unit: VND	
	Year 2002	Year 2003
Cash on hand	307,486,085	582,621,214
Cash in bank	10,932,293,557	7,125,533,401
VND	10,932,104,371	7,124,984,971
Foreign currencies	189,186	548,430

2. Inventory

	Unit: VND	
	Year 2002	Year 2003
Material, raw material	117,760,260	13,068,282
Tools and supply	6,951,711,150	9,071,181,895
Work in process	264,849,921	2,211,167,158
Finish products	232,298,890	2,139,767,024

**3. Increase and Decrease of fixed Assets:
(See Attachment - I)**
4. Production cost & operation expenses
Production cost & operation expenses include:

	Unit : VND	
Item	Year 2002	Year 2003
1. Raw materials	76,362,965,915	88,225,239,873
2. Salary	3,417,706,598	4,337,415,585
3. Depreciation of fixed assets	25,283,461,066	26,094,725,851
4. Interest expenses	17,719,920,636	18,209,149,730
5. Other expenses	4,213,466,408	6,936,260,628
Total	126,997,520,623	143,802,791,667

5. Administration and Selling Expenditure:

Administration and selling expenditure of 28,730,506,285 VND incurred during the year 2001, has been transferred to (242) deferred expenses to be written off to Profit and loss account over a period of 6 years commencing from the financial year 2001.

6. Analysis of investment capital
A. Owned capital:

Owned capital in 2003 is unchanged when compared with previous year. As regulated in the investment license for legal capital, the shareholders have completed their investment of 9,000,000 USD in the year 1998 itself. The owner's capital of 9,000,000 USD has been converted into Vietnamese Dong equivalent to 115,343,475,000 VND.

B. Loan capital:

As at 31st December, 2003, the loan capital included, long term foreign currency loan from KECEPE Investment

Pte Ltd (Canara Bank, London) to the extent of 5,000,000 USD, Zingero Establishment to the extent of 2,200,000 USD and The KCP Ltd to the extent of 4,968,944.10 USD, 253,577 USD and 152500 USD. As on 31st December 2003, the long term loan due to Development Assistance Fund is 63.593 B'VND and Vitetnam Bank for Agriculture and Rural Development, T.T.Hue is 9,985 B' VND.

C. Short-term loan:

During the year the Bank for Investment and Development Bank, Binh Dinh Branch has sanctioned an amount of 20 Billions VND to meet working capital requirements for the season 2002-03 .The company withdrew an amount of 10 B' VND and repaid the same by first week of July 2003.

As at 31st December 2003, the total loan balances are as follows:

Particulars	VND	USD
Long-term loan offshore		
KECEPE(CanaraBank, London)	78,040,000,000	5,000,000.00
Zingero Establishment, Vaduz	34,337,600,000	2,200,000.00
The KCP Ltd, India	77,555,279,855	4,968,944.10
Medium-term loan		
The KCP Ltd, India	3,957,829,816	253,577.00
The KCP Ltd, India	2,380,220,000	152,500.00
Domestic Loans Long term loan		
DAF ,Phu Yen	63,592,745,061	4,074,368.60
Agri Bank, T.T.Hue	9,985,168,749	639,746.84
Total	269,848,843,481	17,289,136.54

Converting the above domestic loan outstanding availed in VND into USD at the year end exchange rate of 15,608 VND/USD, the loan balance in USD was 4,714,115.44.

- In short, as on 31st December 2003, the total invested capital was 26,289,136.54 USD, accounting for 87.63% of the investment capital stated in the license.

2. Advance receivable:

a) As on 31st December 2003, the total amount advanced to employees and farmers was 4,005,727,113 VND (details in attached list).

b) As on 31st December 2003, the total amount receivable from customers was 1,919,968,691 VND (details in attached list).

3. Payables:

a) As on 31st December 2003, the total amount payable to suppliers, contractors was 7,052,845,000 VND (details in attached list).

b) As on 31 December 2003, the total amount advanced to suppliers is 3,019,912,000 VND (details in attached list).

4. Obligations to the Government:

In accordance with Investment License no. 1969/GPDC3 dated 19/05/2000, the duty company has to pay to state budget:

- Corporate Income Tax equals 10% of yearly profit. The company is exempted from Corporate Income Tax for 4 years from the year when the company starts to earn profit and granted a 50% reduction for the 4 subsequent years.
- Profit remittance tax: 5% of the profit transferred abroad.
- The other taxes: as per the current regulations.

During the year 2003 the following amounts have been paid to the Government in connection with the taxes and other obligations (VND)

- Personal Income tax of 2002	:	29,231,105
- Personal Income tax of 2003	:	99,947,901
- VAT on imported Machinery and equipment 2003	:	206,065,000

- VAT on sale of goods 2002	:	5,124,556,274
- VAT on sale of goods 2003	:	2,646,784,883

As on 31st December 2003, the following amounts are payable to the Government (VND)

- Personal income tax 2003	:	33,650,655
- VAT on sale of goods 2003	:	10,379,232,785

III. SUMMARY:

This is the second successful production season at the relocated place, the production results are encouraging and prospective. During the season the company crushed 410,392 tons of cane with a average recovery of 8.98%. The company has paid the interest on local long term loans during the year and repaid the principal amount payable as per contract to Development Assistance Fund and Bank for Agriculture and Rural Development T.T.Hue. The company has paid the interest fully for the year Zingero Establishment, KECEPE Investments and The KCP Ltd.

The financial statements are approved by the Board of Management on 19.03.2004.

On behalf of the Board of Management

Dr. Velagapudi Lakshmana Dutt **Mr. K.V.S.R. Subbaiah**
Chairman General Director

Date : 19th March,2004

AMOUNT PAYABLE TO SUPPLIERS**ACCOUNT CODE : 331(Cr)**

Units : 1,000 VND

Sl.No	Name of Suppliers	Amount
01	NGUYEN THI PHUONG LIEN	1,014
02	MINH HOA CASTING PTE ENTERPRISES	33,807
03	ALPHA COMMERCIAL & SERVICES ENTERPRISE	14,358
04	BAOMINH INSURANCE CO.	18,205
05	KHANH HOA STORE	7,817
06	CN CASTROL VIETNAM LIMITED	119,490
07	CALTEX LUBRICANTS VIETNAM LIMITED	275,703
08	AN HOA INDUSTRIAL GAS SERVICE	6,425
09	PY INDUSTRIES EXPORT IMPORT PRO. CO.	788
10	THANH THANH CONG TRADE PRODUCTION	150,700
11	DINH HOA CASTING ENTERPRISE	15,376
12	NEW SKY CO. LTD	2,442
13	NSP CO.LTD	4,776
14	BINH DINH MATERIAL & CONSTRUCTION CO.	25,197
15	MAHA HYDRAULICS PVT LTD	172,899
16	CAEMACO DANANG	5,301
17	CUU LONG ELECTRIC CO.LTD	16,423
18	TRUONG CONG MINH DUC	4,733
19	VO THI GAI	15,527
20	MRS. HALE MY	14,112
21	CEMACO BINH DINH BRANCH	53,246
22	BOCANCO JOINT-VENTURE COMPANY	2,825,764
23	CHAU SHOP	1,436
24	OTHERS	8,189
25	DONG AN PRIVATE ENTERPRISE	14,120
26	DONG HA SHOP	55
27	DAT MY CO.LTD	24,743
28	BIEN HOA FOODSTUFF AND MECNICAL CO	629,563
29	MY LINH SHOP	21,728
30	NGA SHOP	4,956
31	VAN PHUOC CO. LTD	15,080
32	VINH THAUN COMPANY	810
33	PHUC THANH COMMERCE AND CONS CO.	16,597
34	NGUYEN TANH	6,627
35	NGUYEN QUOC THANH	3,901
36	CB THANH CONG CIVIL GROUP	5,650
37	TRI SON SHOP	567
38	VINHAN COOPERATIVE	931
39	NGUYEN VAN VINH	4,072
40	FCB, FRANCE	46,154
41	234 CONSTRUCTION CO.	55,978
42	CONSTRUCTION AND BUILDING MATERIAL CO.	52,782
43	PHU YEN ROAD TRANSPORT CONSTRUCTION CO.	298,718
44	CTMLM - 18	1,129
45	FORMACH COMPANY	11,687
46	CAO MINH NHAT	4,828
47	VU VAN LUC	2,347
48	PY CONSTRUCTION COMPANY	55,000
49	NAGUYEN DUC HUE	13,333
50	PHU YEN CONSTRUCTION COMPANY	18,002
51	BUI DINH THANG	1,148
52	SEED CANE PAYABLE	9,856
53	CANE AMOUNT PAYABLE & TRANS. CHARGES IN HUE	115,550
54	CANE AMOUNT PAYABLE & TRANS. CHARGES IN PHUYEN	1,823,205
	Total	7,052,845

AMOUNT ADVANCED TO SUPPLIERS
ACCOUNT CODE : 331 (Dr)

Units : 1000 VND

Sl.No	Name of Suppliers	Amount
01	PETROL COMPANY - ZONE	2,042
02	ALSIMEXCO HANOI TRAVEL AGENT	474
03	NGOC XUAN ENTERPRISE	4
04	PT LTD	17,259
05	VATUSYS PROCESS CONTROL CO.LTD	7,085
06	BIEN HOA FOODSTUFF CO.	9,211
07	TRAN DINH NHON	38,940
08	TUYET CUONG BEME CO.	37
09	THE KCP LTD	2,830,667
10	TRANVAN KHANH	4,255
11	LE HUU DUONG	1,702
12	PETROLIMIX - PHUYEN BRANCH	728
13	CAO QUANG DINH	1,500
14	CENTER FOR REGISTRATION FOR SAFETY TECHNOLOGY	7,650
15	PHUCTHANH COMMERCE & CONSTRUCTION CO.	96,399
16	ERECTION & CONSTRUCTION CO. 45-3	1,959
TOTAL		3,019,912

