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HIGHLIGHTS

(Rs. in Lakhs)

	Year Ended									
	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	31-03-05
SHARE CAPITAL	2578	1289	1289	1289	1289	1289	1289	1289	1289	1289
RESERVES & SURPLUS	7263	9035	9425	9399	8329	8740	8435	8112	8084	8610
NET WORTH	9841	10324	10714	10688	9618	10029	9725	9401	9374	9899
FIXED ASSETS (NET)	10146	5292	6628	9357	9316	8686	8146	7556	7091	6850
GROSS INCOME	37654	21941	15466	19235	13957	13954	14092	14353	14722	16863
GROSS PROFIT	4569	7176	1702	2039	1139	2544	2734	1122	1385	2445
DEPRECIATION	692	360	356	419	618	701	695	688	667	494
INTEREST	1738	487	590	1152	1480	1255	1051	774	584	489
PROFIT BEFORE TAX	2139	6328	756	468	-959	587	988	-339	135	1462
PROFIT AFTER TAX	1939	5478	656	318	-962	567	790	-178	117	967
EARNINGS PER SHARE (Rs.)	7.52	42.49	5.09	2.47	-	4.40	6.13	-1.38	0.91	7.5
BOOK VALUE PER SHARE(Rs.)	38.17	80.08	83.11	82.91	74.61	77.79	75.43	72.93	72.71	76.79
DIVIDENDS ON EQUITY (%)	25	25	25	25	10	11	20	10	10	30
DEBT EQUITY RATIO	0.40	0.32	0.51	0.48	0.43	0.35	0.23	0.13	0.05	0.03

** After Re-Organisation.

DIRECTORS

DUTT V.L
Chairman & Managing Director

INDIRA DUTT V.L
Joint Managing Director

KAVITHA D. CHITTURI
Executive Director

PINNAMANENI KOTESWARA RAO

NANDAGOPAL S.

RAJU G.S.

RAMAKRISHNA.A

RAMAKRISHNAN P.R.

RAMAKRISHNAN V.H.

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
SOUTH INDIAN BANK

REGISTERED AND CORPORATE OFFICE

"RAMAKRISHNA BUILDINGS"
2, Dr. P.V. CHERIAN CRESCENT,
EGMORE, CHENNAI - 600 008.
PH : 55772600 & 55772615 / 619 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 TO SHAREHOLDERS

NOTICE is hereby given that the Sixty Fourth Annual General Meeting of the Shareholders of the Company will be held on Friday, the 16th September, 2005 at 10.00 A.M. at the Registered Office of the Company at "Ramakrishna Buildings", No. 2, Dr. P.V. Cherian Crescent, Egmore, Chennai-600 008 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, 2005 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. S. Nandagopal, 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. S. Nandagopal who retires by rotation be and is hereby re-appointed a Director of the Company.

5. To consider not to appoint a Director in the place of Sri. D.S.Reddy, 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 D.S.Reddy, who retires by rotation, be not filled up.

6. To consider not to appoint a Director in the place of Sri. G.S.Raju, 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 G.S.Raju, who retires by rotation, be not filled up.

SPECIAL BUSINESS

7. To appoint Sri. V.H. Ramakrishnan as a director of the Company and to consider and if thought fit, to pass with or without the modification, the following resolution as an Ordinary Resolution.

RESOLVED that Sri V.H. Ramakrishnan be and is hereby appointed as a Director of the Company.

8. To appoint Sri. A. Ramakrishna as a director of the Company and to consider and if thought fit, to pass with or without the modification, the following resolution as an Ordinary Resolution.

RESOLVED that Sri A. Ramakrishna be and is hereby appointed as a Director of the Company.

(BY ORDER OF THE BOARD OF DIRECTORS)

Place: Chennai-600 008

For **THE K C P LIMITED**

Date: 9th June, 2005

V L DUTT
CHAIRMAN

NOTES :

1. 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.
2. Any member/proxy wishing to attend the meeting must complete the admission slip and hand it over at the entrance.
3. Shareholders are requested to notify their change of address, if any, without delay. IN ALL CORRESPONDENCE THE LEDGER FOLIO / CLIENT ID NUMBER SHOULD BE INDICATED.
4. 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, 2005 to 16th September, 2005, 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 1997 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 1998 and after may approach the Company's Registered Office at No. 2, Dr. P.V. Cheriau 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 capital 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

Mr. V.H.Ramakrishnan is a retired General Manager from Bank of India. He was appointed as Nominee Director on the Board by IDBI. On repayment of loan, he was withdrawn from the Board. He is a Chartered Accountant and a Cost Accountant with 35 years of banking experience. In addition to the directorship of the company, he holds the following directorships as Nominee Director :

1. Hindustan Photo Films Mfg. Co. Limited, Indu Nagar, Udhagamandalam
2. B.S. Refrigerators Limited, Bangalore
3. Namtech Systems Limited, Bangalore

Considering his contribution during his tenure as a nominee Director and his experience, the Board appointed him as an additional director from 28/1/2005. He retires at the end of the 64th AGM. The Company has received a notice under section 257 (1), from a member proposing his candidature for being elected as a Director. Accordingly his appointment as a Director is being considered as item 7 on the Agenda. None of the directors of the Company is interested in this Resolution.

NOTE ON ITEM NO .8

Mr. A.Ramakrishna is a structural engineer with 40 years experience. He retired as President and Deputy Managing Director of Larson and Toubro Limited. In addition to the directorship of the company, he holds the following positions :

- | | | |
|---|---|----------|
| 1. GVK Jaipur – Kishengarh Expressway (Limited) | - | Director |
| 2. Bangalore International Airport Limited | - | Director |
| 3. Madras Cements Limited | - | Director |
| 4. Andhra Sugars Limited | - | Director |
| 5. GVK Industries Limited | - | Director |

Considering his vast industrial experience in similar lines of business to that the company is engaged in, the Board appointed him as an additional director from 28/1/2005. He retires at the end of the 64th AGM. The Company has received a notice under section 257 (1), from a member proposing his candidature for being elected as a Director. Accordingly his appointment as a Director is being considered as item 8 on the Agenda.

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

AT A GLANCE

	31.03.2005	31.3.2004
Cement Produced (M.T.)	484551	465684
Power Produced (KWH)	23710176	5263160
TURNOVER:	Rs. %	Rs. %
	(000')	(000')
Machinery & Equipment	669452 40.85	542938 38.41
Cement	921352 56.22	844369 59.73
Others	48125 2.94	26264 1.86
	1638929 100	1413571 100
FIXED ASSETS	Rs.	Rs.
	(000)	(000)
Gross Block	1694150	1675556
Depreciation	1016110	969608
Nett	678040	705948
RESERVES	861048	808429
PROFITS	195561	80140
(Before Depreciation and taxation)		
NETT PROFIT	96753	11729
(After Depreciation and taxation, available for appropriation and dividend)		

REPORT OF THE DIRECTORS' FOR THE YEAR ENDED 31ST MARCH 2005

Submitted to the Shareholders at the 64th Annual General Meeting held
at the Registered Office of the Company on Friday, the 16th September, 2005 at 10.00 a.m.

1. Your Directors have pleasure in submitting their report for the financial year ended 31st March, 2005 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		9,67,52,603
for the year 2004-2005 after		
providing for interest of	4,89,02,164	
Depreciation of.....	4,93,70,010	
Provision for current tax of.....	5,25,00,000	
Deferred tax withdrawal of	30,61,280	
Balance brought forward (from		
2003-2004)	50,15,42,974	
Add: Investment allowance		
(utilised) withdrawn		8,88,95,000
Deduct:		
Transfer to General Reserve		11,00,00,000
Proposed dividend and tax thereon		4,41,33,744
Balance to be carried to the next		
year of account		53,30,56,833

3. **DIVIDENDS**

Your Directors recommend payment of a Dividend of Rs. 3.00 per share on 12892116 Equity Shares of Rs. 10/- each amounting to Rs.3,86.76,348.

4. **CAPITAL & RESERVES**

Capital of the Company stood at Rs. 12,89,21,160 and the Reserves stood at Rs.86,10,47,977 as on 31st March, 2005.

5. **FIXED DEPOSITS**

As at 31st March, 2005, there were deposits matured and unclaimed amounting to Rs. 48,25,000 of 305 depositors. Since then, Rs. 12,75,000 of 64 depositors were renewed and Rs. 6,79,000 of 45 depositors were repaid.

6. **MANAGEMENT DISCUSSION & ANALYSIS SALES & PROFITS**

FINANCIAL YEAR	2004-2005	2003-2004
	(Rs. in lakhs)	
Sales	16,389	14,136
Profit before interest & tax	1,951	823
Profit(+)/Loss(-) after tax	968	117
Current ratio	1.95	2.19
Debt equity ratio	0.03	0.05
Inventory Turnover	4.33	4.49

During the year, operating margin improved as compared to the previous year in all segments. Adequate water supply in GB canal enabled generation of electricity to capacity.

CEMENT

Operational Performance :

FINANCIAL YEAR	2004-2005	2003-2004
	(Rs. in lakhs)	
Cement produced (M.T.)	4,84,551	4,65,684
Capacity Utilisation (%)	96%	93%
Cement sold	4,87,015	4,68,095
Turnover (Rs. In lakhs)	9,214	8,444
Segment result	566	418

Realisation during the year under review was better than the previous year. In the first two quarters, prices were good which enabled this segment to post profits. Subsequent quarters witnessed decline in prices. This segment posted losses in the last two quarters. For the year as a whole, this segment posted better results as compared to the previous year.

Overview :

The Company operates a plant of 500,000 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. In addition to the existing excess capacity, fresh capacity is being established in the cluster. Severe competition had impacted prices in the last two quarters. This is expected to be a permanent risk that the Company has to manage, in the years to come.

The Company marketed 10% of its production in Tamil Nadu, during the year under report. Prices remained at unremunerative levels throughout the year, due to differential taxation policy.

Increase in transport costs due to oil price increase and consequent increase in input costs, usage of imported fuel, have had adverse impact on the segment result.

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

Outlook :

The Company produced 54% Portland Cement and 46% Blended Cement during the year. The company proposes to produce 60% Portland Cement and 40% Blended Cement in the ensuing year.

Prices have moved down drastically, during April and May, 2005, in core markets. If this trend continues, realisation will be less than that of the previous year.

Value Added Tax has been introduced in Andhra Pradesh, with effect from 1/4/2005. Nominal savings are expected from input credit. Due to rationing of domestic coal, it is envisaged that more imported coal is to be procured for running the factory. These will have negative impact on the current year earnings of this segment.

The Company is installing a waste heat recovery system, at a cost of Rs.1150 lakhs, which is expected to generate of 2 MW electricity. Being one of the early indigenous efforts to generate electricity from outflow of hot gas from operations, without any additional input, there will be saving of carbon fuel. In furtherance of clean environment, a clinker silo is being built at a cost of Rs.1000 lakhs.

POWER

Operational Performance :

FINANCIAL YEAR	2004-2005	2003-2004
	(Rs. in lakhs)	
Hydel power generation in (KWH)	23710170	5263160
Usage (KWH)	22568453	5171391
Turnover (Rs. in lakhs)	790	193
Segment result	377	-206

Generating stations operated to capacity since adequate water flow was available. Wind power generation commenced in the last quarter and yielded a generation of 206409 units.

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 as determined by APERC.

In addition to the Hydel unit, during the year the Company took on operating lease 12 wind turbines of 225 KW each, newly set up by Indusind bank, and maintained by Alfin Wind energy Limited. These are located at Thandayarkulam Village, Radhapuram Taluk, Tirunelveli district of Tamilnadu. The Company has entered into agreement with Tamil Nadu electricity Board, as operating lessee, to wheel the energy generated to the Company's engineering unit located in

Tiruvottiyur. Power remaining unused as at 31st March of each year is sold to TNEB at the prevalent purchase price.

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 inflow of water to Nagarjuna sagar dam. Near normal monsoon during the season improved storage in Nagarjuna sagar dam. Consequently, during the year under report, adequate flow of water was available in the canal. Generation was near normal.

Concerns :

Increase in wheeling charge was challenged by the Company, in AP High Court. The Court quashed the order. APTRANSCO went on appeal to Supreme Court, which is pending. Similarly, increase in water cess was challenged by the company and is pending in AP High Court. Government levied a duty on electricity generated, which was also contested by the Company and is pending in AP High Court. APERC has, for the current year fixed wheeling charge of 6% and cash compensation of Rs.84.25 paise per KW per month. The company has contested this hike also in the AP High Court, which is pending.

Outlook :

Prospects of this unit are dependent on copious monsoon resulting in abundant water flow to Nagarjuna Sagar Dam. Electricity reform measures are expected to tone down the concessions available to all developers including mini-hydel units. This will reduce the expected benefit out of captive generation of hydel power.

During the next financial year, wind turbines will have a full year of operation.

ENGINEERING

Operational Performance :

FINANCIAL YEAR	2004-2005	2003-2004
	(Rs. in lakhs)	
Turnover :		
Domestic	6301	3617
Export	875	2072
Segment result	1251	866

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. Arakonam facility was effectively used to augment production of foundry products.

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 improved.

Consequently, new opportunities are emerging. Similarly, in the domestic market, investment in capital goods has been stepped up by core industries during the year owing to better performance of those industries.

Opportunities:

Widening of the product range has also widened the customer base. This is leading to better value addition. Augmentation of capacity in Foundry with a 20 T holding furnace will provide opportunity to realise orders with higher value addition. Similarly, retro-fitment of CNC to important machines will enhance productivity.

Risks :

Product mix and customer mix are the deciding factors affecting 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. 6952 lakhs and the existing product-mix, performance during fiscal 2005-2006 is expected to yield similar results as that of the year under report. The modernisation programme being implemented at a cost of Rs.500 lakhs will enable the company to increase productivity and to compete in higher value added segment.

7. CORPORATE INVESTMENTS

Performance :

Fives Cail K.C.P. Limited :

Operations during the year ended 31.03.2005 were better than the previous year. Export order to Bangladesh was partially completed. New domestic orders fructified on revival of sugar industry. The company returned profits in the current year and was able to recover part of accumulated losses. Outlook for the ensuing year is optimistic.

Sudalagunta Sugars Limited :

Sudalagunta Sugars Limited crushed 2,35,525 tonnes of cane during 2004/05 season with a recovery of 9.78%. In addition the company also processed 23,698 tonnes of imported raw sugar. During this financial year, the Company also sold 257 lakh 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 of date the promoter has bought back 20% of the holdings, as per the agreement.

K.C.P. Biotech Limited :

Natural colour extraction plant was commissioned in November and trial production runs were conducted from December 2004 to February,2005. Commercial production started on 1st of March,2005. During the year under report, paprica (chilli) colour extract was exported to France. Since then the unit has been exporting to South Africa. Quality of

the products has been acceptable to the international buyers. Natural colour market demand being vast, growth potential offered by this business is impressive.

However, production process is yet to stabilise, since the know-how acquired from CFTRI, did not yield contracted parameters. Efforts are on to improve yields, which is essential to make this business segment profitable.

For the year under report this unit posted a loss of Rs.33 lakhs.

Somayajulu & Co. Limited :

This investment yielded 5% return during the year under review. Performance of the stock market was good and hence earnings of the company were satisfactory. It is expected that with a similar trend being witnessed in the current fiscal, next year will also yield dividend.