AMOUNT RECEIVABLE FROM CUSTOMERS
ACCOUNT CODE : 131

Units : 1000 VND

Sl.No	Name of Customers	Amount
01	BINH DINH DAIRY PRODUCTS CO. LTD	92,000
02	CHANH THANG MINERAL WATER COMPANY	47,000
03	COSEVO FOOD TECHNOLOGY COMPANY	421,400
04	QUANG NGAI EXPORT FOOD PROCESSING CO.	46,000
05	NGUYEN THI NGOC ANH	514
06	VIETNAM TAISHO COMPANY	47,000
07	CHU SE RUBBER CO.	2,147
08	TAN HIEP PHAT TRADING - SERVICE CO.LTD	637,000
09	MINH ANH FOODSTUFF COMPANY	24,000
10	KHANH HOA MINERAL WATER COMPANY	205,000
11	TOAN PHAT CO.LTD	271,500
12	LONG THOM	22,700
13	GRAINCO	100,000
14	THANH THANH CONG TRADING PRODUCT CO.LTD	3,707
Total		1,919,969

ADVANCE RECEIVED CUSTOMERS
ACCOUNT CODE : 131 (Cr)

Units : 1000 VND

Sl.No	Name of Customer	Amount
01	DONG LOI AGRICULTURE CO.LTD	40,107
02	KIM HA LIMITED CO.	45,000
03	VINH LOI TRADING PRIVATE ENTERPRISE	159
	Total	85,266

ADVANCE RECEIVABLE
ACCOUNT CODE : 141

Units : 1000 VND

Sl.No	Name	Amount
01	LE MINH DONG	500
02	YO VAN BUU	500
03	TRAN THI BICH HOANG	2,100
04	NGUYEN HOANG KHAM	908
05	NGO SON DONG	180
06	HA VAN DAN	500
07	NGO THI TO QUYEN	1,408
08	K.RAMANA MURTHY	1,300
09	HANOI REP. OFFICE	4,017
10	LOANS	20,610
11	STAFF CANTEEN	(590)
12	MISCELLANEOUS ADVANCE	13
13	CANE GROWERS ADHOC PAYMENT	1,022,169
14	MISCELLANEOUS DEPOSIT	8,100
15	HUE BRANCH	1,014
16	FERTILIZER LOAN TO FRAMERS	2,505,609
17	CASH LOAN TO FARMERS	44,927
18	SEED LOAN TO FARMERS	392,462
	Total	4,005,727

KCP BIO-TECH LIMITED

FINANCIAL STATEMENTS

YEAR ENDED 31st MARCH 2004

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DIRECTORS

DUTT V.L
Chairman

INDIRA DUTT V.L

KAVITHA D. CHITTURI

PRANESH K.B.

AUDITORS

M/s BRAHMAYYA & CO.
Chartered Accountants, Hyderabad.

BANKERS

STATE BANK OF INDIA
HYDERABAD

REGISTERED OFFICE

KCP BIOTECH LIMITED
6-3-551, SOMAJIGUDA, HYDERABAD - 500 083.
PHONE NO. 23314860, 23310799
E-MAIL : biotech@kcp.co.in

FACTORY

KCP BIOTECH LIMITED
PLOT NO. 14, S.P. BIOTECH PARK,
GENOME VALLEY, TURAKAPALLI VILLAGE,
SHAMEERPET (MANDAL) - 500 078.
R.R. DISTRICT, ANDHRA PRADESH.

REGIONAL OFFICE

"RAMAKRISHNA BUILDINGS"
2, Dr. P.V. CHERIAN CRESCENT,
EGMORE, CHENNAI - 600 008.
PH : 28270687 & 28279533

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31ST MARCH 2004

Submitted to the shareholders at the 10th Annual General Meeting of the Company held on Monday, the 19th July, 2004 at 6-3-551, Somajiguda, Hyderabad-500 082 at 12 Noon.

1. The Directors have pleasure in submitting their report for the financial year ended 31st March, 2004 together with the Balance Sheet and Profit & Loss Account for the year ended on that date.
2. Profits and Appropriation :
Accompanying accounts show a net profit of Rs. 24,35,440 for the year 2003-2004 after providing Rs.17,209 depreciation before provision for taxation of Rs. 8,75,000. After adjustment of brought forward loss of Rs.11,12,003, a profit of Rs.4,48,436 is carried to the next year.
3. Directors do not recommend payment of dividends.
4. The capital of the company stood at Rs. 375,00,700 as on 31st March, 2004.
5. The company has not accepted Fixed Deposits.
6. The Company is setting up a manufacturing facility at a cost of Rs. 600 lakhs, for extraction of natural colours. The plant is expected to be ready for operation by August,2004. Simultaneously, the Company has identified potential buyers abroad and are in negotiation for concluding marketing agreements.
7. Requirements of reporting on safety and pollution control and conservative of energy, biotechnology absorption does not apply to the company.
8. (i) Dr. G. Thyagarajan, resigned from the board during the year.
(ii) Dr.V.L.Dutt and Sri.K.B.Pranesh retire by rotation at the forthcoming Annual General Meeting. Being eligible, they offer themselves for re-appointment.
9. No employee was paid remuneration in excess of limit prescribed under section 217(2A) of the Companies Act, 1956.
10. Directors' Responsibility Statement :
Pursuant to Clause 2(AA) of Section 217 of the Companies Act, 1956, Board of Directors hereby states :
 - that in the presentation of annual accounts, applicable Accounting Standards have been followed and there is no material departure;
 - that the directors have selected such Accounting Policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company as at 31st March, 2004 and profits of the company for the year ended 31st March, 2004;
 - that the directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
 - that the directors have prepared the annual accounts on a 'going-concern' basis.
11. M/s. Brahmayya & Co., Chartered Accountants, Hyderabad retires at the conclusion of this Annual General Meeting and are eligible for re-appointment.
12. A Compliance Certificate from Company Secretary is enclosed.

(For and on behalf of the Board)

Place : Chennai - 600 008.
Date : 4th June, 2004

V.L.DUTT
CHAIRMAN

AUDITORS' REPORT

To
The Members of the
KCP BIO-TECH LIMITED
(Formerly known as KCP VANTECH LIMITED),
HYDERABAD (A.P)

We have audited the attached Balance Sheet of KCP BIO-TECH LIMITED, HYDERABAD (A.P) as at 31st March, 2004 and also the Statement of Expenditure incurred during construction period 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 an opinion on the financial statements based on our audit.

We 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:

As required by the Companies (Auditor's Report) order 2003, issued by the Central Government of India in terms of Section 227 (4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said order.

Further to our comments in the Annexure referred to above we report that:

1. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
2. 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.
3. The Balance Sheet and the Statement of Unallocated Expenditure dealt with by this report are in agreement with the books of account.
4. In our opinion, the Balance Sheet dealt with by this report comply with the Accounting standards referred to in sub-section (3c) of section 211 of the Companies Act, 1956.
5. On the basis of the written representations received from the Directors as on 31st March, 2004 and taken on record by the Board of Directors, we report that, none of the Directors is disqualified as on 31st March, 2004 from being appointed as a Director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
6. In our opinion and to the best of our information and according to the explanations given to us, the said accounts, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India.
 - i) In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2004 and
 - ii) Insofar as it relates to Statement of Unallocated Expenditure of the expenditure incurred during the period ended on that date.

Annexure**Statement on the Companies (Auditor's Report) Order 2003**

- i) a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
 - b) All the assets have been physically verified by the management during the year and there is a regular programme of verification which in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies have been noticed on such verification.
 - c) During the year, the company has not disposed off substantial part of fixed assets.
- ii) The Company does not have inventory since it is in the stage of setting of the project and hence the provisions of the clause 4(ii) (b) and (c) are not applicable to the Company.

- iii) a) The Company has granted unsecured loan to its holding company and the amount outstanding is Rs. 1,62,28,336/- The Company has not taken any loan from the Companies. Firms or other parties covered in the register maintained under section 301 of the Act.
- b) The Rate of interest and other terms and conditions of loan given by the Company is not prima facie prejudicial to the interest of the Company.
- c) The Payment of dues are regulars as per the terms.
- iv) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchases of fixed assets. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal controls.
- v) a) According to the information and explanations given to us, we are of the opinion that the transactions that need to be entered into the register maintained under section 301 of the Companies Act, 1956 have been so entered.
- b) In our opinion and according to the information and explanations given to us, no transactions has made in the pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956 and exceeding the Value of rupees five lakhs in respect of any party during the year.
- vi) The Company has not accepted deposits from the public.
- vii) In our opinion the Company has an internal audit system commensurate with its size and nature of its business.
- viii) The Company's commercial operations are yet to commence and hence the maintenance of cost records under section 209(1) (d) of the Companies Act, 1956 does not arise.
- ix) a) According to the records of the Company, the Company is regular in depositing with appropriate authorities undisputed statutory dues including Income-tax and other material statutory dues applicable to the Company.
- b) According to the information and explanations given to us, no undisputed amounts payable in respect of income-tax was in arrears, as at 31st March, 2004 for a period of more than six months from the date they became payable.
- c) According to the records of the Company and the information and explanations given to us, there were no dues in respect of Income Tax which have not been deposited on account of any dispute.
- x) The Company has no accumulated losses at the end of the financial year 31.03.2004 and it has not incurred cash losses int he year and also in the immediately preceeding financial year.
- xi) The Company has not availed any loans from financial institutions, Banks and Debenture holders, hence the repayment of the loans does not arise.
- xii) The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures nad other securities.
- xiii) The Company is neither a chit fund nor a nidhi mutual benefit fund/society. Therefore, the provisions of clause 4(xiii) of the above referred Order are not applicable to the Company.
- xiv) The Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the above referred Order are not applicable to the Company.
- xv) The Company has not given any guratanee for loans taken by others from banks or financial institutions.
- xvi) The Company has not raised any term loans during the year.
- xvii) The Company has not raised any funds during the year on short/long term basis.
- xviii) During the year the Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Act.
- xix) The Company has not issued any debentures so far.
- xx) During the year the company has not raised money by public issues.
- xxi) According to the information and explanations given to us, no fraud on or by the company has been noticed or reported during the course of our audit.

Place : Hyderabad
Date : 4th June, 2004

For BRAHMAYYA & CO.,
Chartered Accountants.
(KOTESWARA RAO SSR)
Partner

BALANCE SHEET AS AT 31st MARCH 2004

PARTICULARS	SCH	As at 31.03.2004	As at 31.03.2003
		Rs.	Rs.
I SOURCES OF FUNDS			
(a) Share Holders Funds	1		
Share Capital		3,75,00,700	3,75,00,700
(b) Reserves & Surplus			
Profit and Loss account		4,48,437	-
Total		3,79,49,137	3,75,00,700
II APPLICATION OF FUNDS			
1) Fixed assets	2		
a) Gross Block		3,31,959	2,31,793
b) Less: Depreciation		1,95,111	1,77,902
c) Net Block		1,36,848	53,891
d) Capital work in progress		30,66,687	-
d) Un allocated capital expenditure		21,46,648	8,05,589
		53,50,183	8,59,480
2) Investments	3	15,000	15,000
3) Current Assets, Loans & Advances			
a) Cash and bank balances	4	2,20,595	81,415
b) Loans and advances	5	3,31,74,328	3,47,51,457
c) Other current assets	6	5,95,543	5,76,056
		3,39,90,466	3,54,08,928
Less : Current Liabilities & Provisions	7	15,49,592	37,791
Net Current Assets		3,24,40,874	3,53,71,137
4) Miscellaneous expenditure (To the extent not written off or adjusted)			
Preliminary expenses		1,43,080	1,43,080
Profit & Loss Account		-	11,12,003
		1,43,080	12,55,083
Total		3,79,49,137	3,75,00,700
NOTES ON ACCOUNTS :	8		

(For and on behalf of the Board)

Per our report of even date.
For Brahmayya & Co.,
Chartered Accountants

V.L. DUTT
Chairman

K.B. PRANESH
Director

KOTESWARA RAO SSR
Partner

Place : Hyderabad
Date : 4th June, 2004

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

PARTICULARS	SCH	CURRENT YEAR	PREVIOUS YEAR
		Rs.	Rs.
I. INCOME			
Interest earned (Others)		25,18,563	26,42,904
profit on sale of asset		-	6,91,190
Credit balance written back		-	10,000
Total		25,18,563	33,44,094
II. EXPENDITURE			
Travelling and conveyance		6,187	658
Printing and stationary		9,307	513
Auditors Remuneration as Auditors		6,480	6,480
General Charges		34,386	38,155
Directors sitting fees		8,000	8,000
Repairs to Other Assets		1,554	-
Depreciation	2	17,209	19,779
Total		83,123	73,585
III. PROFIT FOR THE YEAR		24,35,440	32,70,509
Less : Provison for taxation			
for the year		8,75,000	10,00,000
for earlier years		-	9,245
Add : Balance of loss brought forward from last year		(11,12,003)	(33,73,267)
IV. PROFIT / LOSS CARRIED TO BALANCE SHEET		4,48,437	(11,12,003)
NOTES ON ACCOUNTS	8		

(For and on behalf of the Board)

Per our report of even date.
For Brahmayya & Co.,
Chartered Accountants

V.L. DUTT
Chairman
Place : Hyderabad
Date : 4th June, 2004

K.B. PRANESH
Director

KOTESWARA RAO SSR
Partner

**SCHEDULES ANNEXED TO AND FORMING PART OF THE ACCOUNTS
FOR THE YEAR ENDED 31ST MARCH 2004**

Particulars	As at 31.03.2004	As at 31.03.2003
1. SHARE CAPITAL		
Authorised		
50,00,000 Equity Shares of Rs. 10/- each	5,00,00,000	5,00,00,000
Issued, subscribed & paid up		
37,50,070 Equity shares of Rs.10/- each fully paid up	3,75,00,700	3,75,00,700
Total	<u>3,75,00,700</u>	<u>3,75,00,700</u>
3. INVESTMENTS		
6 Year's National Savings Certificates (VIII Issue)	15,000	15,000
Total	<u>15,000</u>	<u>15,000</u>
4. CASH & BANK BALANCES		
Cash in hand	4,703	1,212
Balance with Scheduled Banks :		
in Current Accounts	2,15,892	80,203
Total	<u>2,20,595</u>	<u>81,414</u>
5. LOANS AND ADVANCES		
(Unsecured, Considered good recoverable in cash or in kind or for value to be received)		
Loans to other bodies corporate	1,62,28,336	3,40,13,273
Advance for Purchases and Expenses	1,68,33,963	7,38,184
Advance Income Tax and TDS (Net of provision)	1,12,029	-
Total	<u>3,31,74,328</u>	<u>3,47,51,497</u>
6. OTHER CURRENT ASSETS		
Interest accrued	5,45,543	5,23,056
Deposits recoverable	50,000	53,000
Total	<u>5,95,543</u>	<u>5,76,056</u>
7. CURRENT LIABILITIES & PROVISIONS		
a) Current Liabilities		
Creditors for		
- Purchases	14,98,441	-
- Expenses	26,477	12,780
- Other Finance	24,674	508
	<u>15,49,592</u>	<u>13,288</u>
b) Provisions		
Provision for taxation (Net of payment)	-	24,503
Total	<u>15,49,592</u>	<u>37,791</u>

2. Fixed Assets

Sl. No.	DESCRIPTION	GROSS BLOCK				DEPRECIATION			NETT BLOCK	
		As at 31.3.2003 Rs.	Additions Rs.	Deductions Rs.	As at 31.3.2004 Rs.	upto 31.3.2003 Rs.	For the year Rs.	Upto 31.3.2004 Rs.	As at 31.3.2004 Rs.	As at 31.3.2003 Rs.
1	Office Equipment	58,293	93,600	-	1,51,893	26,321	7,649	33,970	1,17,923	31,972
2	Computers	1,73,500	-	-	1,73,500	1,51,581	8,768	1,60,349	13,151	21,919
3.	Furnitures & Fixtures	-	6,566	-	6,566	-	792	792	5,774	-
	Total	2,31,793	1,00,166	-	3,31,959	1,77,902	17,209	1,95,111	1,36,848	53,891
	Add: Capital work in progress	-	30,66,687	-	30,66,687	-	-	-	30,66,687	-
		2,31,793	31,66,853	-	33,98,646	1,77,902	17,209	1,95,111	32,03,535	53,891
	Previous Year	27,48,103	23,675	-	2,31,793	1,58,123	19,779	1,77,902	53,891	25,89,800

STATEMENT OF UNALLOCATED CAPITAL EXPENDITURE DURING THE CONSTRUCTION PERIOD

Particulars	Incurred upto 31.03.2003 Rs.	During the Year Rs.	Total Rs.
Technology Fees	4,90,000	-	4,90,000
Travelling & Conveyance	2,70,475	6,42,014	9,12,489
Printing & Stationery	-	33,973	33,973
Postage & Telephones	-	10,695	10,695
Professional Charges	-	4,80,952	4,80,952
Seminars & Conferences	45,114	12,000	57,114
Power & Fuel	-	1,00,170	1,00,170
Filing Fees	-	8,100	8,100
Books & Periodicals	-	2,705	2,705
Demonstration & Testing Fees	-	5,600	5,600
Staff Welfare expenses	-	1,500	1,500
Miscellaneous expenses	-	43,350	43,350
Total	8,05,589	13,41,059	21,46,648

8. NOTES ON ACCOUNTS :

1. The following are the significant accounting policies adopted by the Company in the preparation and presentation of financial statements
 - a. Financial statements are based on historical costs.
 - b. Depreciation on the assets of the Company is provided on Written Down Value method as per schedule XIV to the Companies Act, 1956.
 - c. Expenditure incurred during project implementation period which cannot be directly allocated to the assets is treated as Unallocated Expenditure and such expenditure will be allocated to Fixed Assets on the commencement of operations.
2. Depreciation on fixed assets for the year is provided on Written Down Value method as per Schedule XIV to the Companies Act, 1956.
3. National Savings Certificates to the extent of Rs. 5,000/- are deposited with Sales Tax authorities and certificate of the value of Rs.10,000/- is in the name of an erstwhile Director.
4. Contingent liability not provided for on account of estimated amount of contracts remaining to be executed on capital works, amounting to Rs. 1,93,21,615/-
5. The other particulars to be given as required under part II, Schedule VI to the Companies Act, 1956 are not furnished as they are not applicable for the year under report.
6. The previous year's figures have been regrouped or reclassified wherever necessary.

(For and on behalf of the Board)

Per our report of even date.
For Brahmayya & Co.,
Chartered Accountants

V.L. DUTT

Chairman

Place : Hyderabad

Date : 4th June, 2004

K.B. PRANESH

Director

KOTESWARA RAO SSR

Partner

COMPLIANCE CERTIFICATE

To
 The Members of
 K.C.P. BIO-Tech LIMITED
 6-3-551, Somajiguda, Hyderabad- 500 083.