KCP Vietnam Industries Limited :

KCP Vietnam Industries Limited concluded the third season with a crush of 3,30,952 tonnes and a recovery of 9.88%. Realisation in 2004 was higher than that of the previous year, due to shortage of sugar in Vietnam. For the year ended 31-12-2004, the Company earned a profit of Rs. 620 lakhs. Accumulated losses have been brought down to Rs.1,214 lakhs. Dong Xuan Factory crushed 8,303 tonnes of cane and the syrup was taken into production process at the Phu yen factory.

The 'Refined Sugar Superior' produced and marketed by the Company was awarded Gold cup as the best quality sugar produced during the year, in international trade fair conducted by AFTA in Vietnam.

During the year the Company commenced proceedings for voluntary winding up of the investment Company, (KECEPE Investments (Pte) Limited) in Singapore, through which investment was made in the Vietnam subsidiary. The company has obtained permission from Reserve Bank of India to hold the investment in KCP Vietnam industries directly. Consequent to the liquidation proceedings, the investment company will substitute the shares of KCP Vietnam Industries Limited for its own, as distribution in specie. The shares will have the same nominal value and proportion of KCP's holdings in the subsidiary.

Diminution in value of investments:

During the current year, investment in Prudential Mouli Sugars was written off.

Overview :

Status and risks:

Investment in Sugar:

Prospects of the parent company's investment in Vietnam improved substantially, with the drastic change of industry scenario. During the year under review this business posted profits.

During the current season upto May,2005, the subsidiary processed equivalent of 320,000 tonnes of cane with a recovery of 9.69%. Cane yields fell sharply due to drought

in the growth period. Expected shortage of production has pushed up prices, in Vietnam. According to the current trend, prices will rule firm and Directors expect another profitable year.

This subsidiary is exploring feasibility of engaging in co-generation of electricity, for supply to the state grid.

Investment in Biotechnology:

Natural colour extract facility became operational during the year. However, commercial operation started only in March. Further, production process is yet to stabilise. While there is a good demand for the products, and quality has been established to international requirements, returns depend upon appropriate manufacturing process. Directors are confident that this will be achieved during the course of ensuing financial year.

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 and Engineering units had necessary approvals under pollution control and the emission / effluent levels conformed to requirements.

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. KCP Vietnam Industries Limited, Vietnam and K.C.P. Biotech Limited, India have been attached to the Balance Sheet of the current year. In respect of M/s. KECEPE Investments Pvt. Ltd., Singapore, an application dated 9th December, 2004 was filed for voluntary liquidation. The company ceased operations on the said date. Hence, there are no statements of account for the current year. Statement as required under section 212 (6) is enclosed.

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, 2005 and profit of the Company for the year ended 31st March, 2005;
- 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. S.Nandagopal, G.S.Raju, D.S.Reddy, retire by rotation at the forthcoming Annual General Meeting. Sri.G.S.Raju and Sri.D.S.Reddy, do not offer themselves for re-appointment. Sri..S.Nandagopal, being eligible, offers himself for re-appointment. Details of Sri.S.Nandagopal, whose reappointment is coming up for consideration at the AGM, are given below:

PROFILE OF EACH DIRECTOR:

a) S.Nandagopal

Mr. S. Nandagopal is a Chartered Accountant with 50 years of professional experience. He is a fellow member of Chartered Accountants of India and a member of Institute of Certified Public Accountants of Singapore. He retired as a senior partner in M/s. Brahmayya & Company, Chartered Accountants. He has also served on the Central Council of Institute of Chartered Accountants of India for nine years. He has had association with various industries/trade/public fora . He has served on the Boards of various banks public limited companies. In addition to the directorship of the Company, he holds the following positions :

- | | | |
|--|---|----------|
| 1. Rane Brake Linings Limited,
Chennai | - | Director |
| 2. Swan Vacuum Systems Limited,
Hyderabad | - | Director |
| 3. MRF Limited, Chennai | - | Director |
| 4. K.C.P. Technologies Limited,
Chennai | - | Director |
| 5. K.C.P. Biotech Limited,
Hyderabad | - | Director |

Committee Memberships :

A. AUDIT COMMITTEE

- | | | |
|-------------------------------|---|----------|
| 1. Rane Brake Linings Limited | - | Chairman |
| 2. MRF Limited | - | Chairman |

B. REMUNERATION COMMITTEE

- | | | |
|----------------|---|----------|
| 1. MRF Limited | - | Chairman |
|----------------|---|----------|

b) V.H.Ramakrishnan :

Mr.V.H.Ramakrishnan, a Chartered Accountant and a Cost Accountant is a retired banker, with 35 years of experience. In addition to the directorship of the Company he holds the following positions :

1. Hindustan Photo Films Mfg. Co. Limited, Indu Nagar, Udhagamandalam
2. B.S. Refrigerators Limited, Bangalore
3. Namtech Systems Limited, Bangalore
Committee directorships :

A. AUDIT COMMITTEE

1. Hindustan Photo Films Mfg. Co. Limited - Member

c) A.Ramakrishna :

Mr.A.Ramakrishna is a structural engineer with 40 years experience. He retired as President and Deputy Managing Director of Larson and Toubro Limited. In addition to the directorship of the company, he holds the following positions :-

1. GVK Jaipur –
Kisnengarh Exersswway (Limited) - Director
2. Bangalore International Airport Limited - Director
3. Madras Cements Limited - Director
4. Andhra Sugars Limited - Director
5. GVK Industries Limited - Director

14. MANAGEMENT STAFF

The Company employs 315 officers.

List of employees in receipt of remuneration higher than the limit prescribed in Section 217(2A) of The Companies Act, 1956, is enclosed to the report.

15. STAFF RELATIONS

The Company employs 578 workers and 128 staff members. Industrial relationship remained cordial. The Company has concluded wage settlement with workers in Engineering unit and Cement unit for the next two years.

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 Hydrel Unit for the year ending 31st March, 2006.

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

V.L. DUTT

Date : 9th June, 2005

CHAIRMAN

Statement showing particulars of employees of the Company as required under section 217 (2A) of the Companies Act,1956, read with the Companies(Particulars of Employees) Rules,1975 and forming part of the Report of the Board of Directors for the year ended 31st March,2005.

Particulars given below are in the following sequence:

Sl.No, Name, Designation, Qualification, Experience, Date of commencement of employment, salary in Rs, commission in Rs, benefits in Rs, total remuneration in Rs, nature of employment, Date of Birth, Particulars of previous employment:- name of the employer, designation and period of employment.

- 1 Dutt.V.L., Chairman and Managing Director, Grad.B.I.M,47Years,3.4.1970, 3,00,000, 29,46,206, 17,913, 32,64,119, contractual, 27/12/1937, V.Ramakrishna sons (private) limited, Administrative Director,12 years.
2. Indira Dutt V.L., Joint Managing Director, B.A, 9 years, 1.7.1996, 3,00,000, 26,83,069, 2,81,050, 32,64,119 , contractual, 14/9/1940.

REPORT ON CORPORATE GOVERNANCE

The Company believes that

- Effective Corporate Governance is an essential component of a successful enterprise in a globalised economy.

The Company believes that

- 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 :

23-04-2004, 07-06-2004, 27-07-2004, 09-09-2004, 26-10-2004, 28-01-2005

Directors	No. of Board Meetings attended During the year	Attendance at last AGM (9-9-2004)	No. of other Director ships	No. of Other Board/ Committee in which Directors is a member
Sri. S. Nandagopal	6	P	6	5
Sri. C.V.R. Panikar (upto 9-9-2004)	3	LOA	6	3
Sri. Pinnamaneni Koteswara Rao	5	P	2	-
Sri. G.S. Raju	2	LOA	2	1
Sri. D.S. Reddy	3	LOA	4	-
Sri. V.H. Ramakrishnan – Nominee of IDBI (upto 26/10/2004)	5	P	4	3
Sri. A. Ramakrishna	1	-	6	2
Sri. O. Swaminatha Reddy	5	P	12	6

Non-Executive Independent Directors :

Sri. S. Nandagopal	6	P	6	5
Sri. C.V.R. Panikar (upto 9-9-2004)	3	LOA	6	3
Sri. Pinnamaneni Koteswara Rao	5	P	2	-
Sri. G.S. Raju	2	LOA	2	1
Sri. D.S. Reddy	3	LOA	4	-
Sri. V.H. Ramakrishnan – Nominee of IDBI (upto 26/10/2004)	5	P	4	3
Sri. A. Ramakrishna	1	-	6	2
Sri. O. Swaminatha Reddy	5	P	12	6

Non-Executive Promoter Director :

Sri. P.R. Ramakrishnan	4	P	5	-
Executive Promoter Directors :				
Dr. V.L. Dutt, Chairman & Managing Director	6	P	8	2
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, 2005

During the year, non-executive Directors were paid sitting fees of Rs.4000 each for every meeting of the Board and Committee of Board attended by them.

B. Remuneration to Executive Directors.

Remuneration to Chairman & Managing Director and Joint Managing Director fixed by the Board and approved by the shareholders at the Annual General Meeting. During the year, term of Smt. Kavitha Dutt Chitturi, Executive Director expired on 30.9.2004. The Board re-appointed her as Executive Director, for five years commencing 1/10/2004, on terms recommended by the Remuneration Committee. Government of India has since approved her appointment and the minimum remuneration payable to her. Particulars of their remuneration for the year ended 31st March, 2005 are given below.

Directors	Salary & Perquisites (Rs.)	Commission (Rs.)	Total
V.L. Dutt Chairman & Managing Director	317913	2946206	3264119
V.L. Indira Dutt Joint Managing Director	581050	2683069	3264119
Kavitha Dutt Chitturi Executive Director	700455	389622	1090077

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 :

07-06-2004, 27-07-2004, 26-10-2004, 28-01-2005.

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	2
Sri. G.S. Raju	1
Sri. O. Swaminatha Reddy	4
Sri. V.H. Ramakrishnan	2
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 9th September, 2004.

The Audit Committee was reconstituted with the following Directors, with effect from 28/1/2005.

Smt.Kavitha Dutt Chitturi

Sri.S.Nandagopal

Sri.A.Ramakrishna

Sri.V.H.Ramakrishnan

Sri.O.Swaminatha Reddy

B. Share Transfer & Shareholders/Investors' Grievance Committee

This committee is constituted to approve transfer of shares and the committee consisted of directors till 27.01.2005. From 28.01.2005, the committees were reconstituted, one with executives to approve transfer of shares and the other with directors to attend to redressal of any specific grievances raised by the shareholders/ investors.

1. Share Transfer Committee

During the year, sixteen meetings of Share Transfer Committee were held on the following dates :

1-4-2004, 22-4-2004, 13-5-2004, 3-6-2004, 24-6-2004, 15-7-2004, 5-8-2004, 26-8-2004, 3-9-2004, 28-9-2004, 19-10-2004, 9-11-2004, 30-11-2004, 21-12-2004, 11-1-2005.

Members	Number of Meetings attended
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Non-Executive Independent Directors :

Sri. S. Nandagopal (upto 28.01.2005)	12
--------------------------------------	----

Sri. C.V.R. Panikar (upto 9.9.2004)	8
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Executive Promoter Directors :

Dr. V.L. Dutt (upto 28.01.2005)	9
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Smt. V.L. Indira Dutt (upto 28.01.2005)	12
---	----

Smt. Kavitha D Chitturi (upto 28.01.2005)	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.

After reconstitution of Share Transfer Committee with officers of the company, four meetings were held on the following dates during the year :

1-2-2005, 16-2-2005, 1-3-2005, 16-3-2005.

Officers :

K.B. Pranesh, Secretary & Corporate G.M. (Finance)

K.V. Krishnamurthy, Group Internal Auditor

D. Balagopal, Deputy Manager (Finance)

- Sri.K.B.Pranesh, Secretary and Corporate General Manager (Finance) of the Company has been designated as the compliance Officer.

- The Company did not receive any complaints from shareholders during the year.

- The Company had no applications for transfer of shares, pending as at 31st March, 2005.

1I. Shareholders/Investors' Grievance Committee

This committee was reconstituted to attend to redressal of any specific grievances raised by the shareholders/ investors, with following directors with effect from 28.01.2005 :

Sri. S. Nandagopal

Sri. V.H. Ramakrishnan

Sri. A. Ramakrishna

Sri. O. Swaminatha Reddy

C. Remuneration Committee.

Remuneration committee consisting of the following Directors met once during the year on 7th June, 2004, to consider and recommend remuneration payable to the executive director, on the proposal to re-appoint her for term of five years, commencing 1st October, 2004.

Sri. C.V.R. Panikar

Sri.S.Nandagopal

Sri.G.S.Raju

All members attended the meeting.

IV. SHAREHOLDER INFORMATION

1. Ensuing Annual General Meeting

I Date and Time : 16th September, 2005 and 10.00 a.m.

I 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, 2005 to 16th September, 2005 (both days inclusive)

4. Dividend Payment Date : 21st September, 2005

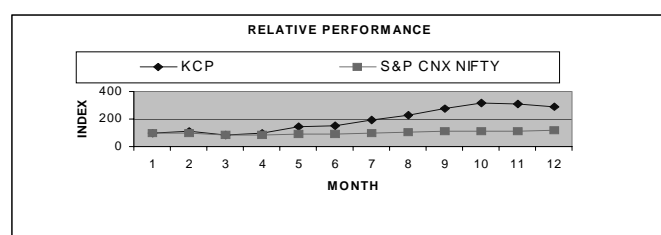
5. Registered Office : "Ramakrishna Buildings" 2, Dr. P.V. Cherian Crescent, Egmore, Chennai 600 008

6. Listing of Equity Shares on Stock Exchanges : National Stock Exchange, Mumbai.

Listing Fee as prescribed has been paid upto March 31, 2006. During the year, company's shares were delisted from Madras Stock Exchange and Hyderabad Stock Exchange.

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

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&PCNX 500 was, as depicted below.



9. Share Price Data

Month	NATIONAL STOCK EXCHANGE (NSE)	
	High	Low
April 2004	31.50	22.05
May 2004	33.95	20.75
June 2004	25.90	21.80
July 2004	30.25	22.05
August 2004	45.40	26.50
September 2004	48.10	37.25
October 2004	62.50	42.00
November 2004	71.40	56.50
December 2004	86.10	57.50
January 2005	99.90	71.95
February 2005	96.70	73.90
March 2005	92.30	77.00

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, 2005

No. of Equity Shares held	No. of Shareholders	% Shareholding	No. of Shares	% Shareholding
1 - 500	9311	85.23	1047097	8.12
501 - 1000	678	6.21	489441	3.80
1001 - 2000	410	3.75	578310	4.49
2001 - 3000	164	1.50	402635	3.12
3001 - 4000	90	0.82	317509	2.46
4001 - 5000	70	0.64	326825	2.54
5001 - 10000	97	0.89	676758	5.25
Above 10001	105	0.96	9053541	70.22
TOTAL	10925	100.00	12892116	100.00

13. Categories of Shareholding as on March 31, 2005

Category	No. of Shareholders	No. of Shares	% Shareholding
Clearing Member	25	8905	0.0691
Foreign Bank	1	50	0.0004
Foreign Institutional	1	50	0.0004
Indian Financial Institutions	19	760877	5.9019
Indian Promoters	26	5934012	46.0282
Mutual Funds & UTI	4	1850	0.0144
NRI / OCBs	26	174822	1.3560
Private Corporate Bodies	227	505217	3.9188
Indian Public	10595	5493209	42.6090
Trusts	1	13124	0.1018
TOTAL	10925	12892116	100.0000

14. Dematerialisation of shares and liquidity

29.32 % of total Equity Capital is held in dematerialised form with NSDL and CDSL as on March 31, 2005. 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

Macherla 522 426
Guntur District
Andhra Pradesh

ENGINEERING

1) Tiruvottiyur
Chennai 600 019 Tamilnadu
2) Mosur Road Ekhunagar
Arakonam 631 004
Tamilnadu.