I have examined the registers, records, books and papers of M/s. K.C.P.BIO-TECH LIMITED (the company) as required to be maintained under the Companies Act, 1956 (the Act) and the rules made thereunder and also the provisions contained in the Memorandum and Articles of Association of the company for the financial year ended on 31st March, 2004. In my opinion and to the best of my information and according to the examinations carried out by me and explanations furnished to me by the company, its officers and agents, I certify that in respect of the aforesaid financial year :

1. The company has kept and maintained registers as stated in Annexure 'A' to this certificate, as per the provisions and the rules made thereunder and all entries therein have been duly recorded.
2. The company has duly filed the forms and returns as stated in Annexure 'B' to this certificate with the Registrar of Companies Regional Director Central Government, Company Law Board or other authorities within the time prescribed under the Act and the rules made thereunder.
3. The company, being a Public Limited Company, comments are not required.
4. The Board of Directors duly met Four (4) times on 19.06.2003, 20.08.2003, 22.12.2003, and 31.03.2004 respectively, in respect of which meetings proper notices were given and the proceedings were properly recorded and signed in the Minutes Book maintained for the purpose.
5. The company has not closed its register of Member or debenture holders during the financial year.
6. The Annual General Meeting for the financial year ended on 31st March, 2003 was held on 20.08.2003 after giving due notice to the members of the company and the resolutions passed thereat were duly recorded in Minutes Book maintained for the purpose.
7. No Extra-ordinary General Meeting was held during the financial year.
8. The company has not advanced any loans to its directors or persons or firms or companies referred to under section 295 of the Act.
9. The Company has not entered in to any contracts falling with in the purview of Section 297 of the Act.
10. The Company has made necessary entries in the register maintained under Section 301(3) of the Act.
11. As there were no instances falling within the preview of Section 314 of the Act, the company has not obtained any approval from the Board of Directors, Members or Central Government.
12. The Company has not issued any duplicate share certificates during the financial year.
13. The Company
 - (I) has delivered all the certificates on lodgment thereof for transfer and there was no allotment / transmission of securities during the financial year.
 - (II) has not deposited any amount in a separate Bank Account as no dividend was declared during the financial year.
 - (III) was not required to post warrants to any member of the Company as no dividend was declared during the financial year.
 - (iv) the rules pertaining to transfer of amounts in unpaid dividend account, application money due for refund, matured deposits, matured debentures and the interest accrued thereon are not applicable.
 - (v) has duly complied with the provisions of Section 217 of the Act.
14. The Board of Directors of the company is duly constituted . There was no appointment of additional directors, alternate directors and directors to fill casual vacancy during the financial year.

15. The company has not appointed any Managing Director / whole-time Director during the financial year.
16. The company has not appointed any sole-selling agents during the financial year.
17. The company was not required to obtain any approvals of the Central Government, Company Law Board, Regional Director, Registrar and/or such other authorities prescribed under the various provision of the act during the financial year.
18. The Directors have disclosed their interest in other firms / companies to the Board of Directors pursuant to the provisions of the Act and the rules made thereunder.
19. The company has not issued any shares, debentures or other securities during the financial year.
20. The company has not bought back any shares, during the financial year.
21. There was no redemption of preference shares / debentures during the financial year.
22. There were no transactions necessitating the company to keep in abeyance the rights to dividend, rights shares and bonus shares pending registration of transfer of shares.
23. As per the information and explanation made available to me, the company not invited / accepted any deposits falling within the purview of section 58 A during the financial year.
24. The company has not made any borrowings during the financial year ended 31.03.2004.
25. The company has not made any loans, investments or advances or given guarantees or provided securities to other bodies corporate during the financial year under review and consequently no entries have been made in the register kept for the purpose.
26. The company has not altered the provisions of the memorandum with respect to the objects of the company during the year under scrutiny.
27. The company has not altered the provisions of the memorandum with respect to objects of the company during the year under scrutiny.
28. The company has altered the provisions of the Memorandum and Articles of association with respect to change of name of the company during the year under scrutiny.
29. The company has not altered the provisions of the memorandum with respect to share capital of the company during the year under scrutiny.
30. The company has not altered its Articles of Association during the year under review.
31. There was no prosecution initiated against or show cause notices received by the company and no fines or penalties or any other punishment was imposed on the company during the financial year for offences under the Act.
32. The company has not received any money as security from its employees during the financial year.
33. The company has not constituted any provident fund trust for its employees or class of its employees has contemplated under Section 418 of the Act.

Place : Hyderabad

Date : 4th June, 2004

Y. Ravi Prasada Reddy

Company Secretary

ACS No. : 14580

C.P.No : 5360

**ANNEXURE - A TO THE COMPLIANCE CERTIFICATE
REGISTERS AS MAINTAINED BY THE COMPANY**

SL. NO.	SECTION NUMBER	NAME OF THE REGISTER
1.	150	Register of Members and Share Ledger
2.	303	Register of Directors, Managing Directors, Etc.
3.	307	Register of Directors' Shareholding
4.	143	Register of Charges
5.	301 (3)	Register of Contracts, Companies and Firms in which Directors, etc., are interested
6.	193	Minutes of all Meetings of Board of Directors and Members.
7.	209	Books of Accounts
8.	372 A	Register of investments or loans made, guarantee given or security provided.

ANNEXURE - B TO THE COMPLIANCE CERTIFICATE

Forms and Returns as filed by the Company with the Registrar of Companies, Regional Director, Central Government or other authorities during financial year ending 31st March, 2004.

REGISTRAR OF COMPANIES

Sr. No.	Form. No./ Return	Relevant Section	Description	Date of Filling	Whether filed in prescribed time Yes / No.	If delay in filling whether requisite additional fee paid Yes / No.
1.	Schedule-Vi	220	Balance- Sheet for the year 2002-2003	18.09.2003	Yes	No
2.	Schedule -V	159	Annual Return for the year 2002-2003	17.10.2003	yes	No
6.	Form 32	303	Particulars of Directors (Resignation of Shr. G. Thiagarajan)	21.01.2004	Yes	No

Place : Hyderabad
Date : 4th June, 2004

Y. Ravi Prasada Reddy
Company Secretary
ACS No. : 14580
C.P.No : 5350

THE KCP LIMITED GROUP

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AUDITOR'S REPORT TO THE DIRECTORS OF THE KCP LIMITED

To
The Board of Directors
The KCP Limited
Chennai

1. We have examined the attached consolidated Balance Sheet of The KCP Limited, its subsidiaries, and its Joint venture as at March 31, 2004, the consolidated Profit and Loss Account and the consolidated Cash flow statement for the year then ended. These consolidated financial statements are the responsibility of The KCP Limited's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with 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 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 two of the subsidiaries, viz, KECEPE Investments Private Limited and KCP Vietnam Industries Ltd. The consolidated financial statements of KECEPE Investments Private Limited for the year ended 31st March 2004 were audited by other auditors, whose report has been furnished to us, and include therein the accounts of its subsidiary KCP Vietnam Limited for the year ended 31st March 2004, of which the accounts have been audited by other auditors for the first nine months, and have not been audited for the next three months. Our opinion, insofar as it relates to the amounts included in respect of the subsidiaries, is based solely on the reports of the other auditors, for the periods audited by them, and on the information and explanations for the purpose of the consolidation referred to herein, furnished to us by the KCP Limited for the remaining period.
4. We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standard 21 "Consolidated Financial Statements", issued by the Institute of Chartered Accountants of India and on the basis of the separate audited financial statements of The KCP Limited, its joint venture and its subsidiaries, as explained in paragraph 3 above, included in the consolidated financial statements.
5. On the basis of the information and explanations given to us and on consideration of separate audit reports on the individual audited financial statements of The KCP Limited, its joint venture and its aforesaid subsidiaries as explained in paragraph 3 above, in our opinion, the consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:
 - a) in the case of the Consolidated Balance Sheet of the consolidated state of affairs of The KCP Limited, its joint venture and its subsidiaries as at March 31, 2004;
 - b) in the case of the Consolidated Profit and Loss Account, of the consolidated results of operations of The KCP Limited, its joint venture and its subsidiaries for the year then ended, and
 - c) in the case of the consolidated Cash flow statement of the consolidated cash flows of The KCP Limited, its joint venture and its subsidiaries for the year ended on that date.

For BRAHMAYYA & CO
Chartered Accountants

C.MURALIKRISHNA
Partner

Camp : Chennai
Date : 7th June, 2004

BALANCE SHEET AS AT 31ST MARCH 2004

PARTICULARS	Schedule	AS AT 31-3-2004		AS AT 31-3-2003	
		Rs.	Rs.	Rs.	Rs.
(I) SOURCES OF FUNDS:					
1. Shareholders' Funds:					
(a) Capital	A	12,89,21,160		12,89,21,160	
(b) Reserves & Surplus	B	70,91,76,692		67,28,30,394	
			83,80,97,852		80,17,51,554
2. Minority Interest	C		6,40,63,714		5,91,54,700
3. Loan Funds:					
(a) Secured Loans	D	85,78,27,181		97,85,89,732	
(b) Unsecured Loans	E	21,14,68,000		18,09,26,000	
			106,92,95,181		115,95,15,732
4. Deferred Tax Liability (Net)					
See note 8					
(a) Deferred Tax Liability		8,74,12,130		9,68,19,931	
(b) Less: Deferred Tax Asset		75,60,524		2,29,20,809	
			7,98,51,606		7,38,99,122
Total			205,13,08,353		209,43,21,108
(II) APPLICATION OF FUNDS:					
1. Fixed Assets:					
(a) Gross Block	F	271,19,58,838		267,91,67,011	
(b) Less: Depreciation		116,53,42,499		102,29,99,648	
(c) Nett Block		154,66,16,339		165,61,67,363	
(d) Capital Work-in-Progress		1,37,52,673		86,78,872	
			156,03,69,012		166,48,46,235
2. Investments	G		7,16,27,587		7,09,74,990
3. Current Assets, Loans and Advances:					
(a) Inventories	H-1	44,10,06,098		46,11,25,139	
(b) Sundry Debtors	H-2	19,11,57,983		12,52,64,046	
(c) Cash and Bank Balances	H-3	12,50,36,299		7,86,07,736	
(d) Other Current Assets	H-4	42,10,377		40,57,316	
(e) Loans and Advances	H-5	23,56,79,858		21,00,27,075	
		99,70,90,615		87,90,81,313	
Less: Current Liabilities and Provisions					
(a) Liabilities	I-1	54,10,26,224		48,11,27,502	
(b) Provisions	I-2	3,68,95,718		3,95,97,008	
		57,79,21,941		52,07,24,510	
Nett Current Assets			41,91,68,674		35,83,56,803
Preliminary Expenses (to the extent Not Written Off)					
Total			1,43,080		1,43,080
			205,13,08,353		209,43,21,108

Notes , Schedules & Statement on Accounting Policies form an integral part of the Balance Sheet

(BY ORDER OF THE BOARD)

Per our report annexed
For BRAHMAYYA & CO
Chartered Accountants

V.L.DUTT
Chairman &
Managing Director

C.V.R. PANIKAR
Director

S. NANDAGOPAL
Director

K.B.PRANESH
Secretary & Corporate
General Manager (Finance)

C.MURALIKRISHNA
Partner

Place: Chennai - 600 008.
Date: 7th June, 2004

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

PARTICULARS	Schedule	For the year ended 31-3-2004 Rs.	For the year ended 31-3-2003 Rs.
INCOME FROM:			
Sale of Products and Services			
Group Companies (including Excise duty recovered Rs. 23,68,49,063/- (Rs. 20,60,71,238/-))		1,90,90,34,079	1,84,86,50,682
Joint Venture (including Excise duty recovered Rs. 1,00,41,633/- (Rs.40,78,470/-))		9,98,87,249	4,49,65,552
Other Income	1	2,77,95,868	6,42,39,609
		2,03,67,17,196	1,95,78,55,843
EXPENDITURE ON:			
Materials Consumed	2	53,45,00,777	53,35,45,530
Payments and Benefits to Employees	3	18,57,28,047	19,35,67,756
Manufacturing, Selling, Administrative and other expenses	4	80,87,97,956	72,32,83,106
Excise Duty and Taxes (excluding income-tax)	5	24,70,71,126	22,41,71,778
Interest & Finance Charges			
Group Companies		10,13,42,360	14,58,42,121
Joint Venture		3,98,175	8,44,958
Depreciation			
Group Companies		14,29,28,710	16,54,80,152
Joint Venture		84,704	83,038
		2,02,08,51,856	1,98,68,18,439
Profit for the year:		1,58,65,340	-2,89,62,595
Add: Minority Share of Profit / (Loss)		5,18,410	29,80,477
Less: Provision for Taxation			
Group Companies		24,72,085	10,09,245
Joint Venture		86,000	-
Less: Provision for Taxation-deferred		59,52,484	-1,60,70,407
Add: Excess provision for tax withdraw		57,00,000	1,25,829
Profit after Taxation		1,35,73,181	-1,67,56,081
Income Tax Refund			92,058
Balance brought forward from last Year		35,56,63,220	39,25,18,646
Revenue loss carried forward in respect of Subsidiary acquired during the year from the date of control		-	-16,86,633
Carried forward loss of Joint Venture		-	-39,60,852
		36,92,36,402	37,02,07,138
This Year (Rs.)	Previous Year (Rs.)		
Less: Proposed Dividend	1,28,92,116	1,28,92,116	
Tax on distributed Profits (see Directors' Report)	<u>16,51,802</u>	<u>16,51,802</u>	
Balance carried forward to next Year		35,46,92,484	35,56,63,220
Basic Earnings per equity share of Rs.10/- each (EPS)		1.05	-1.30

Net Profit / Loss after tax Rs. 1,35,73,181/- (Rs.1,67,56,081/-) No.of equity shares 1,28,92,116 (1,28,92,116)

Notes, Schedules & Statement of Accounting Policies form an integral part of the Profit & Loss Account.

(BY ORDER OF THE BOARD)

Per our report annexed
For BRAHMAYYA & CO
Chartered Accountants

V.L.DUTT
Chairman &
Managing Director

C.V.R. PANIKAR
Director

S. NANDAGOPAL
Director

K.B.PRANESH
Secretary & Corporate
General Manager (Finance)

C.MURALIKRISHNA
Partner

Place: Chennai - 600 008.
Date: 7th June, 2004

SCHEDULES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET
Schedule 'A'
"Share Capital"

PARTICULARS	AS AT	AS AT
	31-3-2004	31-3-2003
	Rs.	Rs.
Authorised:		
50000000 Equity Shares of Rs.10/-each	<u>50,00,00,000</u>	<u>50,00,00,000</u>
Issued:		
12897748 Equity Shares of Rs.10/-each	<u>12,89,77,480</u>	<u>12,89,77,480</u>
Subscribed and Paid-up:		
12892116 Equity Shares of Rs.10/-each fully paid	<u>12,89,21,160</u>	<u>12,89,21,160</u>
Total taken to Balance Sheet	12,89,21,160	12,89,21,160

Schedule 'B'
"Reserves & Surplus"

Particulars	AS AT	Added	Withdrawn	AS AT
	31-3-2003	during the	during the	31-3-2004
	Rs.	year	year	Rs.
Investment Allowance Reserve (utilised)	8,88,95,000	0	0	8,88,95,000
Capital Reserve - on reorganisation	2,79,91,144	0	0	2,79,91,144
Capital Reserve - in KCP BIOTECH Ltd	86,96,392	0	0	86,96,392
General Reserve				
Group companies	19,00,00,000	0	0	19,00,00,000
Joint venture	44,13,360	0	0	44,13,360
Foreign Project reserve				
Joint venture	43,20,000	0	0	43,20,000
Translation reserve	-74,84,103	0	0	3,01,68,313
Surplus (i.e) Balance in Profit and Loss Account	<u>35,56,63,220</u>	<u>0</u>	<u>0</u>	<u>35,46,92,484</u>
Total taken to Balance Sheet	67,24,95,013	0	0	70,91,76,692

Schedule 'C'
"Minority interest"

PARTICULARS	AS AT	AS AT
	31-3-2004	31-3-2003
	Rs.	Rs.
Share capital IN KECEPE Investments Pte Limited 4819922 Equity shares (4819922 shares) held by minority in KECEPE Investments pte Limited	<u>11,85,71,834</u>	<u>11,85,71,834</u>
Share capital in KCP BIOTECH 7 shares held by minority in KCP Biotech Limited	<u>700</u>	<u>700</u>
Reserves	<u>-6,90,74,566</u>	<u>-7,20,55,043</u>
Translation reserves	<u>1,50,84,156</u>	<u>96,56,732</u>
Share in Current Year Profit / (Loss)	<u>-5,18,410</u>	<u>29,80,477</u>
Total taken to Balance Sheet	6,40,63,714	5,91,54,700

Schedule 'D'
"Secured Loans"

PARTICULARS	AS AT	AS AT
	31-3-2004	31-3-2003
	Rs.	Rs.
I. Short-Term Loans:		
a) Working capital loans from Banks		
in Group companies	64,99,37,619	82,42,86,383
in Joint Venture	82,33,326	83,45,350
b) Intercompany Loans	12,22,25,987	2,61,00,000
II. Long-Term Loans :		
From Financial institutions	7,74,30,249	11,98,58,000
Total taken to Balance Sheet	85,78,27,181	97,85,89,733

Schedule 'E'
"Unsecured Loans"

i) Fixed Deposits	21,14,68,000	18,09,26,000
Total taken to Balance Sheet	21,14,68,000	18,09,26,000

Schedule 'F'
"Fixed Assets"

Sl.	DESCRIPTION	GROSS BLOCK				DEPRECIATION		NETT BLOCK	
		Cost upto 31.3.2003 Rs.	Additions during the year Rs.	Deductions during the year Rs.	Cost upto 31.3.2004 Rs.	Total Depreciation upto 31.3.2003 Rs.	Total Depreciation upto 31.3.2004 Rs.	As at 31.3.2004 Rs.	As at 31.3.2003 Rs.
1	Lands								
	Group Companies	13769411	0	0	13769411	0	0	13769411	13769411
2.	(a) Buildings								
	Group Companies	182119606	283520	0	182403126	65483738	69471959	112931167	116635868
	(b) Leasehold Buildings								
	Group Companies	1547500	0	0	1547500	311446	361894	1185606	1236054
3	Tramways & Railway Sidings								
	Group Comapnies	7012866	0	0	7012866	4143233	4466300	2546566	2869633
4	Plant & Machinery								
	Owned								
	Group Companies	2370659923	27710612	2115623	2396254912	872480366	1005425804	1390829108	1498179557
	Leased Assets								
	Group Companies	803107	0	0	803107	240482	497835	305272	562625
5	Furniture,Fixtures & Office Equipment								
	A) Owned								
	Group Companies	40458628	1256454	52706	41662376	29046614	31107949	10554427	11443986
	Joint Venture	736931	48770	31074	754627	594275	627014	127613	142656
	B) Leased								
	Joint Venture	128932	0	0	128932	4668	24336	104596	124264
6	Vehicles & Earthmoving Equipment								
	A) Owned								
	Group Companies	51430800	5847697	154340	57124157	47305699	48641348	8482809	4125101
	Joint Venture	36326	4338	5823	34841	14364	18544	16294	21962
	B) Leased								
	Group Companies	8022630	0	0	8022630	1645408	2968083	5054547	6377222
7	Research & Development Equipment								
	Group Companies	1540353	0	0	1540353	829356	831433	708920	710997
8	Patents								
	Group Companies	900000	0	0	900000	900000	900000	0	0
	Grand Total	2679167013	35151391	2359566	2711958838	1022999649	1165342499	1546616339	1656199336
1	Group Companies	2678264828	35098283	2322669	2711040438	1022386342	1164672605	1546367833	1655910454
2.	Jojnt Venture	902189	53108	36897	918400	613307	669893	248507	288882
	Grand Total	2679167013	35151391	2359566	2711958838	1022999649	1165342499	1546616339	1656199336

Schedule 'G'
"Investments"

PARTICULARS	AS AT	AS AT
	31-3-2004	31-3-2003
	Rs.	Rs.
1. Trade Investments:		
(a) Quoted Equity Shares - Fully paid	1,39,000	2,15,000
(b) Unquoted Equity Shares - Fully paid	6,00,00,000	6,00,00,000
2. Non-Trade Investments:		
(a) Quoted Equity Shares - Fully Paid	8,76,350	2,81,127
(b) Unquoted Equity Shares - Fully Paid	50,00,001	50,00,001
3. Other Investments	56,12,236	54,78,862
Total taken to Balance Sheet	7,16,27,587	7,09,74,990

Schedule 'H-1'
"Current Assets"

INVENTORIES

(as certified by the Managing Director.)