ELECTRICAL ENERGY

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

WIND POWER:

Thandayarkulam village
Radhapuram taluk
Tirunelveli District
Tamilnadu

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
2002	61 st	"Ramakrishna Buildings" 2, Dr.P.V.Cherien Crescent EgmoreChennai-600 008	29/08/2002	4.00 p.m.
2003	62 nd	"Ramakrishna Buildings" 2, Dr.P.V.Cherien Crescent Egmore Chennai-600 008	29/09/2003	11.30 a.m.
2004	63 rd	"Ramakrishna Buildings" 2, Dr.P.V.Cherien Crescent Egmore Chennai-600 008	09/09/2004	11.00 a.m.

2. Special Resolutions and postal ballot:

At the last AGM held on 9th September,2004, three special resolutions were passed, to transact the following business: (1) appointment of Auditors ; (2) payment of commission in addition to sitting fee not exceeding in aggregate 1% of the profits of the company ; (3) providing guarantee to the bankers for availing of loan by (I) Fives Cail K.C.P Limited of Rs1500 lakhs and (II) KCP Biotech Limited of Rs.500 lakhs.

Resolution referred to above in item (1) and (2) were put to vote at the AGM and were passed unanimously.

Resolution referred to above in item number(3) was voted through postal ballot. Sri. T.V.Ranganathan, a shareholder was appointed as Scrutinizer and the Chairman declared the following result as per the scrutinizers report:

	No. of Shareholders	Votes
Votes polled in favour	493	5126643
Votes polled against	44	16221
Invalid votes	57	47421

3. Means of Communication

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

Indian Express in English
The Economic Times
Dhinamani
Andhra Jyothi

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 2004 - 2005	PREVIOUS YEAR 2003 - 2004
1. ELECTRICITY		
A) PURCHASED FROM APSEB		
Unit K.W.H	1,78,80,847	3,42,52,334
Total Amount Rs.	7,91,26,897	13,42,53,058
Rate/Unit Rs.	4.43	3.92
B) OWN GENERATION		
I) THROUGH DIESEL GENERATOR		
Unit K.W.H	1,71,490	1,08,890
Units per Ltr.of Diesel Oil	3.78	3.08
Cost/Unit Rs.	18.77	21.72
2) THROUGH HYDEL POWER		
Unit K.W.H	2,23,82,831	50,67,231
Total Amount Rs.	4,31,98,864	3,95,75,074
Cost/Unit Rs.	1.93	7.81
2. COAL (SPECIFY QUANTITY AND WHERE USED)		
Qty Tonnes	76,011	71,118
Total cost Rs.	15,99,32,247	13,57,16,498
Average rate Rs.	2104.06	1908.34
3. DIESEL OIL		
Qty (Ltrs)	4,014	11,508
Total cost Rs.	1,04,206	2,45,906
Average Rate Rs.	25.96	21.37
4. CONSUMPTION PER UNIT OF PRODUCTION		
Electricity KWH	82.56	83.55
Coal	0.16	0.15

FORM B (See Rule 2)

Form of Disclosure of Particulars with respect to TECHNOLOGY ABSORPTION

	2004 - 2005 Rs.	2003 - 2004 Rs.
1. EXPENDITURE ON RESEARCH AND DEVELOPMENT		
(a) Capital	—	—
(b) Recurring	6,19,421	14,56,033
(c) Total	6,19,421	14,56,033
(d) Percentage of R&D Expenses on Total Turnover	0.036%	0.102%
2. TECHNOLOGY ABSORPTION		
The Company continues to utilise the in-house R&D facilities		
3. FOREIGN EXCHANGE EARNINGS AND OUTGO		
Total Foreign Exchange Used	2,02,27,531	2,52,31,997
Total Foreign Exchange Earned	10,78,45,078	21,88,47,782

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		31.3.2005
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		20,83,137
b. Total Liabilities		20,83,137
Sources of Funds:		
a. Paid-up Capital		1,28,921
b. Reserves & Surplus		8,61,048
c. Secured Loans		2,10,280
d. Unsecured Loans		2,59,889
e. Deferred Tax Liability		76,790
Total		15,36,928
Application of Funds:		
a. Nett Fixed Assets		6,84,998
b. Investments		3,34,055
c. Nett Current Assets		5,17,875
Total		15,36,928
IV. Performance of Company:		
a. Turnover		16,38,930
b. Other Income		47,408
c. Total Expenditure		15,40,147
d. Profit Before Tax		1,46,191
e. Profit After Tax		96,753
f. Earnings Per Share in Rs.		7.5
g. Dividend Rate %		30
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

V.L.INDIRA DUTT
Joint Managing
Director

KAVITHA D CHITTURI
Executive Director

S. NANDAGOPAL
Director

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

C.MURALIKRISHNA
(ICAI Memb.No.20884)
Partner

Place: Chennai - 600 008.
Date : 9th June, 2005

AUDITORS' REPORT TO THE SHAREHOLDERS OF THE KCP LIMITED

We have audited the attached Balance Sheet of The KCP Limited, as at 31st March 2005, 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, 2005, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2005 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, 2005,
 - 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

(ICAI Memb.No.20884)

Camp : Chennai

Date : 9th June, 2005

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

- | | |
|--|---|
| <ol style="list-style-type: none"> 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. 1.2 According to the information and explanations furnished to us, the company has physically verified some of its fixed assets during the year, in accordance with 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. | <ol style="list-style-type: none"> 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 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, at the beginning of the year or during the year, and consequently reporting under sub-clauses b, c and d of clause 4(iii) of the Order does not arise during the year.
- 3.2 According to the information and explanations furnished to us, the company has taken loans aggregating to Rs.2,18,53,000, from three directors and one company, covered by the register maintained under Section 301 of the Companies Act 1956.
- 3.3 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.
- 3.4 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 parties listed in the registers 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 and services. 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, 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 and other applicable provisions 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 or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal 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 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. However, we are not required to and have 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, Service 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, there were no amounts of Sales Tax, Customs Duty, Excise Duty, Cess, Income Tax, Wealth Tax, Service Tax that have been disputed by the company, and hence, were not remitted to the concerned authorities at the date of the Balance Sheet under report, except

S.No	Nature of the dues	Name of Statute	Amount Rs	Pending before
1	Sales Tax and related demands	Sales Tax Acts of Various state Governments	2,01,08,026	Various appellate authorities
2	Excise Duty and related demands	Central Excise Act 1944	18,72,996	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,
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.

Place: Chennai
Date: 9th June 2005

For BRAHMAYYA & Co
Chartered Accountants
C.MURALI KRISHNA
(ICAI Memb. No. 20884)
Partner

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, 2005 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 2005.

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.

Camp : Chennai
Date : 9th June, 2005

For BRAHMAYYA & CO
Chartered Accountants
C.Muralikrishna
(ICAI Memb.No.20884)
Partner

BALANCE SHEET AS AT 31ST MARCH 2005

PARTICULARS	Schedule	AS AT 31-3-2005		AS AT 31-3-2004	
		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	86,10,47,977		80,84,29,122	
			98,99,69,137		93,73,50,282
2. Loan Funds:					
(a) Secured Loans	C	21,02,79,666		32,87,39,728	
(b) Unsecured Loans	D	25,98,89,000		22,76,96,336	
			47,01,68,666		55,64,36,064
3. Deferred Tax Liability (Net)					
(a) Deferred Tax Liability		8,04,33,212		8,74,12,130	
(b) Less: Deferred Tax Asset		36,42,885		75,60,524	
			7,67,90,327		7,98,51,606
Total			1,53,69,28,130		1,57,36,37,952
(II) APPLICATION OF FUNDS:					
1. Fixed Assets:					
(a) Gross Block	E	1,69,41,50,317		1,67,55,56,427	
(b) Less: Depreciation		1,01,61,09,803		96,96,08,377	
(c) Nett Block		67,80,40,514		70,59,48,050	
(d) Capital Work-in-Progress		69,57,109		31,13,302	
			68,49,97,623		70,90,61,352
2. Investments					
3. Current Assets, Loans and Advances:					
(a) Inventories	G1	37,85,01,161		31,46,00,412	
(b) Sundry Debtors	G2	15,33,89,927		13,68,28,762	
(c) Cash and Bank Balances	G3	6,40,01,313		6,22,57,932	
(d) Other Current Assets	G4	53,44,556		36,40,783	
(e) Loans and Advances	H	46,28,47,472		44,67,06,318	
		1,06,40,84,429		96,40,34,207	
Less: Current Liabilities and Provisions:					
(a) Liabilities	I-1	43,78,01,231		40,49,70,148	
(b) Provisions	I-2	10,84,07,840		3,43,46,570	
		54,62,09,071		43,93,16,718	
Nett Current Assets			51,78,75,358		52,47,17,489
Total			1,53,69,28,130		1,57,36,37,952

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

V.L.INDIRA DUTT
Joint Managing
Director

KAVITHA D CHITTURI
Executive Director

S. NANDAGOPAL
Director

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

Per our report annexed
For BRAHMAYYA & CO
Chartered Accountants

C.MURALIKRISHNA
(ICAI Memb.No.20884)
Partner

Place: Chennai - 600 008.
Date : 9th June, 2005

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2005

PARTICULARS	Schedule	For the year ended 31-3-2005	For the year ended 31-3-2004
		Rs.	Rs.
INCOME FROM:			
Sale of Products and Services (including Excise duty recovered Rs.27,46,22,509/- (Rs.23,68,49,063/-) and Service Tax Rs. 8,18,473/- (Rs. 2,99,736/-)		1,63,89,30,242	1,41,35,71,876
Other Income	1	4,74,08,484	3,96,71,270
		1,68,63,38,726	1,45,32,43,146
EXPENDITURE ON:			
Materials Consumed	2	26,50,91,518	18,59,55,946
Payments and Benefits to Employees	3	16,66,90,493	15,83,99,062
Manufacturing, Selling, Administrative and other expenses	4	72,96,41,908	72,43,77,026
Excise Duty and Taxes (excluding income-tax)	5	28,04,51,310	24,59,95,318
Interest and Lease finance charges		4,89,02,164	5,83,75,283
Depreciation		4,93,70,010	6,66,59,021
		1,54,01,47,403	1,43,97,61,656
PROFIT FOR THE YEAR:		14,61,91,323	1,34,81,490
Add: Current Tax Provision Withdrawn		-	57,00,000
Deferred Tax Liability reversal		-30,61,280	59,52,484
Less : Provision for Taxation - Current		5,25,00,000	15,00,000
PROFIT AFTER TAXATION		9,67,52,603	1,17,29,006
Balance brought forward from last Year		50,15,42,974	50,43,57,889
		59,82,95,577	51,60,86,896
		This Year	Previous Year
		Rs.	Rs.
Add: Withdrawn from Investment			
Allowance Reserve		8,88,95,000	-
Less: Transfer to General Reserve		11,00,00,000	-
Proposed Dividend		3,86,76,348	1,28,92,116
Tax on distributed Profits (see Directors' Report)		54,57,396	16,51,802
Balance carried forward to next Year		53,30,56,833	50,15,42,978
Basic Earnings per equity share of Rs.10 each - (EPS)		7.50	0.91
Net Profit after tax Rs. 9,67,52,603/- (Rs.1,17,29,006/-)/No.of equity shares 1,28,92,116 (1,28,92,116)			

Notes, Schedules & Statement on 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

V.L.INDIRA DUTT
Joint Managing
Director

KAVITHA D CHITTURI
Executive Director

S. NANDAGOPAL
Director

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

C.MURALIKRISHNA
(ICAI Memb.No.20884)
Partner

Place: Chennai - 600 008.
Date : 9th June, 2005

SCHEDULES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET

Schedule 'A'

"Share Capital"

PARTICULARS	AS AT 31-3-2005	AS AT 31-3-2004
	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	<u>12,89,21,160</u>	<u>12,89,21,160</u>

Note: 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 31.03.2004	Added during the year	withdrawn during the year	AS AT 31.03.2005
	Rs.			Rs.
Investment Allowance Reserve (utilised)	8,88,95,000	0	8,88,95,000	0
Capital Reserve - on reorganisation	2,79,91,144	0	0	2,79,91,144
General Reserve	19,00,00,000	11,00,00,000	0	30,00,00,000
Surplus (i.e) Balance in Profit and Loss Account	50,15,42,978	0	0	53,30,56,833
Total taken to Balance Sheet	<u>80,84,29,122</u>	<u>11,00,00,000</u>	<u>8,88,95,000</u>	86,10,47,977

Schedule 'C'
"Secured Loans"

PARTICULARS	AS AT	AS AT
	31-3-2005	31-3-2004
	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, book 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 guaranteed by some of the directors.	14,06,60,881	17,36,70,485
b) Packing credit facilities against hypothecation of specific current assets of Engineering Unit, and guaranteed by some of the directors.	2,42,18,371	2,77,39,722
c) From a bank against paripassu first charge on the entire Fixed Assets of the company.	0	52,82,91,92
d) From a company on the security of some of the shares held as investments.	1,72,50,000	2,52,65,585
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	0	4,64,00,000
b) From a bank secured by paripassu first charge with other terms lenders, by hypothecation of all the fixed assets, of the company, present and future.	2,40,00,000	0
c) From a bank against security of specific assets	41,50,414	28,34,744
Total taken to Balance Sheet	21,02,79,666	32,87,39,728

Schedule 'D'
"Unsecured Loans"

PARTICULARS	AS AT	AS AT
	31-3-2005	31-3-2004
	Rs.	Rs.
i) Fixed Deposits (including Rs.46,03,000/- (Rs.51,03,000/-) from Directors.)	25,98,89,000	21,14,68,000
ii) From a Subsidiary	0	1,62,28,336
Total taken to Balance Sheet	25,98,89,000	22,76,96,336

Schedule 'E'
"Fixed Assets"