(1) Stores and Spares		
Group Companies	17,00,07,439	16,03,02,326
Joint Venture	99,01,979	1,33,00,031
a) Raw Materials	69,14,350	1,00,82,658
b) i) Finished Goods at Cost	13,48,17,876	14,27,38,738
ii) Finished Goods at Market Value	1,55,64,404	2,13,68,846
c) Work-in-progress	10,38,00,050	11,33,32,540
Total taken to Balance Sheet	44,10,06,098	46,11,25,139

Schedule 'H-2'

"Sundry Debtors"

Debts outstanding for a period exceeding six months:

Considered Good

a) Fully Secured

Group Companies	20,22,186	7,55,848
b) Unsecured		
Group Companies	1,12,64,342	3,44,81,253
Joint venture	83,10,287	74,12,995

Considered Doubtful

Group Companies

Joint Venture

Group Companies	5,22,405	4,18,94,248
Joint Venture	10,93,347	37,640

Less: Provision for doubtful debts

Group Companies

Joint Venture

Group Companies	5,22,405	4,37,81,083
Joint Venture	10,93,347	37,640

b) Other Debts-Considered Good

a) Fully Secured

Group Companies

b) Unsecured

Group Companies

Joint Venture

Group Companies	51,90,571	85,42,307
Group Companies	14,50,23,115	7,28,32,032
Joint Venture	1,93,47,482	12,39,611

Total taken to Balance Sheet

19,11,57,983

12,52,64,046

Schedule 'H-3'
"Cash and Bank Balances"

PARTICULARS	AS AT	AS AT
	31-3-2004	31-3-2003
	Rs.	Rs.
(1) Cash /Cheques on hand		
Group Companies	85,84,222	74,82,537
Joint venture	15,326	10,606
	85,99,548	
(2) At Scheduled Banks:		
i) in Fixed Deposits		
Group Companies	2,79,55,340	2,32,01,677
Joint venture	20,34,485	20,34,685
	2,99,89,825	
ii) in Current Accounts		
Group Companies	8,62,93,558	4,56,91,835
Joint venture	1,53,368	1,86,397
	8,64,46,926	
Total taken to Balance Sheet	12,50,36,299	7,86,07,736

Schedule 'H-4'
"Other Current Assets"

Interest accrued		
Group Companies	41,86,326	40,27,452
Joint Venture	24,051	29,864
Total taken to Balance Sheet	42,10,377	40,57,316

Schedule "H-5"
"Loans And Advances"

(1) Advances (unsecured, recoverable in cash or in kind, for value to be received)		
Considered Good :		
Group Companies	7,10,19,832	4,25,19,334
Joint Venture	39,74,797	29,63,471
Considered Doubtful	34,03,403	33,65,712
	7,83,98,032	4,88,48,517
Less : Provision for Doubtful Advances	34,03,403	33,65,712
(2) Prepaid Expenses	7,49,94,629	4,54,82,805
Group Companies	1,02,39,949	2,76,07,665
Joint Venture	1,17,121	1,65,168
(3) Excise Duty paid in advance		
Group Companies	48,22,359	51,79,466
Joint Venture	3,22,478	2,72,542
(4) Income-tax / Wealth -tax paid in advance		
Group Companies	8,99,76,972	7,27,99,299
Joint Venture	4,81,158	13,67,623
(5) Income-tax deducted at source		
Group Companies	66,16,674	88,91,439
Joint Venture	3,08,906	3,17,747
(6) Deposits recoverable		
Group Companies	3,69,16,584	3,01,07,044
Joint Venture	2,48,872	2,55,582
(7) Claims recoverable		
Group Companies	90,75,236	1,75,41,094
Joint Venture	15,58,920	39,600
Total taken to Balance Sheet	23,56,79,858	21,00,27,075

Schedule "I-1"
"Current Liabilities and Provisions"

PARTICULARS	AS AT	AS AT
	31-3-2004	31-3-2003
	Rs.	Rs.
A. CURRENT LIABILITIES:		
(1) a. Sundry Creditors - Due to Small Scale Industrial Undertakings		
Group Companies	40,34,575	2,01,47,632
Joint Venture	25,64,294	10,69,616
b. Sundry Creditors- Due to Others		
includes Rs. NIL (Rs. 108,798) due to Managing and		
whole time directors)		
Group Companies	31,89,27,212	30,33,47,078
Joint Venture	1,20,72,332	18,85,804
(2) Advances received against sales		
Group Companies	11,33,92,456	7,63,22,810
Joint Venture	2,27,87,895	1,31,80,863
(3) Trade Deposits	3,69,85,858	3,41,98,060
(4) Security Deposits from staff and others		
Group Companies	63,000	92,700
Joint Venture	-	6,680
(5) Interest accrued but not due on loans		
Group Companies	51,45,823	53,73,417
Joint Venture	-	1,147
(6) Due to Superannuation and Gratuity Trusts (NET)	1,06,44,215	1,66,95,303
(7) Unclaimed Dividend	1,44,08,565	56,54,439
(8) Other Liabilities		
Joint venture	-	31,51,953
Total taken to Balance Sheet	54,10,26,224	48,11,27,502

Schedule "I-2"

B. PROVISIONS:

(1) for Income Tax & Wealth Tax		
Group Companies	1,51,56,565	1,84,37,178
Joint Venture	2,65,623	1,79,623
(2) for Proposed Dividend	1,28,92,116	1,28,92,116
(3) for Tax on Dividend	16,51,802	16,51,802
(4) for Leave Encashment		
Group Companies	66,18,172	57,75,178
Joint Venture	3,11,440	6,61,112
Total taken to Balance Sheet	3,68,95,718	3,95,97,008

Signature to schedule A to I2

(BY ORDER OF THE BOARD)

Per our report annexed
For BRAHMAYYA & CO
Chartered Accountants

V.L.DUTT
Chairman &
Managing Director

C.V.R. PANIKAR
Director

S. NANDAGOPAL
Director

K.B.PRANESH
Secretary & Corporate
General Manager (Finance)

C.MURALIKRISHNA
Partner

Place: Chennai - 600 008.
Date: 7th June, 2004

SCHEDULES ANNEXED TO AND FORMING PART OF PROFIT AND LOSS ACCOUNT
**Schedule-1
"Other Income"**

PARTICULARS	For the year ended	
	31-3-2004	31-3-2003
	Rs.	Rs.
(1) Interest received from Banks and others		
Group Companies	53,86,096	3,61,36,222
Joint Venture	3,41,742	4,87,338
(2) Dividends Received (Gross)	26,535	5,98,249
(3) Rents received	10,57,116	12,46,307
(4) Miscellaneous Receipts		
Group Companies	40,49,800	52,52,977
Joint Venture	-	2,000
(5) Profit on sale of Assets		
Group Companies	5,14,722	10,68,709
Joint Venture	33,892	33,157
(6) Unclaimed balances credited back	32,75,528	4,18,731
(7) Claims/refunds received	6,37,248	38,747
(8) Profit on Sale of Investments	-	67,23,049
(9) Provision no longer required credited back		
Group Companies	71,40,186	93,14,615
Joint Venture	1,43,004	2,95,428
(10) Bad debts recovered	51,90,000	25,60,000
(11) Prior year adjustments	-	64,080
Total taken to Profit and Loss Account	2,77,95,868	6,42,39,609

**Schedule-2
"Materials Consumed"**

PARTICULARS	For the year ended		For the year ended	
	31-3-2004		31-3-2003	
	Rs.	Rs.	Rs.	Rs.
Opening Stocks:				
Raw materials				
Group Companies	100,82,658		60,70,107	
Joint Venture	-		161,15,601	
Work-in-Progress				
Group Companies	113,33,32,540		11,57,10,505	
Finished goods				
Group Companies	13,66,94,888		9,36,47,674	
	<u>1,33,00,031</u>		<u>-</u>	
		27,34,10,117		23,15,43,887
ADD:				
i) Purchases:				
Raw materials & Components				
Group Companies	39,02,09,285		51,72,22,600	
Joint Venture	5,10,94,056		177,57,370	
ii) Cost of raw materials produced				
Group Companies	<u>9,04,56,893</u>		<u>6,78,44,487</u>	
		53,17,60,234		60,28,24,456
		80,51,70,351		83,43,68,343
LESS:				
Closing Stocks:				
Raw materials				
Group Companies	65,85,275		1,00,82,658	
Joint Venture	-		1,33,00,031	
Work-in-Progress				
Group Companies	9,87,10,164		11,33,32,540	
Finished goods				
Group Companies	15,54,72,156		16,41,07,584	
Joint Venture	<u>99,01,979</u>		<u>-</u>	
		27,06,69,574		30,08,22,813
Total taken to Profit and Loss Account		53,45,00,777		53,35,45,530

Schedule-3
"Payments and Benefits to Employees"

PARTICULARS	For the year ended	For the year ended
	31-3-2004	31-3-2003
	Rs.	Rs.
Salaries, Wages and Bonus		
Group Companies	14,28,51,026	14,92,02,375
Joint Venture	31,82,286	41,37,830
Contribution to Provident Fund and Family Pension Scheme		
Group Companies	93,31,995	94,43,679
Joint Venture	4,98,051	3,63,410
Contribution to Superannuation Funds		
Group Companies	43,90,258	45,33,991
Joint Venture	-	3,53,292
Contribution to Gratuity Funds		
Group Companies	39,40,804	44,16,937
Joint Venture	-	75,680
Workmen and Staff Welfare expenses		
Group Companies	2,09,81,351	1,99,54,178
Joint Venture	5,52,276	10,86,383
Total taken to Profit and Loss Account	18,57,28,047	19,35,67,756

Schedule-4

"Manufacturing ,Selling, Administrative And Other Expenses"

Manufacturing:

Stores and Spares (including Packing Materials) consumed.		
Group Companies	16,25,24,753	11,73,13,361
Joint Venture	-	19,48,272
Sub-contracted works		
Group Companies	3,74,94,283	4,23,07,539
Joint Venture	44,63,537	-
Power and Fuel		
Group Companies	35,02,85,691	35,52,38,648
Insurance		
Group Companies	48,23,144	34,74,510
Joint Venture	32,465	52,685
Research & Development		
Group Companies	3,50,717	3,69,666
Technical fee and royalty		
Group Companies	-	91,019
Joint Venture	-	9,11,815
Lease Rentals		
Group Companies	18,07,155	18,16,920
Joint Venture	2,49,514	-
Repairs to Buildings		
Group Companies	1,30,50,290	1,14,16,174
Repairs to Machinery		
Group Companies	3,18,17,231	2,29,83,793
Repairs to Other Assets		
Group Companies	90,71,597	92,03,338
(A)	61,59,70,377	56,71,27,740

PARTICULARS	For the year ended	For the year ended
	31-3-2004	31-3-2003
	Rs.	Rs.
Selling:		
Advertisement		
Group Companies	67,29,196	1,33,70,768
Joint Venture	30,013	44,319
Loading,Unloading,Transport etc		
Group Companies	7,83,09,491	6,05,62,332
Joint Venture	-	6,70,550
Commission on Sales		
Group Companies	24,31,162	23,12,632
Joint Venture	-	1,42,607
	(B)	
	8,74,99,862	7,71,03,209
Administrative:		
Rent		
Group Companies	15,08,682	11,43,380
Joint Venture	4,800	-
Payments to Auditors		
Group Companies	11,31,904	18,32,782
Joint Venture	81,082	73,000
Directors' Sitting Fee		
Group Companies	3,76,000	3,14,000
Managerial Remuneration		
Group Companies	14,85,896	15,08,433
Joint Venture	3,59,243	3,82,992
Miscellaneous Expenses		
Group Companies	6,43,60,881	5,60,08,090
Joint Venture	65,47,133	62,08,646
	(C)	
	7,58,55,621	6,74,71,323
Other Items:		
Warranty Claims		
Group Companies	69,03,423	15,46,737
Joint Venture	1,37,120	-
Provision for doubtful debts		
Group Companies	5,60,096	86,940
Bad debts and irrecoverable advances written off		
Group Companies	2,94,809	6,69,428
Joint Venture	-	3,55,046
Nett value of discarded assets written off		
Group Companies	10,99,042	9,82,176

PARTICULARS	For the year ended	For the year ended
	31-3-2004	31-3-2003
	Rs.	Rs.
Loss on sale of assets		
Group Companies	-	37,563
Joint Venture	34	-
Investments written off		
Group Companies	9,33,155	-
Short fall in value of Investments		
Group Companies	78,502	8,41,522
Difference in exchange (NET)		
Group Companies	1,94,58,322	70,42,932
Joint Venture	7,592	18,491
	(D) <u>2,94,72,096</u>	<u>1,15,80,834</u>
Totals of A+B+C+D taken to Profit and Loss Account	80,87,97,956	72,32,83,106

Schedule-5

"Excise Duty & Taxes (Excluding Income tax)"

Excise Duty and Cess		
Group Companies	23,89,80,662	21,53,77,968
Joint Venture	13,45,412	15,68,611
Rates and Taxes		
Group Companies	67,27,627	71,53,315
Joint Venture	17,424	71,884
Total taken to Profit and Loss Account	24,70,71,126	22,41,71,778

Signature to Schedules 1 to 5

(BY ORDER OF THE BOARD)

Per our report annexed
For BRAHMAYYA & CO
Chartered Accountants

V.L.DUTT
Chairman &
Managing Director

C.V.R. PANIKAR
Director

S. NANDAGOPAL
Director

K.B.PRANESH
Secretary & Corporate
General Manager (Finance)

C.MURALIKRISHNA
Partner

Place: Chennai - 600 008.
Date: 7th June, 2004

NOTES FORMING PART OF THE ACCOUNTS

1. BASIS OF PREPARATION

The KCP Limited (Parent) has prepared the group consolidated financial statements by :

Consolidating its accounts and those of its subsidiaries viz. KECEPE Investments Pte Ltd, KCP Vietnam Industries Ltd and KCP Bio-Tech Limited in accordance with "Accounting Standard 21 Consolidated Financial Statements" issued by the Institute of Chartered Accountants of India.

Financial Statements of Subsidiaries were prepared for the year ended 31/03/2004, and the same have been adopted for consolidation.

1.1 Companies included in consolidation

KECEPE Investments Pte Ltd ,Singapore, is a Joint Venture wherein KCP holds 66.67% of the Equity and KCP Vietnam Industries Limited, is a wholly owned subsidiary of KECEPE Investment Pte Limited, KCP Biotech Limited a 100% subsidiary of the KCP Limited and Fives Cail KCP Ltd a company incorporated in India is a Joint Venture entity in which the KCP Ltd has a 40% interest. The reporting date of KECEPE Investments Pte Limited and KCP Vietnam Industries Ltd is 31st December

1.2 Principles of consolidation

The financial statements of the KCP Ltd and its subsidiaries are prepared according to the accounting policies and standards applicable to them in the countries in which they are incorporated as stated in the "Statements on Accounting Policies" in the respective companies and published separately here along with. It is not practicable to use uniform accounting policies in preparing the consolidated financial statements.

2. MINORITY INTEREST

	31.03.2004	31.03.2003
	Rs.	Rs.
4819922 Equity shares (4819922 shares) in the	11,85,71,834	11,85,71,834
Share Capital of KECEPE Investments Pte Limited		
7 equity shares in the share capital of KCP Biotech Limited	700	700
Share in reserves	-6,90,74,566	-7,20,55,043
Share in Translation reserve	1,50,84,156	96,56,732
Share in current year profit / (Loss)	-5,18,410	29,80,477
Total	<u>6,40,63,714</u>	<u>5,91,54,700</u>

3. The Major components of deferred tax assets and liabilities arising on account of timing differences are

PARTICULARS	ASSETS	LIABILITIES
1. Depreciation		8,74,12,130
2. Items U/s 43 B of IT Act	61,52,140	
3. Provision for Doubtful Debts	14,08,384	
	<u>75,60,524</u>	<u>8,74,12,130</u>
Net deferred tax liability as on 31.3.2004		7,98,51,606

Deferred Tax asset arising out of loss incurred in Vietnam is not taken into account, as a prudent measure.

4. The Interest of the Company (at 40%) in the aggregate amount of the assets, income and expenses of Fives Cail KCP Ltd are as follows

	31.3.2004 (Rs.Thousands)	31.3.2003 (Rs.Thousands)
(a) Total Assets	57,129	38,455
(b) Total Liability	57,129	38,455
SOURCES OF FUNDS		
(a) Paid up Share Capital	4000	4000
(b) Reserves and Surplus	4320	4320
(c) Secured Loans	8233	8345
(d) Current Liabilities & Provisions	40576	21790
APPLICATIONS OF FUNDS		
(a) Net Fixed Assets	248	289
(b) Current Assets	51475	31480
(c) Profit and Loss Account	5406	6686
PERFORMANCE OF COMPANY		
(a) Turnover	100594	44966
(b) Other Income	519	818
(c) Total Expenditure	99747	53048
(d) Profit/Loss before Tax	1366	-7264
(e) Profit/Loss after Tax	1280	-7138

5. Particulars disclosed pursuant to "AS-18 related party disclosures" :-

A. List of Related parties:

Key Management Personnel

- Dr. V. L. Dutt - Chairman and Managing Director, The KCP Ltd
- Mrs. V. L. Indira Dutt - Joint Managing Director, The KCP Ltd
- Mrs. Kavitha D Chitturi - Executive Director, The KCP Ltd
- Mr. N. Radhakrishna Rao - Director and President, Fives Cail KCP Ltd.

Relative of Key Management Personnel

- Mrs. S.R.V. Rajyalakshamma Mother of Mrs. V. L. Indira Dutt
- Mr. V. Chandra Kumar Brother of Smt. V. L. Indira Dutt
- Mr. V. Uma S. Vallabhaneni Sister of Sri . V.L. Indira Dutt
- Mrs. V. Rama Kumari Sister of Smt. V. L. Indira Dutt
- Kum. Sivani Dutt Chitturi Daughter of Smt. Kavita Dutt Chitturi

Companies controlled by Key Management Personnel / Relatives

- KCP Technologies Limited
- V Ramakrishna Sons Pvt. Ltd.

B. Transactions with related parties:

	Key management personnel	Relatives of Key management Personnel	Companies Controlled By KMP/ Relatives of KMP
Transactions during the year	Rs.	Rs.	Rs.
Services rendered	30,000		1,22,880
	-		(8,95,980)
Loans/Deposits Received	32,50,000		-
	(19,00,000)		(69,00,000)
Sale of Investment			-
			(87,500)
Services received and others	8,360	6,374	45,000
	(1,986)	(8,486)	-
Remuneration Paid	18,45,139	-	-
	(18,91,425)	-	-
Interest Paid	4,21,379	1,456	23,07,388
	(15,42,602)	-	(30,98,673)
Dividend Paid	4,73,443	25,157	38,71,661
	(7,92,686)	(2,70,000)	(77,35,270)
Loans Paid / Given	30,00,000	-	8,34,415
	(1,90,00,000)	-	(1,12,75,000)
Balances as at 31.03.2004			
Receivable - Trade dues	-	-	-
	-	-	(30,08,996)
Share Capital in KCP held by	54,87,310	13,00,000	4,82,54,680
	(39,63,430)	(13,50,000)	(3,86,76,350)
Share Capital in Fives Cail KCP held by	17,55,000	-	-
	(17,55,000)	-	-
Share Capital in Kecepe Investments held by	-	18,20,056	-
	-	(18,20,056)	-
Loans/Advances/Deposits received	49,03,000	11,000	2,52,65,585
	(19,53,000)	-	(2,61,00,000)
Guarantees received	21,93,00,000	-	21,93,00,000
	(27,71,48,438)	-	(23,68,50,000)
Payable - Trade dues	-	-	-
	(3,972)	(16,972)	-
Payable - Interest	-	-	44,94,469
	(1,08,798)		(4,12,115)

6. Particulars disclosed pursuant to "AS-19 Accounting for Leases":-

PARTICULARS	AS ON 31.3.2004 Rs.	Not Later than One Year Rs.	Later than 1 year and Not later than 5 years Rs.	Later than 5 Years Rs.
Total minimum lease payments	66,64,845	26,32,920	40,31,925	Nil
Present value of minimum lease payments	42,41,715	19,23,739	23,17,976	Nil

- There are no material restrictions imposed under lease arrangements.