Sl.	DESCRIPTION	GROSS BLOCK				DEPRECIATION		NETT BLOCK
		Cost upto 31.3.2004 Rs.	Additions during the year Rs.	Deductions during the year Rs.	Cost upto 31.3.2005 Rs.	Total Depreciation upto 31.3.2005 Rs.	As at 31.3.2005 Rs.	As at 31.3.2004 Rs.
1	Lands	11124786	5887892	1373261	15639417	-	15639417	11124786
2.	(a) Buildings	182403125	1291448	-	183694573	73415832	110278741	112931166
	(b) Leasehold Buildings	1547500	-	-	1547500	387118	1160382	1185606
3	Tramways & Railway Sidings	7012865	-	-	7012865	4789321	2223544	2546565
4	Plant & Machinery							
	Owned	1376016693	11613158	1639508	1385990343	860783689	525206654	554534602
	Leased Assets	803107	-	-	803107	762951	40156	305272
5	Furniture, Fixtures & Office Equipment	35684754	1065683	1480717	35269720	26214467	9055253	9880734
6	Vehicles & Earthmoving Equipment							
	Owned	51171933	3853648	568325	54457256	43547709	10909547	8347171
	Leased Assets	8022630	-	-	8022630	4528608	3494022	5054547
7	Research & Development Equipment	869034	-	56128	812906	780108	32798	37601
8	Patents	900000	-	-	900000	900000	-	-
	Grand Total	1675556427	23711829	5117939	1694150317	1016109803	678040514	705948050
1	Registered Office	77250677	4545295	2699549	79096423	40987052	38109371	37299194
2	Engineering Unit	304856913	5603385	1683206	308777092	270792640	37984452	36777683
3	Cement Production Unit, Macherla	757642703	7130825	1398961	763374567	540108358	223266209	232826861
4	Research & Development	1610532	-	56128	1554404	1350432	203972	217784
5	Hydel Project	524207565	634671	5084	524837098	158343925	366493173	392121843
6	Cement Marketing	4956243	964701	140811	5780133	2779042	3001091	2663018
7	Engineering Unit, Arakkonam.	5031794	5703790	4984	10730600	1748354	8982246	4041667
	Total	1675556427	24582613	5988723	1694150317	1016109803	678040514	705948050
	Less: Internal Transfers	-	870784	870784	-	-	-	-
	Grand Total	1675556427	23711829	5117939	1694150317	1016109803	678040514	705948050

Schedule 'F'
"Investments"

PARTICULARS		AS AT 31-3-2005		AS AT 31-3-2004
		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: Written off during the year		9,99,999	1	1,39,000
(b) Unquoted Equity Shares - Fully paid:				
i) 4,00,000 Shares of Rs.10/- each in Fives Cail KCP Limited		40,00,000		40,00,000
ii) 54,00,000 Equity Shares of Rs.10/- each in Sudalagunta Sugars Limited (6,00,000 shares sold during the year)	(B)	5,40,00,000	5,80,00,000	6,00,00,000
				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		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	2,170	1,330		998
vi) 14,240 shares of Rs.10/- each in Industrial Development Bank of India	11,57,000			
		11,57,000		8,27,345
			12,06,337	
	(C)		12,06,337	8,76,350

"Investments"

PARTICULARS		AS AT 31-3-2005		AS AT 31-3-2004
		Details	Total	Total
	Rs.	Rs.	Rs.	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) 60,000 Equity Shares of US\$ 1 each, in KECEPE Investment Private Limited, Singapore. (See Note.12)		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		53,85,000		53,85,000
(ii) 23918.49 Units of US 2002 Scheme		2,02,617		1,97,567
(b) Unquoted:				
(i) National Savings Certificates		50		50
(ii) Postal Time Deposit		500		500
	(E)		55,88,167	<u>55,83,117</u>
Total taken to Balance Sheet	A+B+C+D+E		33,40,55,149	<u>33,98,59,111</u>

1. All the above are long term investments.

2. Aggregate values of quoted investments :

At Cost

At Market value

3. Aggregate cost of unquoted investments

	31-3-2005 Rs.	31.3.2004 Rs.
At Cost	77,96,124	77,96,124
At Market value	70,45,424	65,97,917
Aggregate cost of unquoted investments	32,72,61,194	33,32,61,194

Schedule 'G-1'
"Current Assets"
Inventories

PARTICULARS	AS AT	AS AT
	31-3-2005	31-3-2004
	Rs.	Rs.
(as certified by the Managing Director.)		
(1) Stores and Spares at Cost	13,98,16,081	13,36,42,056
(2) Stores and Raw Materials in transit at Cost	1,57,531	2,82,265
(3) Stocks-in-trade		
a) Raw Materials at cost	1,45,63,221	65,85,275
b) i) Finished Goods at Cost	99,78,581	5,98,16,247
ii) Finished Goods at Market Value	1,48,73,692	1,55,64,404
(c) Work-in-progress at cost	19,91,12,055	9,87,10,164
Total taken to Balance Sheet	37,85,01,161	31,46,00,412

Schedule 'G-2'
"Sundry Debtors"

(A) Debts outstanding for a period exceeding six months: Considered Good (including Rs. NIL (Rs.11,32,290/-) due from subsidiary company)		
(a) Fully Secured:	25,83,813	20,22,186
(b) Unsecured:	4,67,127	1,12,64,342
Considered Doubtful	5,22,405	5,22,405
	35,73,345	1,38,08,933
Less: Provision for doubtful debts	5,22,405	5,22,405
	30,50,940	1,32,86,528
(B) Other Debts Considered Good (including Rs.22,30,656/- (Rs.1,09,10,036/-) due from subsidiary company)		
(a) Fully Secured	46,76,934	51,90,571
(b) Unsecured	14,56,62,053	11,83,51,663
Total taken to Balance Sheet	15,33,89,927	13,68,28,762

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

(1) Cash /Cheques on hand	75,56,412	64,38,351
(2) At Scheduled Banks:		
i) in Fixed Deposits	4,43,71,024	2,77,85,637
ii) in Current Accounts	1,20,73,877	2,80,33,944
Total taken to Balance Sheet	6,40,01,313	6,22,57,932

Schedule 'G-4'
"Other Current Assets"

Interest accrued (Includes Rs.33,47,137/-(Rs.25,61,726/-) from subsidiary.)	53,44,556	36,40,783
Total taken to Balance Sheet	53,44,556	36,40,783

**Schedule "H"
"Loans And Advances"**

PARTICULARS	AS AT	AS AT
	31-3-2005	31-3-2004
	Rs.	Rs.
(1) Advances, (unsecured, recoverable in cash or in kind, for value to be received)		
Considered Good (includes Rs.11,32,976/-(Rs.98,91,218/-) from subsidiaries)	4,95,73,933	
Considered Doubtful	34,18,278	
	5,29,92,211	
Less : Provision for Doubtful Advances	34,18,278	
	4,95,73,933	5,53,44,796
(2) Prepaid Expenses	1,33,92,129	1,02,39,949
(3) Excise Duty paid in advance	1,48,32,761	48,22,359
(4) Income-tax / Wealth -tax paid in advance	12,41,71,297	8,91,11,601
(5) Income-tax deducted at source	26,36,291	54,95,016
(6) Deposits recoverable	3,90,07,891	3,68,66,584
(7) Claims recoverable	24,38,139	90,75,237
(8) Loan to Subsidiary Company	21,67,95,031	23,57,50,776
Total taken to Balance Sheet	46,28,47,472	44,67,06,318

Schedule "I-1"

"Current Liabilities and Provisions"

A. CURRENT LIABILITIES:

(1) a. Sundry Creditors - Due to Small Scale Industrial Undertakings	13,20,454	40,34,575
b. Sundry Creditors- Due to Others (includes Rs.60,18,897/- (Rs.Nil) due to Managing and whole time directors)	19,55,09,244	21,93,20,963
(2) Advances received against sales	18,44,31,707	11,77,23,539
(3) Trade Deposits	3,61,13,500	3,53,93,351
(4) Security Deposits from staff	48,400	63,000
(5) Unclaimed dividends (See Note.10)	43,03,961	51,45,823
(6) Interest accrued but not due on loans	72,67,322	88,80,332
(7) Due to Superannuation and Gratuity Trusts (NET)	88,06,643	144,08,565
Total taken to Balance Sheet	43,78,01,231	40,49,70,148

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	5,66,71,360	1,31,84,480
(2) for Proposed Dividend	3,86,76,348	1,28,92,116
(3) for Tax on Distributed Profits	54,24,358	16,51,802
(4) for Leave Encashment	76,35,774	66,18,172
Total taken to Balance Sheet	10,84,07,840	3,43,46,570

Signature to Schedules A to I-2

(BY ORDER OF THE BOARD)

V.L.DUTT
Chairman &
Managing Director

V.L.INDIRA DUTT
Joint Managing
Director

KAVITHA D CHITTURI
Executive Director

S. NANDAGOPAL
Director

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

Per our report annexed
For **BRAHMAYYA & CO**
Chartered Accountants

C.MURALIKRISHNA
(ICAI Memb.No.20884)
Partner

Place: Chennai - 600 008.
Date : 9th June, 2005

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

Schedule-1 "Other Income"

PARTICULARS	Details	For the Year	Details	For the year
		ended		ended
		31.3.2005		31.3.2004
	Rs	Rs.	Rs	Rs.
(1) Interest received from Banks and others (Tax deducted on above Rs.401764/- (Rs.298824/-)		1,45,31,097		1,13,68,571
(2) Dividends Received (Gross) From Non-Trade Investments		2,55,925		26,535
(3) Rents received		11,67,613		12,03,116
(4) Miscellaneous Receipts		1,74,23,443		1,04,77,002
(5) Profit on sale of Assets		13,41,867		5,14,722
(6) Unclaimed balances credited back		57,61,946		32,75,528
(7) Claims/refunds received		4,21,153		4,75,610
(8) Provision no longer required credited back		40,05,440		71,40,186
(9) Bad debts recovered		25,00,000		51,90,000
Total taken to Profit and Loss Account		4,74,08,484		3,96,71,270

Schedule-2 "Materials Consumed"

Opening Stocks:				
Raw materials	65,85,275		1,00,82,658	
Work-in-Progress	9,87,10,164		11,33,32,540	
Finished goods	<u>7,53,80,651</u>		<u>4,20,99,589</u>	
		18,06,76,090		16,55,14,787
ADD:				
i) Purchases:				
Raw materials & Components	21,21,06,586		11,06,60,356	
ii) Cost of raw materials produced	<u>11,08,36,390</u>		<u>9,04,56,893</u>	
		32,29,42,976		20,11,17,249
		50,36,19,066		36,66,32,036
LESS :				
Closing Stocks:				
Raw materials	1,45,63,220		65,85,275	
Work-in-Progress	19,91,12,055		9,87,10,164	
Finished goods	<u>2,48,52,273</u>		<u>7,53,80,651</u>	
		23,85,27,548		18,06,76,090
Total taken to Profit and Loss Account		26,50,91,518		18,59,55,946

Schedule-3 "Payments and Benefits to Employees"

Salaries, Wages and Bonus	13,01,19,408	12,19,87,618
Contribution to Provident Fund and Family Pension Scheme	95,05,972	93,31,995
Contribution to Superannuation Funds	49,07,972	43,90,258
Contribution to Gratuity Funds	44,95,198	39,40,804
Workmen and Staff Welfare expenses	1,76,61,943	1,87,48,387
Total taken to Profit and Loss Account	16,66,90,493	15,83,99,062

Schedule-4

PARTICULARS	For the Year ended 31.3.2005	For the year ended 31.3.2004
	Rs.	Rs.
“Manufacturing ,Selling, Administrative and Other Expenses”		
Manufacturing:		
Stores and Spares (including Packing Materials) consumed	15,24,98,302	15,06,89,141
Sub-contracted works	4,62,76,111	3,74,94,283
Power and Fuel	38,98,96,133	
Less: Self consumption of Power generated internally	<u>7,90,26,740</u>	32,85,64,485
Insurance	48,85,672	39,48,961
Research & Development	3,65,134	3,50,717
Lease Rentals	10,37,487	18,07,155
Repairs to Buildings	1,41,79,294	1,28,82,281
Repairs to Machinery	3,03,39,532	2,02,49,938
Repairs to Other Assets	65,36,976	90,40,673
	(A) <u>56,69,87,901</u>	<u>56,50,27,633</u>
Selling:		
Advertisement	66,55,879	66,36,938
Loading,Unloading,Transport etc	6,81,27,822	6,18,86,024
Commission on Sales	20,88,377	13,60,860
	(B) <u>7,68,72,078</u>	<u>6,98,83,823</u>
Administrative:		
Rent	10,88,154	11,80,972
Payments to Auditors (see note No.18(a))	10,83,793	10,10,251
Directors’ Sitting Fee	2,80,000	3,68,000
Managerial Remuneration (see note no.19(ii))	76,18,315	14,85,896
Miscellaneous Expenses	5,97,84,312	5,60,93,102
	(C) <u>6,98,54,574</u>	<u>6,01,38,221</u>
Other Items:		
Warranty Claims	84,33,371	69,03,423
Provision for doubtful debts	14,875	5,60,096
Bad debts and irrecoverable advances written off	6,83,393	2,94,809
Discarded assets written off	3,259	10,99,042
Loss on sale of assets	1,78,697	-
Investments written off	9,99,999	-
Loss on sale / conversion of Investments	-	9,33,155
Short fall in value of Investments	-	78,502
Difference in exchange (NET)	56,13,761	1,94,58,322
	(D) <u>1,59,27,355</u>	<u>2,93,27,349</u>
Totals taken to Profit and Loss Account	A+B+C+D <u>72,96,41,908</u>	<u>72,43,77,026</u>

Schedule-5

“Excise Duty & Taxes (Excluding Income tax)”

Excise Duty and Cess	27,16,06,272	23,92,67,691
Rates and Taxes	88,45,038	67,27,627
Total taken to Profit and Loss Account	<u>28,04,51,310</u>	<u>24,59,95,318</u>

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

V.L.DUTT
Chairman &
Managing Director

V.L.INDIRA DUTT
Joint Managing
Director

KAVITHA D CHITTURI
Executive Director

S. NANDAGOPAL
Director

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

Per our report annexed
For BRAHMAYYA & CO
Chartered Accountants
C.MURALIKRISHNA
(ICAI Memb.No.20884)
Partner

Place: Chennai - 600 008.
Date : 9th June, 2005

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. LEASED ASSETS :

(A) 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.

(B) ASSETS UNDER OPERATING LEASE :

Assets used by the company as a lessee under operating lease agreement are not recognised in the company's accounts. Lease payments under operating lease are charged to the profit and loss account on a systematic basis representative of the pattern of the benefit accruing to the company from the use of the asset under operating lease.

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 and service earnings are inclusive of excise duty, service tax, 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 and wind power unit of the company, being worked under operating lease, to its other units is accounted at the tariff rates charged by the State Electricity Board. Such earnings are adjusted to the power charges

7. FOREIGN EXCHANGE TRANSACTIONS

A) Transactions in foreign currency are initially accounted at the exchange rate prevailing on the date of the transaction, and adjusted appropriately with the difference in the rate of exchange arising on actual receipt/payment during the year.