- There are no commitments for renewal or purchase of the leased assets at the end of the lease term.

7. The Company share (at 40%) of the contingent liabilities of Fives Cail KCP Ltd at the Balance Sheet date works out to Rs. 31,99,354

8. Particulars disclosed pursuant to Accounting Standard 17 " Segment Reporting" are given in Annexure 1

General:

In respect of particulars relating to the Equipment and Components manufactured in the Company's Engineering Unit mentioned as such in the above paragraphs, unit quantification is not possible.

Paise have been rounded off.

Figures in brackets indicate those for the previous year.

Figures for the previous year have been regrouped, wherever necessary.

(BY ORDER OF THE BOARD)

Per our report annexed
For BRAHMAYYA & CO
Chartered Accountants

V.L.DUTT
Chairman &
Managing Director

C.V.R. PANIKAR
Director

S.NANDAGOPAL
Director

K.B.PRANESH
Secretary & Corporate
General Manager (Finance)

C.MURALIKRISHNA
Partner

Place: Chennai - 600 008.
Date : 7th June, 2004

SEGMENT REPORT UNDER ACCOUNTING STANDARD 17 AS AT 31ST MARCH 2004

Annexure 1
(Rs. in Lakhs)

Particulars	Engineering		Cement		Power		Sugar		Others		Elimination		Consolidated	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
Revenue														
External Sales and other income	6192	4963	8498	8805	20	10	5065	5101	435	403			20210	19282
Inter Segment Sales	342	168	9	9	184	244			155	243	533	368	157	297
Total Revenue	6534	5131	8507	8814	204	254	5065	5101	590	647	533	368	20367	19579
Result														
Segment Result	877	65	411	279	-209	-162	564	800		32			1643	1013
Add : Unallocated Corporate Expense													-526	-202
Operating Profit / (Loss)	877	65	411	279	-209	-162	564	800		32			1117	811
Less : Interest Expense													1017	1467
Add : Interest Income													57	366
Less : Income Taxes														
Net Current Tax liability													-42	10
Net Deferred Tax liability													60	-161
Profit from Ordinary Activities	877	65	411	279	-209	-162	564	800					140	-139
Less : Minority share of profit / (Loss)													5	30
Net Profit	877	65	411	279	-209	-162	564	800					135	-168
Other Information														
Segment Assets	4306	3910	4732	4841	4026	4287	10745	11078	414	364	312	128	23911	24402
Unallocated corporate Assets													2381	1768
Total Assets	4306	3910	4732	4841	4026	4287	10745	11078	414	364	312	128	26291	26170
Segment Liabilities	3225	3377	2874	2904	781	864	8823	9689	34	10	2665	2932	13073	13912
Unallocated Corporate liabilities													4197	3630
Minority Interest													641	592
Shareholders Funds													8381	8018
Total Liabilities	3225	3377	2874	2904	781	864	8823	9689	34	10	2665	2932	26291	26151
Capital Expenditure	15	32	158	75	23	4	129	1920	1	24			327	2055
Unallocated capital expenditure													25	
Total Capital Expenditure													352	2054
Depreciation	55	57	323	340	262	262	763	967	28	30			1430	1656
Non cash expenses other than Depreciation		1												1

Secondary Segment Report - Geographical Segments

	Sales Revenue		Carrying amount of assets		Additions to Fixed Assets	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
India	13214	14478	15546	15042	198	134
Australia	2088					
South East Asia - Vietnam	5065	5101	10745	11078	129	1920
Total	20367	19579	26291	26120	327	2055

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2004

	2004			2003
	ADD Rs.	LESS Rs.	TOTAL Rs.	Rs.
A. CASH FLOW FROM OPERATING ACTIVITIES				
Net Profit before Tax			1,58,65,340	-2,59,82,119
			1,58,65,340	-2,59,82,119
ADJUSTMENTS FOR				
Depreciation	14,30,13,414			16,55,63,190
Investments written off	9,33,155			
Foreign Exchange Difference	1,94,65,914			70,61,423
Provision for dimunition in value of investments	78502			8,41,522
Profit/Loss on Sale / conversion of Assets	1099076	5,48,614		-10,64,303
Assets Written off				9,82,176
Profit/Loss on Sale				-67,23,049
Interest (Nett)	96012697			11,00,63,519
Dividend Received		26,535		-5,98,249
Provision for dimunition in value of investments of earlier years withdrawn		16,52,646		
	26,06,02,758	22,27,795	25,83,74,963	27,61,26,229
OPERATING PROFIT BEFORE WORKING CAPITAL :			27,42,40,303	25,01,44,110
Trade and other Receivables		7,76,92,179		-6,38,29,170
Inventories	20119041			-8,93,74,619
Trade Payables & Provision	60392044			-3,49,86,058
Preliminary expenses				-1,43,080
	80511085	7,76,92,179	28,18,906	-18,83,32,927
CASH GENERATED FROM OPERATIONS			27,70,59,209	6,18,11,183
Direct Taxes refunds received/Paid		1,39,54,904	-1,39,54,904	6,09,80,235
			26,31,04,305	12,27,91,418
CASH FLOW BEFORE EXTRAORDINARY ITEMS				
Foreign Exchange Difference		1,94,65,914		-70,61,423
		1,94,65,914	-1,94,65,914	-70,61,423
NET CASH FROM OPERATING ACTIVITIES A			24,36,38,391	11,57,29,995
B. CASH FLOW FROM INVESTING ACTIVITIES				
Purchase of Fixed Assets		3,51,51,391		-1,21,41,559
Capital Work-in-Progress		50,73,801		6,85,49,201
Purchase of Investments		14,120		-98,929
Sale of Fixed Assets	12,16,173			55,02,761
Sale of Investments	2,512			3,32,41,066
Interest Received	57,27,838			3,66,23,560
Dividend Received	26,535			5,98,249
Translation difference	3,76,52,416			-2,94,45,918
Movement in Minority Interest	49,09,014			6,24,239
	4,95,34,488	4,02,39,312	92,95,176	10,34,52,670
NET CASH USED IN INVESTING ACTIVITIES ... B			92,95,176	10,34,52,670

C. CASH FLOW FROM FINANCING ACTIVITIES				
Repayment of Long Term Borrowings (Secured)		12,07,62,551		10,24,05,522
Dividends Paid		1,28,92,116		-2,57,84,232
Tax on Distributed Profits		16,51,802		-
Interest Paid		10,17,40,535		-14,66,87,079
Proceeds of Long Term Borrowings (Unsecured)	3,05,42,000			-15,08,42,965
	3,05,42,000	23,70,47,004	-20,65,05,004	-22,09,08,754
NET CASH USED IN FINANCING ACTIVITIES ... C			-20,65,05,004	-22,09,08,754
Net increase in cash and cash equivalents (A+B+C)			4,64,28,563	-17,26,089
Opening Cash Balance			7,86,07,736	8,03,33,825
Closing Cash Balance			12,50,36,299	7,86,07,736

(BY ORDER OF THE BOARD)

Per our Certificate of even date

for BRAHMAYYA & CO
Chartered Accountants

C.MURALIKRISHNA
Partner

V.L. DUTT
Chairman & Managing Director



ADMISSION SLIP

THE KCP LIMITED

Regd. Office : 2, Dr. P.V. Cherian Crescent, Egmore, Chennai - 600 008.

PLEASE COMPLETE THIS ADMISSION SLIP AND HAND IT OVER AT THE ENTRANCE OF THE MEETING HALL.

NAME AND ADDRESS

NO. OF SHARES

FOLIO NO./CLIENT ID NO.

**63rd ANNUAL
GENERAL MEETING ON THURSDAY
9TH SEPTEMBER, 2004
AT 11.00 A.M.
AT REGISTERED OFFICE
"RAMAKRISHNA BUILDINGS"
2, Dr. P.V. CHERIAN CRESCENT
EGMORE, CHENNAI - 600 008.**

- If you intend to appoint a Proxy, please complete the Proxy Form below and deposit it at the Company's Registered Office 48 hours before the meeting. Please ensure that the Proxy brings this Admission slip with him for the meeting.

NAME OF PROXY (IF ANY) IN BLOCK LETTERS

SIGNATURE OF MEMBER(S) / PROXY



PROXY FORM

THE KCP LIMITED

Regd. Office : 2, Dr. P.V. Cherian Crescent, Egmore, Chennai - 600 008.

NO. OF SHARES

FOLIO NO./CLIENT ID NO.

SERIAL NO.	RECEIVED ON	TIME	CODE

I/We of in the district of being a member/members of the above named company hereby appoint of in the district of or failing him of in the district of as my/our proxy to vote for me/us on my/ourbehalf at the 63rd Annual General Meeting of Company to be held on at 11.00 am on Thursday, the 9th September, 2004 and at any adjournment thereof.

As witness my (our) hand(s) this day of2004.

Signed by the said

*This Proxy Form must be duly completed and received at the Company's Registered Office 48 hours before the commencement of meeting. Proxy need not be a member of the Company.