B) At each Balance Sheet date

- foreign currency monetary items are reported using the rate of exchange on that date
- foreign currency non-monetary items are reported using the exchange rate at which they were initially recognized

C) In respect of forward exchange contracts in the nature of hedges

- Premium or discount on the contract is amortised over the term of the contract,
- Exchange differences on the contract are recognized as profit or loss in the period in which they arise

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 assets 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

V.L.INDIRA DUTT
Joint Managing
Director

KAVITHA D CHITTURI
Executive Director

S. NANDAGOPAL
Director

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

Per our report annexed
For **BRAHMAYYA & CO**
Chartered Accountants

C.MURALIKRISHNA
(ICAI Memb.No.20884)
Partner

Place: Chennai - 600 008.
Date : 9th June, 2005

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, 2005 Rs.	31st March, 2004 Rs.
2. Claims against the Company not admitted Statutory Levies		
Indirect Taxes	24278783	30321912
Direct Taxes	35482402	31472450
Contractual Levies	11549013	2205167
Others	19783576	10346437
Total	<u>91093774</u>	<u>74345966</u>
3. Estimated amount of contracts remaining to be executed on Capital account and not provided for	40273000	5400000
4. Corporate guarantees extended on behalf of another company.	142889742	15510700
5. 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.		
6. Fixed Assets include Lands- 12.64 acres of the carrying amount of Rs.373651/- at Arakkonam, 14.23 acres of carrying amount of Rs.462475/- 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 subsidiary from its bankers, the amount of guarantee outstanding against which as at 31st March,2005 was US \$ 4 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 Rs.	LIABILITIES Rs.
1. Depreciation		80433212
2. Items u/s 43 B of IT Act	2316452	
3. Provision for Doubtful debts	1326433	
Total	<u>3642885</u>	<u>80433212</u>
Net deferred tax liability as on 31.3.2005		76790327

9. Cash and Bank balances include
- Rs.48,400 (Rs.1,50,000/-) on account of Staff Security Deposit.
 - Rs.43,59,404/- (Rs.52,24,351/-) towards Unclaimed Dividends.
 - Rs.3,43,86,608(Rs.2,36,24,637/-) representing Fixed Deposit Receipts lodged with Bankers as securities against Guarantees issued by them.
10. Unclaimed dividends include Rs.2,51,498/- towards dividends outstanding for over seven years but retained by the company for remittance to the custodian of the respective shares appointed under the provisions of Special Court (Trial of offences relating to transactions in Securities) Act 1992 of Act. The company has been legally advised that the said Act supercedes all other statutes and hence the said amount of dividends does not fall due for remittance to The Investor Education and Protection Fund
11. Based on the information obtained and available with the company with regard to the status of the creditors, there are no SSI Undertakings to whom the company owes any sum outstanding for a period exceeding thirty days, at the date of the Balance Sheet.
12. During the year, pursuant to the steps taken for members voluntary liquidation of KECEPE Investment (Private) Limited, Singapore, a subsidiary of the Company, being an investment company incorporated for holding shares in KCP Vietnam Industries Limited and also pursuant to a share holders resolution of the members of the said company, KCP Limited has entered into an agreement with KECEPE Investment (Private) Limited for substitution of its holding in KECEPE Investment (Private) Limited with shares of KCP Vietnam Industries Limited, of equal value and in the same proportion of holdings in KECEPE Investments (Private) Limited. Necessary approval from RBI has been obtained in this regard. Pending liquidation of KECEPE investment (Private) Limited and substitution of shares as explained above, the investment is continued to be shown as investment in KECEPE Limited.

PROFIT AND LOSS ACCOUNT:

13. Sale of Products and Services (including Excise Duty/Service Tax)

	Quantity	31-3-2005 Value Rs.	Quantity	31-3-2004 Value Rs.
Cement (MT)	4,87,015	92,13,52,127	4,68,095	84,43,69,217
Heavy Engineering Products *		66,94,52,730		54,29,37,685
Service Receipts		4,14,51,474		2,23,14,493
Others		66,73,911		39,50,482
Total		<u>1,63,89,30,242</u>		<u>1,41,35,71,877</u>

* Unit quantification not possible

Note:(a) Sale of Products includes:

- Machinery and components valued at Rs.59,78,212/-(Rs.75,19,476/-) supplied by Engineering Unit to the other units of the Company.
- Cement valued at Rs.10,62,124/- (Rs.9,68,919/-) used internally.
- Excise Duty Rs.27,46,22,509/- (Rs.23,68,49,063/-)

(b) Sale of products does not include:

Electrical Energy generated by hydel unit 22362044 KWH (5171391 KWH) valued at Rs.7,82,67,154 (Rs.1,87,57,420/-) and by the Wind Power unit 206409 KWH (Nil) valued at Rs.7,59,586/-(Rs.Nil) and consumed within the company, and also 534694 KWH (150167 KWH) valued at Rs.18,64,429 (Rs.5,43,475) surrendered towards wheeling and banking charges.

14. Raw Material Consumed:

	Quantity M.T.	This Year Value Rs.	Quantity M.T.	Previous Year Value Rs.
i) Cement - Limestone	585985	69096780	578934	63445452
Laterite	12618	5408177	20073	6638130
Morum	0.800	1427	903	268166
Fly Ash	43379	15368584	51219	17997905
Gypsum	9977	5989148	8451	5123302
Iron Ore	11095	6800265	975	475790
Red Oxide Lumps	246	194064	7	5531
ii) Engineering Unit				
Iron and Steel, Nickel, Scrap and Equipments	8351	212106586	6286	110660356
Total		314965031		204614632

15. Opening and Closing Stock of Finished Goods:

	Units	Opening Stock		Closing Stock	
		This Year	Previous year	This Year	Previous year
Cement	MT	2578	4989	114	2578
	Rs.	3821193	7833814	172496	3821193
Industrial Machinery and Equipment	Not quantifiable				
	Rs.	71459839	34091991	22624628	71459839
Electrical energy:Hydel	KWH	-	58398	1039356	-
	Rs.	-	74165	1711196	-
Wind Power	KWH	-	58398	102367	-
	Rs.	-	74165	343953	-
Trading goods	Nos	79	79	-	79
	Rs.	99619	99619	-	99619
Total	Rs.	75380651	42099589	24852273	75380651

16. Particulars regarding Capacity and Production:

Class of Goods	CAPACITY		ACTUAL PRODUCTION	
	Licenced	Installed	31-3-2005	31-3-2004
a) Electrical Energy				
Hydel Power	8.25 MWH	8.25 MWH	23401400 KWH	5263160 KWH
Wind Power	2.70 MWH	2.70 MWH	308776 KWH	-
b) Cement		500000 Tonnes per annum	484551	465684
c) Industrial Machinery and equipments.		Not quantifiable		Not quantifiable

17. (a) "Materials Consumed" - Cost of raw materials
(Limestone for Cement Factory) produced includes among other things

	31-3-2005	31-3-2004
	Rs.	Rs.
(a) Salaries,Wages and Bonus	6427589	6380547
(b) Contribution to Provident and other funds	984808	925480
(c) Workmen and Staff Welfare Expenses	844954	950034
(d) Stores and Spares Consumed	5180734	3284694
(e) Power and Fuel	5166769	6011023
(f) Royalty	25595952	22742085
(g) Rates and Taxes	131976	14900
(h) Repairs to Building and Roads	471530	1340980
(i) Repairs to Machinery	6231521	3081915
(j) Repairs to Other Assets	79236	273393
(k) Insurance	218954	387623
(l) Lease Rentals	-	1882226
(m) Lime Stone Freight	8125112	2531001

(b) "Power and Fuel" - includes the following expenditure incurred among other things on Generation of Power.

(a) Salaries,Wages and Bonus	754395	707582
(b) Contribution to Provident and other funds	119335	113280
(c) Workmen and Staff Welfare Expenses	33365	21679
(d) Power and Fuel	304581	214182
(e) Stores and Spares Consumed	1277906	756152
(f) Repairs to Building and Roads	34524	29021
(g) Repairs to Machinery	7044	21750
(h) Repairs to Other Assets	-	100560
(l) Insurance	258489	31453

18. (a) "Payment to Auditors" (net of service tax for which input credit was/to be availed by the company) Comprise:

For Statutory Audit	400000	324000
For Taxation matters (including tax audits)	170000	168250
For Certification and other services	288940	325400
For Company law matters	10000	10000
For Audit of Gratuity and Superannuation Trusts	25000	27000
Sales Tax Audit	15000	16200
Out of pocket expenses	72353	43001
	981293	913851
Fees for Cost Audit	75000	81000
Fees for Certification and Other Services	27500	15400
Total	1083793	1010251

(b) "Miscellaneous Expenses" include: Donations

- 5000

(c) Interest paid includes:

On Fixed Loans	26666029	41523461
To Managing Director and Other Whole-time Directors	401125	421379

19. Remuneration to Managing Director and Whole Time Directors:

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

	Rs.	31-3-2005 Rs.
Profit for the year as per Profit and Loss account		14,61,91,323
Add:		
Directors' sitting fee	2,80,000	
Remuneration to Managing Director & Whole Time Directors	76,18,315	
Investments writtenoff	9,99,999	
Profit on sale of Assets allowable as per sec 349	1,91,812	
	<u> </u>	<u>90,90,126</u>
		<u>15,52,81,449</u>
Less:		
Profit on Sale of assets as per P & L A/c	13,41,867	
Deficit from earlier years brought forward U/s 349(4)(l)	2,33,70,911	
	<u> </u>	<u>2,47,12,778</u>
Adjusted net profit for the year		<u>13,05,68,671</u>

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

	31.03.2005 Rs.	31-3-2004 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	35,394	31,848
Personal Accident Insurance Premium	7,059	10,149
Other Perquisites	1,16,453	13,700
Medical Expenses	18,512	8,199
Commission	60,18,897	
Total	<u>76,18,315</u>	<u>14,85,896</u>

Note: (1) Commission provided to the Wholetime directors represents the balance amount of aggregate remuneration payable to them, not exceeding 2.5% each to the Managing Director and Joint Managing Director and 1% to the Executive Director, on the profits computed above, in accordance with the terms of their appointments, during the year.

- (2) The cost to the company of the perquisites allowed during the year to the Whole Time Directors in addition to the remuneration paid above works out to Rs.2,89,481/-. The value of the said perquisite computed in accordance with Income Tax rules 1962 ,works out to Rs.2,12,554/-

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

	31.03.2005 Rs.	31-3-2004 Rs.
(i) Raw Materials	34,33,570	11,29,140
(ii) Components and Spare Parts	29,77,582	2,28,47,007

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

	31.03.2005	31-3-2004
	Rs.	Rs.
(i) Foreign Travel (excluding tickets)	17,85,997	12,44,616
(ii) Membership	5,68,083	11,234
(iii) Commission	1,68,230	-
(iv) Bank charges and Guarantee Commission	2,89,908	-
(v) Interest on Foreign currency Loan	1,09,99,025	51,35,901
(vi) Tender Documents	5,136	-

22. Earnings in Foreign Exchange:

- (i) F.O.B. value of goods exported during the year Rs.8,74,56,352/-(Rs.20,72,25,777/-)
- (ii) F.O.B Value of Services rendered Rs.23,120/- (Rs.Nil)
- (iii) Guarantee commission Rs.48,20,929/- (Rs.21,93,000/-)
- (iv) Interest and consultancy Rs.97,04,584/-(Rs.94,29,005/-)
- (v) Income from subsidiary Rs.58,40,093/- (Nil)

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

	31-3-2005		31-3-2004	
	Rs.	%	Rs.	%
(a) Raw Materials				
(i) Imported	40,52,729	1.29	13,12,746	0.64
(ii) Indigenous	31,09,12,755	98.71	20,33,01,886	99.36
Total	<u>31,49,65,031</u>	<u>100</u>	<u>20,46,14,632</u>	<u>100</u>
(b) Spare parts and Components (debited to respective heads)				
(i) Imported	28,20,298	1.58	3,87,07,056	21.01
(ii) Indigenous	17,62,29,768	98.42	14,55,18,109	78.99
Total	<u>17,90,50,066</u>	<u>100</u>	<u>18,42,25,165</u>	<u>100</u>

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

A. List of Related parties:

Subsidiary Companies

- KCP Vitetnam Industries Limited
- KCP Bio Tech Limited
- KECEPE Investments Private Ltd.

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.Rajyalakshamma Mother of Mrs.V.L.Indira Dutt
 Mr. 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.Shivani Dutt Chitturi Daughter of Smt.Kavita Dutt Chitturi
 Smt. Rajeswary Ramakrishanan, Sister of Sri V.L. Dutt.

Companies controlled by

Key management Personnel/Relatives

KCP Technologies Limited
 V. Ramakrishna Sons (Private) Limited
 The Jeypore Sugar Company Ltd.
 VRK Grandsons (Private) Limited

B.Transactions with the related parties:

Transactions during the year	Subsidiary Companies Rs.	Joint Ventures Rs.	Key management personnel Rs.	Relatives of Key management Personnel Rs.	Companies Controlled by KMP/relatives of KMP Rs.
Sale of Goods	18436047 (14127764)	129295170 (67433261)			
Sale of Assets		25129 0			
Services rendered	8835787 (6429181)	312000 (365000)	30000 (30000)		122880 (122880)
Interest Received	10169839 (8814973)				
Dividends received	5840093 (0)				
Loans/Deposits Received			0		
Commission towards Counter Guarantee		973342 (260096)	(3250000)		
Purchase of Goods		3501296 (1767454)			
Purchase of Assets	162864 (0)	78377 (0)			
Services received and others			0 (8360)	14700 (6374)	92647 (45000)
Remuneration paid			7618315 (1485896)		
Interest paid	159869 (2518564)		401125 (421379)	(0) (1456)	1680205 (2307388)
Dividend paid			667573 (473443)	174777 (25157)	4857331 (4829494)
Loans paid/Given	16228336 (17271664)		(0) (300000)		8015585 (834415)
Share capital held by KCP in	264260643 (264260643)	4000000 (4000000)			

Balances as at 31.03.2005

	Subsidiary Companies	Joint Ventures	Key management personnel	Relatives of Key management Personnel	Companies Controlled by KMP/relatives of KMP
	Rs.	Rs.	Rs.	Rs.	Rs.
Loans given -	216795031 (235750776)				
Guarantees/Counter Guarantees Extended	174520000 (219300000)	142889742 (15510700)			
Receivable - Trade dues	2230656 (12042326)	23469442 (6435514)			4414314 (0)
Receivable - Interest	3347137 (11260480)				
Share capital in KCP held by			8623960 (5487310)	1747770 (1300000)	48573310 (57833010)
Loans/Advance/Deposits received	1524666 (16231652)	19459124 (10827708)	4403000 (4903000)	0 (11000)	17250000 (25265585)
Guarantees received			174520000 (219300000)		
Payable - Trade dues		0 (962630)			
Payable - Interest	0 (535760)				302763 (4494469)

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

(a) Finance Leases:

PARTICULARS	As On 31.3.2005 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	4031925	2416368	1615557	Nil
Present value of minimum lease payments	2317976	1463956	854020	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.

(b) Operating Lease:

- There are no minimum lease payments.
- Lease payments accrue only by way of contingent rents based on the number of units of power generated from the Wind Energy Generators for which the company has entered into a noncancellable Operating Lease arrangement.
- The leasing arrangement contains terms for renewal but not for purchase of the assets under lease and also contains a built-in escalation provision.
- There are no material restrictions imposed under the said operating lease arrangement.

26. a The Company has a 40% interest in its joint venture entity Fives Cail KCP Ltd a company incorporated in India.

b. The Company's share (at 40%) of the contingent liabilities of Fives Cail KCP Ltd at the Balance Sheet date works out to Rs 49,80,709/-.

c. 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:

	31.03.2005 (Rs. Thousands)	31.03.2004 (Rs. Thousands)
(a) Total Assets	65192	57129
(b) Total Liabilities	65192	57129
SOURCES OF FUNDS		
(a) Paid up Share Capital	4000	4000
(b) Reserves and Surplus	4434	4320
(c) Secured Loans	3750	8233
(d) Current Liabilities & Provisions	53008	40576
APPLICATIONS OF FUNDS		
(a) Net Fixed Assets	631	248
(b) Current Assets	64561	51475
(c) Profit & Loss Account	-	5406
PERFORMANCE OF COMPANY		
(a) Turnover	113001	100594
(b) Other Income	254	519
(c) Total Expenditure	107256	99747
(d) Profit/Loss Before Tax	6000	1366
(e) Profit/Loss After Tax	5520	1280

General:

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

V.L.INDIRA DUTT
Joint Managing
Director

KAVITHA D CHITTURI
Executive Director

S. NANDAGOPAL
Director

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

Per our report annexed
For **BRAHMAYYA & CO**
Chartered Accountants

C.MURALIKRISHNA
(ICAI Memb.No.20884)
Partner

Place: Chennai - 600 008.
Date : 9th June, 2005

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2005

	2005			2004
	ADD Rs.	LESS Rs.	TOTAL Rs.	Rs.
A. CASH FLOW FROM OPERATING ACTIVITIES				
Net Profit before Tax			14,61,91,323	1,34,81,490
			14,61,91,323	1,34,81,490
ADJUSTMENTS FOR				
Depreciation	4,93,70,010			6,66,59,021
Foreign Exchange Difference (Net)	56,13,761			1,94,58,322
Provision for diminution in value of investments	0			78,502
Profit/Loss on Sale/Conversion of Assets		13,41,867		-5,14,722
Assets Written off	3,259			10,99,042
Profit/Loss on Sale of Investment	1,78,698			9,33,155
Interest (Nett)	3,43,71,067			4,70,06,713
Dividend Received		2,55,925		-26,535
Income from Subsidiary		58,40,093		-
Provision for diminution in value of investments of earlier years withdrawn		11,96,037		-16,52,646
	8,95,36,795	86,33,922	8,09,02,873	13,30,40,852
OPERATING PROFIT BEFORE WORKING CAPITAL :			22,70,94,196	14,65,22,342
Trade and other Receivables		2,11,60,867		12,38,879
Inventories		6,39,00,749		1,12,16,702
Trade Payables & Provision	3,38,48,685			-1,87,36,033
	3,38,48,685	8,50,61,616	-5,12,12,931	-62,80,452
CASH GENERATED FROM OPERATIONS			17,58,81,265	14,02,41,890
Direct Taxes refunds received/ Paid		4,12,14,091	-4,12,14,091	-1,39,01,232
			13,46,67,174	12,63,40,658
CASH FLOW BEFORE EXTRAORDINARY ITEMS				
Foreign Exchange Difference		56,13,761		-1,94,58,322
		56,13,761	-56,13,761	-1,94,58,322
NET CASH FROM OPERATING ACTIVITIES Ö. A			12,90,53,413	10,68,82,336
B. CASH FLOW FROM INVESTING ACTIVITIES				
Purchase of Fixed Assets		2,37,11,828		-2,20,52,745
Capital Work-in-Progress		38,43,808		2,16,127
Purchase of Investments				-53,85,000
Loan to subsidiary company	1,89,55,745			1,88,66,323
Sale of Fixed Assets	34,09,262			10,95,907
Sale of Investments	60,00,000			53,87,512
Interest Received	1,45,31,097			1,13,68,571
Dividend Received	2,55,925			26,535
Income from subsidiary	58,40,093			-
Investments written off	9,99,999			-
	4,99,92,121	2,75,55,636	2,24,36,485	-
NET CASH USED IN INVESTING ACTIVITIES ... B			2,24,36,485	95,23,230
C. CASH FLOW FROM FINANCING ACTIVITIES				
Repayment of Long Term Borrowings (Secured)		11,84,60,061		-4,23,81,094
Dividends Paid		1,28,92,116		-1,28,92,116
Tax on Distributed Profits		16,84,840		-16,51,802
Interest Paid		4,89,02,164		-5,83,75,284
Repayment of Long Term Borrowings (Unsecured)	3,21,92,664			1,32,70,336
	3,21,92,664	18,19,39,181	-14,97,46,517	-10,20,29,960
NET CASH USED IN FINANCING ACTIVITIES ... C			-14,97,46,517	-10,20,29,960
Net increase/decrease in cash and cash equivalents (A+B+C)			17,43,381	1,43,75,606
Opening Cash Balance			6,22,57,932	4,78,82,326
Closing Cash Balance			6,40,01,313	6,22,57,932

(BY ORDER OF THE BOARD)

Per our certificate of even date

for BRAHMAYYA & CO
Chartered Accountants

C.MURALIKRISHNA
(ICAI Memb.No.20884)
Partner

V.L. DUTT
Chairman & Managing Director

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. The Directors report in terms of sub-clause (6) of section 212, that since the company ceased business operations as at 9th December, 2004, and went into liquidation, preparation of accounting statement did not arise for the year ended 31st March, 2005.
3. During the year, documents were filed with the Registrar of companies, Singapore for voluntary winding up. Consequently, liquidator was appointed and statement of affairs dated 9th December, was handed over to him, with available cash balance of S \$ 62830.72, to be distributed, (a) in cash, on completion of the process, subject to expenses and (b) in specie, equivalent share holding in the Company's subsidiary, KCP Vietnam Industries Limited.
4. Holding company's interest as mentioned above, continued to be the same as at 31st March, 2005, subject to the process of substitution of the same with the shares of subsidiary company, KCP Vietnam Industries Limited.

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). during the year, consequent to the commencement of process of winding up of the parent company, the share holders of the parent company are being allotted shares in the company of equal value in respective proportion to their holding in the parent company. Approval of the Government of Vietnam is awaited for completion of formalities.
2. The Company earned a net profit of VND 22,422,200,000 (Rs.6,19,71,262/-) for the year ended 31st December 2004 and a net Loss of VND 43,948,346,000 (Rs.12,14,65,979/-) from inception to 31st December, 2004.
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, 2005.

KCP – BIOTECH LIMITED

1. The KCP Limited held 37,50,000 equity shares of Rs. 10 each representing 99.98% of the share capital.
2. The Company incurred a net loss of Rs. 33,13,352/- from the inception to 31st March, 2005.
3. No part of the above loss has been dealt within the company's accounts.

(BY ORDER OF THE BOARD)

V.L.DUTT
Chairman &
Managing Director

V.L.INDIRA DUTT
Joint Managing
Director

KAVITHA D CHITTURI
Executive Director

S. NANDAGOPAL
Director

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

Place: Chennai - 600 008.
Date : 9th June, 2005

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

FINANCIAL STATEMENTS
FINANCIAL YEAR ENDED 31 DECEMBER 2004

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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 2004.

PRINCIPAL ACTIVITY

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

RESULTS

The company has commenced its crushing operations at Son Hoa for the season 2003-2004 on 19.12.2003 and closed on 15.06.2004 after crushing 330,952.844 tons of sugar cane against an expected crushing of 450,000 tons. Company also purchased 1609.770 tons of Syrup, 1932.484 tons of Raw sugar and 219.534 tons of White sugar as input raw material and consumed all for production of high quality refined sugar. At Dong Xuan unit, crushing started on 19.02.2004 and closed on 03.06.2004 after crushing 8303.321 tons of sugar cane against an expected crushing of 15,000 tons. The average sugarcane price paid to the farmers during the season at Son Hoa was 247,719 VND per ton and at Dong Xuan was 222,100 VND per ton. The average sugar recovery during the season 2003-2004 was 9.88 %.

EXPLANATION AND INTERPRETATION OF THE RESULTS OF BUSINESS OPERATIONS

Production

Total sugar and molasses production during the season 2003-2004 are as follows.

Particulars	Production Tons	Total Tons
Brown sugar	56.300	
White sugar (Refined Grade)	12,192.700	
Refined sugar	25,145.600	37,394.600
Molasses	17,484.200	17,484.200
Total	54,878.800	54,878.800

Sales

During the year the company sold 35,925.700 tons of sugar, leaving a closing stock of 1,468.900 tons as on 31st December 2004. During the year average sugar realization per ton was at 5,018,815 VND (net). During the year the company sold 16,988.390 tons of molasses, leaving a closing stock of 495.81 tons as on 31st December 2004 and the average realization per ton of molasses was at 560,176 VND (net).

FINANCIAL INDICATORS OF THE BUSINESS

	2003	2004
1. Asset & Equity structure		
1.1 Asset structure		
- Fixed assets and long term investments/Total assets (%)	86.13%	83.39%
- Current assets and short term investments / Total assets (%)	13.87%	16.61%
1.2 Equity Structure		
- Liabilities/Total resources	86.22%	77.67%
- Owner's equity/Total resources	13.78%	22.33%

2. Liquidity

- Current ratio: Current assets / Current liabilities	2.64 times	6.90 times
- General ratio:	1.16 times	1.29 times
- Quick ratio: Cash/ Current liabilities	0.41 times	1.34 times

3. Profitability

3.1 Profitability margin		
- Net profit before tax/Net Sales (%)	(9.30%)	11.52%
- Net profit after tax/Net Sales (%)	(9.30%)	11.52%
3.2 Return on assets		
- Net profit before tax/Total assets (%)	(3.86%)	7.01%
- Net profit after tax/Total assets (%)	(3.86%)	7.01%
3.3 Net profit after tax/Owner's equity	(27.98%)	31.41%

DISPOSAL OF ASSETS AT HUE

Company could not find a feasible way of developing any business at Hue utilising the left over assets. Hence the assets at Hue branch were disposed off during the year for an amount of VND 3,900,000,000 excluding VAT.

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. Company invested on land leveling for around 50 hectares of land under assured irrigation to develop new sugar cane seeds.

The company commenced the crushing operations for the season 2004-05 on 18.12.2004 and crushed 25,649.617 tons of cane as on 31st December 2004.

The company withdrew 69.891 Billions of VND from Development Assistance Fund out of the sanctioned amount of 72 Billions as on 31st December 2004 to meet the shifting expenditure. Up to 31st December 2004 the company repaid an amount of 12 B' VND to the Development Assistance Fund and 15 B' VND to Agriculture and Rural Development Bank, T.T. Hue towards principal amount. During the year company also repaid 1 M USD towards principal amount to Canara Bank, London, and 406,077 USD towards two short term loans to KCP Ltd. During the year company paid an amount of US\$ 1,779,000.09 towards outstanding payables, interest and other fees of foreign loans, an amount of 3.840 B' VND towards interest on the loan of Development Assistance Fund and 842 M'VND towards interest on the loan of Agriculture and Rural Development Bank, T.T. Hue.

Company successfully pursued Development Assistance Fund to extend the repayment term of 72 B'VND long term loan from 8 years to 12 years. This will have positive effect on company's plans to stabilise and expand business operations.

The VAT debt of the company for the year 2003 with an amount of 10.382 B'VND is waived off under Decision no.28/2004/QD-TTg dated 04/03/2004 of the Government of Vietnam and request letter no.: 935CT/TQD dated 16.07.2004 of Phu Yen Taxation Department as per law of Vietnam and is added to the other income of the company during year 2004.

ACHIEVEMENTS

During the year 2004 company won Gold Cup at Hai Phong AFTA trade fair conducted by Ministry of Science and Technology 2004 held at Hai Phong from 12th May to 17th May 2004 for the top quality product 'Refined Sugar Superior'.

AUDITORS

During the year 2004, 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

Though the sugar prices were low during early 2004 there was a spurt in sugar prices from March 2004 which also lifted the sugar cane prices. This created enthusiasm among farming community, but the sugar cane crop received a set back due to severe prolonged drought condition for the second successive year. Consequently sugar cane crop planted in around 700 Ha of sugar cane area perished in the zone earmarked for KCPVIL. However company is hopeful to cover this deficit by controlling the sugarcane diversions to factories outside the province with the help of local authorities. At the same time company shall continue to invest on new sugar cane seeds and fertilizer to support the farming community to improve the yields.

An irrigation project at Tinh Son Village covering 50 Ha of sugar cane fields was completed where company invested on leveling of the land. This is mainly intended for new seed cane development. Other irrigation projects proposed by state authorities are also under various stages of implementation. Once all the irrigation projects are implemented, company shall have stable raw material zone and raw material availability for the late harvesting will also be ensured. Company also came forward with a proposal to jointly invest with state authorities in an irrigation project covering 700 - 1000 Ha of sugar cane area adjacent to the factory. Company shall continue to invest on developing and repair of field roads jointly with the farming community for smooth transportation of sugar cane. At the same time the

state authorities shall be persuaded to develop and repair all main roads connecting various sugar cane areas to the factory.

Though the equipment is already upgraded to stabilize the crushing capacity at 3000 TCD and the capacity achieved during 2004, this was not uniform due to quick fouling of evaporator system. Hence to ensure the uniform crushing capacity throughout the crushing period and to avoid shutdown due to cleaning fouled surfaces, additional equipment were installed with necessary modifications. This has already shown positive result during the crushing operations in the current season.

As already reported in Audited Financial Report for the year 2003, company took over a small scale 150 TCD capacity sugar factory in Dong Xuan District during year 2004. When company took over, the factory was not in good condition for operations as such the sugar cane crushed was nominal during 2004. Subsequently major overhauling work was taken up and necessary modifications were incorporated to improve the capacity of the plant to 250 TCD and also to improve the efficiency by reducing losses. As electricity for this factory is being purchased from the Grid, only syrup is being produced and transported to Son Hoa unit to convert syrup into high quality Refined product. Sugar cane areas which are not accessible for heavy trucks, have been earmarked for this factory in Dong Xuan District. Taking over Dong Xuan factory enabled the company to stabilize the raw material zone in Dong Xuan District for both the factories and also to increase the production output.

Plans were drawn to invest in a 6 MW Power Co Generation project in Son Hoa to effectively consume the surplus bagasse at an estimated cost of 3.5 M USD. At the time of signing this Balance Sheet, preliminary approval has already been obtained from Ministry of Industry, for establishing the power plant. It is planned to commission the project by December 2005 and the corresponding income stream is expected from year 2006. Commissioning of the Power Co Generation Project is also expected to slightly enhance the capacity of the sugar refinery.

Company is hopeful of achieving reasonable production level during year 2005 in spite of drought conditions prevailing in the region. With the drought conditions prevailing over Asia, sugar is expected to be deficit all over the World including Vietnam. Due to this factor Sugar and Molasses prices are expected to be encouraging. Hence there is a bright chance of company achieving the profitable workings during the year 2005 also.

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 2004.

on behalf of the Board of Management

Dr. Velagapudi Lakshmana Dutt
 Chairman,
 Phu Yen Province,
 S.R. Vietnam
 Date: 19.03.2005

K.V.S.R. Subbaiah
 General Director

AUDITORS' REPORT ON THE FINANCIAL STATEMENTS FOR THE FISCAL YEAR 2004

To The Board of Members of KCP VIETNAM INDUSTRIES LIMITED

We have audited the financial statements for the year ended 31st December 2004 on pages from to including Report of Board of Management and General Director, Balance Sheet, Income Statement, 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, in all material respects, the financial statements give a true and fair view of the financial state of the Company as at 31st December 2004. The financial statements have been prepared in accordance with accounting standards and systems currently in force in Vietnam. The format and expression in this financial statement may differ from those generally accepted in countries other than Vietnam.

Yours faithfully
 Director - CPA
Phung Thi Thanh Thuy
 AC. No. : 0126 / KTV
 Hochiminhcity
 Date : 22-03-2005

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

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST DECEMBER 2004

(INDIRECT METHOD)

Unit: 1,000 VND

PARTICULARS	Code	At 31/12/2004
I. CASH FLOW FROM BUSINESS AND PRODUCTION		
Net Profit/(Loss) before tax:	01	22,422,199
Adjustment to reconcile operating profit/(loss):		-
- Depreciation of fixed assets	02	26,339,168
- Gain/ loss from investing activities	05	16,692,382
- Interest expense	06	12,626,916
Net profit/(loss) before adjustment to working capital	08	78,080,666
- Increase/ decrease in account receivable	09	(1,848,855)
- Increase/ decrease in inventory	10	(7,552,871)
- Increase/ decrease in account payable	11	(26,918,631)
- Increase/ decrease in prepaid expense	12	(897,388)
- Interest paid	13	(12,626,916)
- Other receipts from operating activities	15	9,100,000
Net cash flow from business and production	20	37,336,004
II. CASH FLOW FROM INVESTMENT ACTIVITIES		-
- Purchase of fixed assets and other long term assets	21	(7,472,327)
- Proceeds from disposal of fixed assets and other long term assets	22	3,911,600
Net cash outflow from investment activities	30	(3,560,727)
III. CASH FLOW FROM FINANCING ACTIVITIES		
- Proceeds from short term/ long term borrowings	33	1,986,903
- Payment to settle debts	34	(33,171,104)
Net cash inflow/ (outflow) from financial activities	40	(31,184,201)
Net increase / (decrease) in cash	50	2,591,076
Opening balance of cash and equivalent to cash	60	7,708,155
Closing balance of cash and equivalent to cash	70	10,299,231

on behalf of the Board of Management

Dr. Velagapudi Lakshmana Dutt
 Chairman,

Phu Yen Province,
 S.R. Vietnam
 Date: 19.03.2005

K.V.S.R. Subbaiah
 General Director

BALANCE SHEET AS AT 31 DECEMBER 2004

Unit : 1,000 VND

ITEMS	Code	As on 31.12.2003	As on 31.12.2004
1	2	3	4
ASSETS			
A. CURRENT ASSETS & SHORT-TERM INVESTMENTS	100	49,304,199	53,094,389
I. Capital in cash	110	7,708,155	10,299,231
1 Cash on hand	111	582,621	1,368,368
2 Cash in bank	112	7,125,533	8,930,863
II. Short-term investments	120	-	-
III. Account receivable	130	4,995,133	4,999,714
1 Account receivable-trade	131	1,919,969	2,882,821
2 Prepayment to suppliers	132	3,019,911	2,038,322
3 Other receivable	138	55,253	78,572
IV. Inventories	140	13,435,184	20,988,055
1 Raw materials	142	13,068	-
2 Tools and supplies	143	9,071,182	13,906,183
3 Work in progress	144	2,211,167	1,759,229
4 Finished goods	145	2,139,767	5,322,643
V. Other current assets	150	23,165,727	16,807,389
1 Advances	151	4,005,727	5,850,001
2 Prepaid expenses	152	-	897,388
3 Short term deposits, mortgages and collateral	155	19,160,000	10,060,000
B. FIXED ASSETS & LONG TERM INVESTMENTS	200	306,108,792	266,637,969
I. Fixed assets	210	282,567,684	242,233,380
1 Tangible fixed assets	211	282,567,684	242,233,380
- Cost	212	340,964,387	322,263,972
- Accumulated depreciation	213	(58,396,704)	(80,030,592)
2 Finance lease assets	214	-	-
3 Intangible fixed assets	217	-	-
- Cost	218	456,190	456,190
- Accumulated Amortization	219	(456,190)	(456,190)
II. Long term investments	220	5,000	10,000
Long term securities	221	5,000	10,000
III. Construction in progress	230	1,197,627	2,056,107
IV. Long term deposits	240	-	-
V. Long term prepaid expense	241	22,338,481	22,338,481
TOTAL ASSETS (A+B)	250	355,412,990	319,732,358

Unit : 1,000 VND

ITEMS	Code	As on 31.12.2003	As on 31.12.2004
1	2	3	4
RESOURCE			
C. LIABILITIES	300	306,440,060	248,337,228
I. Current liabilities	310	18,649,519	7,698,669
1 Account payable-trade	313	7,052,846	4,554,384
2 Advances from customers	314	85,266	1,584,605
3 Taxes and payable to state budget	315	10,412,883	91,669
4 Payable to employees	316	788,377	964,147
5 Other payable	318	310,145	503,864
II. Long term liabilities	320	269,848,843	238,664,643
1 Long term borrowings	321	269,848,843	238,664,643
III. Others	330	17,941,698	1,973,916
1 Accrued expenses payable	331	17,941,698	1,973,916
D. OWNER'S EQUITY	400	48,972,930	71,395,129
I. Capital sources and funds	410	48,972,930	71,395,129
1 Paid in capital	411	115,343,475	115,343,475
2 Undistributed profit	416	(66,370,545)	(43,948,346)
II. Budget sources	420	-	-
TOTAL RESOURCES (C+D)	430	355,412,990	319,732,358

on behalf of the Board of Management

Dr. Velagapudi Lakshmana Dutt

 Chairman,
 Phu Yen Province,
 S.R. Vietnam
 Date: 19.03.2005

K.V.S.R. Subbaiah

General Director

BALANCE SHEET AS AT 31 DECEMBER 2004

ITEMS	Code	As on 31/12/03	As on 31/12/04	As on 31/12/03	As on 31/12/04
1	2	3	4	5	6
	Unit :1000 VND	Unit :1000 VND		Rs	Rs
ASSETS					
A. CURRENT ASSETS & SHORT-TERM INVESTMENTS	100	49,304,199	53,094,390	143,351,136	144,263,904
I. Capital in cash	110	7,708,155	10,299,231	22,411,331	28,465,376
1 Cash on Hand	111	582,621	1,368,368	1,693,961	3,781,943
2 Cash in bank	112	7,125,533	8,930,863	20,717,370	24,683,432
II. Short-term investments	120	-	-		
III. Account receivable	130	4,995,133	4,999,715	14,523,265	13,818,388
1 Account receivable-trade	131	1,919,969	2,882,821	5,582,277	7,967,642
2 Prepayment to suppliers	132	3,019,911	2,038,322	8,780,340	5,633,586
3 Other receivable	138	55,253	78,572	160,648	217,160
4 Provision for doubtful debts	139	-	-		
IV. Inventories	140	13,435,184	20,988,055	39,062,575	58,007,522
1 Raw materials	142	3,068	-	37,996	-
2 Tools and supplies	143	9,071,182	13,906,183	26,374,310	38,434,396
3 Work in progress	144	2,211,167	1,759,229	6,428,932	4,862,219
4 Finished goods	145	2,139,767	5,322,643	6,221,337	14,710,907
V. Other current assets	150	23,165,727	16,807,389	67,353,966	43,972,619
1 Advances	151	4,005,727	5,850,001	11,646,585	16,168,438
2 Shortage of assets awaiting resolution	152	-	897,388		
3 Short term deposits, mortgages and collateral	153	19,160,000	10,060,000	55,707,381	27,804,181
B FIXED ASSETS & LONG TERM INVESTMENTS	200	328,804,401	266,637,968	890,006,213	736,943,364
I. Fixed assets	210	305,263,293	242,233,380	821,560,833	669,493,108
1 Tangible fixed assets	211	305,263,293	242,233,380	821,560,833	669,493,108
- Cost	212	340,964,387	322,263,972	991,348,276	890,684,464
- Accumulated depreciation	213	(58,396,704)	(80,030,592)	(169,787,443)	(221,191,356)
2 Intangible fixed assets	217	-	-		
- Cost	218	456,190	456,190	1,326,365	1,260,834
- Accumulated Amortization	219	(456,190)	(456,190)	(1,326,365)	(1,260,834)

ITEMS	Code	As on 31/12/03	As on 31/12/04	As on 31/12/03	As on 31/12/04
1	2	3	4	5	6
II. Long term investments	220	5,000	10,000	14,537	27,638
Long term securities	221	5,000	10,000	14,537	27,638
III. Construction in progress	230	1,197,627	2,056,107	3,482,081	5,682,741
IV. Long term deposits	240	-	-		
V. Long term prepaid expense	241	22,338,481	22,338,481	64,948,762	61,739,877
TOTAL ASSETS (A+B)	250	378,108,600	319,732,358	1,033,357,349	881,207,268
RESOURCE					
C. LIABILITIES	300	306,440,060	248,337,228	890,969,371	686,363,137
I. Current liabilities	310	18,649,519	7,698,669	54,223,165	21,277,851
1 Account payable-trade	313	7,052,846	4,554,384	20,506,034	12,587,566]
2 Advances from customers	314	85,266	1,584,605	247,911	4,379,587
3 Taxes and payable to state budget	315	10,412,883	91,669	30,275,285	253,358
4 Payable to employees	316	788,377	964,147	2,292,194	2,664,743
5 Other payable	318	310,145	503,864	901,741	1,392,597
II. Long term liabilities	320	269,848,843	238,664,643	784,581,017	659,629,708
1 Long term borrowings	321	269,848,843	238,664,643	784,581,017	659,629,708
III. Others	330	17,941,698	1,973,916	52,165,189	5,455,578
1 Accrued expenses payable	331	17,941,698	1,973,916	52,165,189	5,455,578
D. OWNER'S EQUITY	400	48,972,930	71,395,129	142,387,982	197,324,361
I. Capital sources and funds	410	48,972,930	71,395,129	142,387,982	197,324,361
1 Paid in capital	411	115,343,475	115,343,475	335,359,232	318,790,340
2 Undistributed profit	416	(66,370,545)	(43,948,346)	(192,971,250)	(121,465,979)
II. Budget sources	420	-	-		
TOTAL RESOURCES (C+D)	430	355,412,990	319,732,357	1,033,357,353	883,687,498

on behalf of the Board of Management

Dr. Velagapudi Lakshmana Dutt

Chairman,

Phu Yen Province,

S.R. Vietnam

Date: 19.03.2005

K.V.S.R. Subbaiah

General Director

INCOME STATEMENT - YEAR 2004

PART I - PROFIT & LOSS

Unit: 1,000 VND

Items	Code	Previous year 2003	Current year 2004
1	2	3	4
Gross sales	01	147,384,711	194,616,378
Less deduction	03	188	-
+ Sales returns	07	188	-
1. Net sales of Merchandise and Services (01-03)	10	147,384,524	194,616,378
2. Cost of goods sold	11	121,182,340	135,768,334
3. Gross margin from Merchandise and Services (10-11)	20	26,202,184	58,848,044
4. Profits from financial activities	21	941,318	1,335,248
5. Expenses from financial activities	22	22,534,507	14,475,376
- In which: Interest payable	23	18,209,150	12,626,916
6. Selling expenses	24	7,168,492	8,473,547
7. General & administration expenses	25	11,144,706	8,480,087
8. Operating income[20 + (21 - 22) - (24+ 25)]	30	(13,704,203)	28,754,282
9. Other Income	31	-	14,532,019
10. Other expenses	32	-	20,864,101
11. Other profit (31 - 32)	40	-	(6,332,083)
12. Net profit before tax	50	(13,704,203)	22,422,199
13. Net profit after tax	60	(13,704,203)	22,422,199

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
I. Tax	10	10,412,883	8,679,553	8,589,937	(1,702,767)	8,589,937	120,179
VAT of goods sold domestically	11	10,379,233	8,496,413	8,401,656	(1,885,907) *	8,401,656	91,669
VAT for imported commodities	12	-	362	362	362	362	-
Land and House tax	17	-	5,006	5,006	5,006	5,006	-
Other taxes	19	33,651	177,772	182,913	177,772	182,913	28,510
II. Other payables	30	-	-	-	-	-	-
TOTAL	40	10,412,883	8,679,553	8,589,937	(1,702,767)	8,589,937	120,179

* VAT for year 2003 - 10.382 B VND exemption given by the Government of Vietnam

INCOME STATEMENT YEAR 2004 PART I PROFIT & LOSS

Items	Code	Previous year 2003 Unit:1,000VND	Current year 2004 Unit:1,000VND	Previous year 2003 Rs	Current year 2004 Rs
1	2	3	4	5	6
				Conversion Rate	
				343.94	361.82
Gross sales	01	147,384,711	194,616,378	428,518,593	537,887,569
Less deduction	03	188	-	545	-
+ Sales returns	07	188	-	545	-
1. Net income(01-03)	10	147,384,524	194,616,378	428,518,048	537,887,569
Opening Stock					
Raw materials		117,760	13,068	342,385	36,118
Work in progress		264,850	2,211,167	770,047	6,111,301
Finished products		232,299	2,139,767	675,405	5,913,963
Add: Production Cost&Operating exp		124,931,433	138,486,204	363,236,060	382,753,026
Less:Closing Stock		-	-	-	-
Raw materials		13,068	-	37,995	-
Work in progress		2,211,167	1,759,229	6,428,931	4,862,219
Finished products		2,139,767	5,322,643	6,221,337	14,710,907
2. Cost of goods sold	11	121,182,340	135,768,334	352,335,635	375,241,281
3. Gross margin (10-11)	20	26,202,184	58,848,044	76,182,413	162,646,287
4. Profits from financial activities	21	941,318	1,335,248	2,736,866	3,690,405
5. Expenses from financial activities	22	22,534,507	14,475,376	65,518,704	40,007,552
- In which: Interest payable	23	18,209,150	126,726,916	52,942,800	350,252,293
6. Selling expenses	24	7,168,492	8,473,547	20,842,272	23,419,486
7. General&administration expenses	25	11,144,706	8,480,087	32,403,046	23,437,562
8. Operating income					
[20 + (21 - 22) - (24+ 25)]	30	(13,704,203)	28,754,282	(39,844,743)	79,472,093
9. Other Income	31	-	14,532,019	-	40,164,104
10. Other expenses	32	-	20,864,101	-	57,664,934
11. Other profit (31 - 32)	33	-	(6,332,082)	-	(17,500,830)
12. Net profit before tax	40	(13,704,203)	22,422,200	(39,844,743)	61,971,262
13. Net profit after tax	50	(13,704,203)	22,422,200	(39,844,743)	61,971,262

INCREASE AND DECREASE OF FIXED ASSETS - 2004

(ATTACHMENT 01)

Unit 1000 VND

Item	Plant	Machinery	Intangible Assets	Means of Transportation	Office Equipments and others	Dong Xuan assets	Total
1/ Original price							
.-At 01/01/2004	55,238,115	281,822,952	456,190	2,031,361	1,871,958	-	341,420,576
.-Increase during the year	122,330	5,390,695	-	12,241	12,701	1,070,880	6,608,847
.-New purchase	-	-	-	12,241	12,701	1,050,000	1,074,942
.-New construction	122,330	5,390,695	-	-	-	20,880	5,533,905
.-Decrease during the year	21,885,648	3,411,373	-	12,241	-	-	25,309,262
.-Liquidation	-	-	-	12,241	-	-	12,241
.-Sales	21,885,648	3,411,373	-	-	-	-	25,297,021
.-At 31/12/2004	33,474,797	283,802,274	456,190	2,031,361	1,884,659	1,070,880	322,720,161
2/Depreciation							
.-At 01/01/2004	6,394,711	48,630,250	456,190	1,834,045	1,537,697	-	58,852,893
.-Increase during the year	1,993,759	23,737,810	-	198,356	336,113	73,130	26,339,168
.-Decrease during the year	3,745,128	959,112	-	1,040	-	-	4,705,280
.-At 31/12/2004	4,643,342	71,408,948	456,190	2,031,361	1,873,810	73,130	80,486,781
3/ Net book value							
.-At 01/01/2004	48,843,404	233,192,702	-	197,316	334,261	-	282,567,683
.-At 31/12/2004	28,831,455	212,393,326	-	-	10,849	997,750	242,233,380

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

Unit: 1000 VND

ITEMS	CODE	AMOUNT	
		THIS PERIOD (2004)	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	1,628,504	1,628,504
3. VAT deducted, refunded at ending period (12 = 13)	12	1,628,504	x
Of which:			
a, VAT has been deducted	13	1,628,504	1,628,504
II. VAT refunded			
III. VAT reduced			
IV. VAT levied on goods sold domestically			
1. VAT on goods sold domestically to be paid at beginning	40	10,379,233	x
2. Output VAT generated	41	10,121,829	10,121,829
3. Input VAT had been deducted	42	1,628,504	1,628,504
4. Reduced VAT offset from tax to be paid(*)	44	10,379,233	10,379,233
5. VAT on goods sold domestically paid to the State budget	45	8,401,656	8,401,656
6. VAT on goods sold domestically at ending period	46	91,669	x

Note: No data for items marked by (x)

(*) : Vat for year 2003 - 10.382 B VND exemption given by the Government of Vietnam and Additional VAT out-put last year according to finalization tax

Prepared by
Ng Thi Xuan

Chief Accountant
R. Sundar

Date: 19 March 2005
General Director
K.V.S.R Subbaiah

NOTES TO THE FINANCIAL STATEMENTS

1. BUSINESS HIGHLIGHTS

1.1 Form 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 09th 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.

1.2 Business sector:

Production of sugar and sugar by-products.

1.3 Number of employees :

As at 31st December 2004, the company had 372 employees, including 6 Managers.

1.4 Significant impact to operations in the reporting year:

- During middle of the crushing season the sugar prices went up and this had major impact on financial results.
- Company also started processing high quality refined sugar from other forms of raw material like raw sugar and syrup, which maintained the production level and had positive effect on financial results.
- Higher recovery % of sugar when compared to year 2003, also contributed to better financial results.
- The VAT on sugar has been reduced to 5% from 10% with effective from 01st January 2004. This has improved the income of the company.
- During the year, company has got an exemption for VAT payable in 2003 to an extent of 10.382 B VND vide Decision No:28/2004/QD-TT dated 04.03.2004 of Government of Vietnam. This has increased the profit margin of the company.

2. Accounting system and Accounting policies :

2.1 Accounting system:

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 Dated 26th June 2002 and amendment Circular No. 105/2003/TT-BTC dated 04/11/2003 issued by the Ministry of Finance.

2.2 Fiscal Year :

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

2.3 Currency used in accounting records and translation principle of balances and transactions arising in foreign currencies:

Currency used in accounting records are Vietnamese Dong (VND). Transactions arising in foreign currencies are translated at exchange rate 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 : 15739 VND/USD

2.4 System and form of records applied:

The Company uses Journal Ledger to record its transactions.

2.5 Accounting treatment of fixed assets:

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

Up to 31st December 2004, the total of basic construction costs capitalized into fixed assets were as follows:

- Machinery and Equipment : 283,802,274,211 VND
- Plant : 33,474,797,785 VND

Depreciation on all fixed assets of the company has been calculated and accounted for the period from 01st January 2004 to 31st December 2004.

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	Depre ciation 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 %

2.6 Accounting policy of inventories:

The inventory valuation has been arrived on the basis of factory cost applying FIFO method.

The value of finished goods has been calculated on the basis of factory cost in 2004. The elements of the factory cost comprise of material cost, direct labour and an appropriate portion of all production overhead expenditure.

Method of accounting for inventories is based on perpetual system

2.7 Accounting policy of borrowing cost: Not applicable

2.8 Method of determining turnover and completed work of construction contract: Not applicable

2.9 Account receivable –

(a) As on 31st December 2004, the total amount advanced to employees and farmers was 5,850,000,576 VND (details in attached list).

(b) As on 31st December 2004, the total amount receivable from customers was 2,882,820,520 VND (details in attached list).

2.10 Fixed assets - See attachment - I

2.11 Finance lease – Not applicable

2.12 Transactions in foreign currencies - Transactions arising in foreign currencies are translated at exchange rate ruling at the transaction dates.

2.13 Pre-operating expense : Not applicable

2.14 Additional appropriation and reversal of provisions : Not available

2.15 Distribution of profits : Not applicable

2.16 Taxation :

In accordance with Investment License No. 1969/GPDC3 Dated 19.05.2000, the duty company has to pay to state budget:

I 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.

I The other taxes : as per the current regulations.

2.17 Financial instruments : The company uses Journal Ledger to record its transactions.

2.18 Changes of accounting policies: No Change

3. Cash

	Unit: VND	
	Year 2003	Year 2004
Cash on hand	582,621,214	1,368,367,590
Cash at Bank	7,125,533,401	8,930,863,491
VND	7,124,984,971	7,409,439,049
Foreign currencies-USD	548,430	1,521,424,442

7. Increase/ decrease in investments in other entities:

	Unit: VND				
	Opening Balance	Increased	Decreased	Closing balance	Investment result
7.1. Short-term investment					
7.2. Long-term investment					
7.2.1. Securities	5,000,000	5,000,000	-	10,000,000	Investment Increased
Total	5,000,000	5,000,000	-	10,000,000	

4. Inventory

	Unit: VND	
	Year 2003	Year 2004
Raw materials	13,068,282	-
Work in process	2,211,167,158	1,759,228,733
Finished products	2,139,767,024	5,322,643,317
Merchandise	9,071,181,895	13,906,183,323

Note:

1. Purchased price of inventory in total : Not applicable
2. Reversal of provisions for decline of inventory – Nil
3. Net book value of inventory (*purchased price (-) provisions for decline of inventory*) for mortgage guaranteed borrowings - Not applicable

Reasons for additional appropriation or reversal of provisions for decline of inventory - Nil

5. Increase and Decrease of Fixed Assets : See Attachment

a) Finance lease: Not applicable

b) Operating lease fixed assets : Not applicable

6. Production cost & operation expenses

Production cost & operation expenses include :

	Unit: VND	
Item	Year 2003	Year 2004
1. Raw Materials	88,225,239,873	98,883,142,465
2. Labour cost	4,337,415,585	4,722,544,407
3. Depreciation of fixed assets	26,094,725,851	26,241,802,341
4. Other expenses	6,936,260,628	8,651,783,015
Total	125,593,641,937	138,499,272,228

Reasons for movement: During the year company has invested 5,000,000 VND in Government Bond for 5 years, Interest @ 8.5% p.a.

8. Account receivable and payable:

	Opening Balance		Closing Balance		Total of Dispute/ uncollectible
	Total	Overdue	Total	Overdue	
	Unit: VND				
8.1. Account receivable					
- Receivable from customers	1,919,968,691	-	2,882,820,520	24,000,000	-
- Advances to suppliers	3,019,910,604	-	2,038,321,903	-	-
- Advances	4,005,727,113	-	5,850,727,113	-	-
- Other receivable	55,253,267	-	78,571,760	-	-

Account receivable detailed by customer names : See attachment

8.2. Account payable

	Year 2003		Year 2004	
	Total	Overdue	Total	Overdue
Unit: VND				
8.2.1. Long-term liabilities				
- Long-term borrowings			269,848,843,481	238,664,643,404
8.2.2. Short-term liabilities				
- Account payable to suppliers			7,052,846,459	4,554,384,321
- Deposits from customers			85,266,397	1,584,604,603
- Payable to employees			788,377,329	964,146,949
- Tax payable			10,379,232,785	91,668,825
- Payable to state budget			33,650,655	28,509,760
- Other payable			310,144,979	475,354,712
Total			288,498,362,085	246,363,312,574

In which:

- Account receivable in foreign currency (converted in USD): 183,012.87
- Account payable in foreign currency (converted in USD) : 11,050
- Reasons for dispute, uncollectible: Nil
- Account payable detailed by supplier names : See attachment

9. Obligations to state budget

Tax and other obligations: (under Investment License)

- Business income tax 10 % on profits earned (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.)
- Other taxes under current stipulations in Viet Nam

During the year 2004 the following amounts have been paid to the Government in connection with the taxes and other obligations (VND).

- Personal Income Tax of 2003	:	15,459,911
- Personal Income Tax of 2004	:	132,704,605
- VAT on imported machinery and equipment 2004	:	362,000
- VAT on sale of goods and assets 2004	:	8,401,656,167

As on 31st December 2004, the following amounts are payable to the Government (VND)

- Personal Income Tax 2004	:	28,509,760
- VAT on sale of goods and services 2004	:	91,668,825

Provisions for business income tax

Unit: 1000 VND

	Year 2003	Year 2004
Gross profits	(13,704,203)	22,422,199

Tax finalization (if any) : The year 2004 is the first year, the company starts to earn profit. Therefore the company will get exemption from paying incometax for the period from 2004 to 2007.

10. Borrowings

As at 31st December 2004, the total loan balance are as follows :

Particulars	Amount	Interest Rate
Foreign Currency Loans		
Canara Bank, London	4,000,000.00 USD	2.0%+6 months LIBOR
Zingero Establishment, Vaduz	2,200,000.00 USD	3.3%+3 months LIBOR
The KCP Limited	4,968,944.10 USD	2.5%+6 months LIBOR
Domestic Loans		
DAF, Phuyen	57,891,463,461 VND	First 23 B VND 7.00% p.a Balance 5.4% p.a
Agri Bank, TT Hue	4,985,168,749 VND	10.2% p.a

11. Transactions with associated companies

During the business operation, some transactions have been incurred in relation to the associated companies. The essential records are as follows: (VND 1000)

Associated companies	Relation	Transaction	Amount
The KCP Ltd, India	Group company	Purchase of Spares	7,163,222,630

The following receivable / payable in relation to the associated companies has not yet been settled as at the date of balance sheet:

Associated companies	Relation	Transaction	Receivable
The KCP Ltd, India	Group company	Purchase of Spares	911,440,928

12. Legal capital paid-up

	Legal capital	% Paid-up
	Amount Outstanding	
Vietnam party	Nil	Nil
Foreign party	Nil	100 %

After the prepared date of balance sheet of 2004, capital contribution schedule of foreign parties as follows : nil

Unit: 1000 VND

13. Profits	Year 2003	Year 2004
Other income		
Interest income	850,772,992	1,096,986,945
Exemption of VAT in 2003	0	10,382,319,932
Gain on exchange rate differences of revaluation	0	4,149,698,815
Other expense		
Depreciation expense	26,094,725,851	26,339,167,902
Deferred expense	5,848,569,723	0
Interest expense	18,209,149,730	12,626,916,262
Loss on disposal of fixed assets	0	16,692,381,642
Loss on exchange rate differences	3,269,559,513	1,848,459,413

14. Financial instruments

The company uses Journal Ledger to record its transactions.

15. Mortgage

- Land use right and assets in connection with land
- Fixed assets
- 1. Company has mortgaged an amount 178,721,524,129 VND with Development assistance fund for 72 B VND loan (actual drawn is 69.891B VND) for shifting factory from T.T.Hue to PhuYen – under amendment credit contract dated 20.12.2004
- 2. Company has mortgaged an amount 42,597,262,732 VND (3,037,887.80 USD @ 14,022 VND/USD as on 31.12.1999) with Bank for Agriculture and Rural Development, T.T.Hue Branch for working capital loan of 20 B VND.
- Other fixed assets : Nil

16. Additional information about cash flows:

- 16.1 Information about non-cash transactions incurred in the reporting period -Nil
- 16.2 Information about purchases and disposals of subsidiaries or other entities in the reporting period. Not applicable
- 16.3 Cash and cash equivalent held by the company but not in use: Nil
- 17 Some items of overall evaluation of the operating and finance performance of the business - Please refer Report of the Board of Management and General Director – item “Financial Indicators of the business”.

III. SUMMARY:

This is the third successful production season at the relocated place. The production results are encouraging and prospective. During the season the company crushed 330,952.844 tons of cane at Son Hoa and 8303.32 tons of cane at Dong Xuan with a average recovery of 9.88 %. 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 to Zingero Establishment, Canara Bank, London and The KCP Ltd. This year company also repaid the principal amount payable to Canara Bank, London and two short term loans to The KCP Ltd.

These financial statements are approved by the Board of Management on :

On behalf of the Board of Management

Dr. Velagapudi Lakshmana Dutt

Chairman

Phu Yen Province, S.R. Vietnam

Date : 19th March,2005

Mr. K.V.S.R. Subbaiah

General Director

AMOUNT PAYABLE TO SUPPLIERS

ACCOUNT CODE : 331(Cr)

Units : 1,000 VND

Sl.No	Name of Suppliers	Amount
1	CONSTRUCTION & BUILDING MATERIAL CO	39,458
2	PHUONG LONG CONSTRUCTION COMPANY	122,900
3	Bien Hoa Foodstuff Mechanical & Erection	72,471
4	ALPHA COMMERCIAL & SERVICES INTERPERISE	2,661
5	CHAU DINH BUU	475
6	KHANH HOA STORE	9,743
7	DA NANG PORT SERVICES JOINT STOCK CO.	165,717
8	CALTEX LUBRICANTS VIETNAM LIMITED	37,787
9	AN HOA INDUSTRIAL GAS SERVICE	5,670
10	THANH THANH CONG TRADE PRODUCTION	223,300
11	PHI TRANG CO LTD	3,300
12	KHAI NGUYEN TRADING CO	2,404
13	BINH DINH MATERIAL & CONSTRUCTION CO	34,797
14	CUU LONG ELECTRIC CO LTD	715
15	TRUONG CONG MINH DUC	11,522
16	VO THI GAI(HUONG SHOP)	62
17	DINH THI KHANH	752
18	LE KIM KHUE (KIM QUAN)	240
19	KIEN THANH TRADING&PRODUCTION CO.	435,600
20	CASH PURCHASE	6,786
21	DAT MY CO LTD	14,907
22	THANG LONG TRADING CO LTD	3,187
23	NAM QUOC MINH COMPANY	277,406
24	MY VIET INDUS & DEVEL. INDUS CORP	2,154
25	VAN PHUOC CO,LTD	12,625
26	PHUC THANH COMMERCE AND CONS CO.	16,597
27	NGUYEN TANH	7,456
28	NGUYEN QUOC THANH	315
29	TRAN THI KIM TUC	443
30	TRAN THI NHI	20,067
31	PHAM TRONG VIET	3,963
32	PHAM XUAN HAI	2,276
33	CANE AMOUNT & TRANSPORT CHARGES PAYABLE	3,007,498
34	TUY HOA SUGAR FACTORY	9,132
	TOTAL	4,554,384

ADVANCES RECEIVED FROM CUSTOMERS

ACCOUNT CODE : 13 (Cr)

Units : 1000 VND

Sl.No	Name of Customer	Amount
01	LE BINH SHOP	2,280
02	NGUYEN THI HUONG	141
03	QUINHON FOODSTUFF AND AGRO- PRODUCTS SHO	1,000
04	BIEN HOA SUGAR JOINTSTOCK COMPANY	8
05	TUY HOA PARTICLE BOARD FAC.	3,791
06	DONG LOI AGRICULTURE COMPANY LIMITED	421
07	NGUYEN THANH BINH	200
08	SON THUY MANUFACTURE ALCOHOL ENTERPRISE	21
09	HONG SAN COPANY., LTD	20
10	KIM HA CO. LTD,	136
11	NGOC PHUONG CO. LTD	225
12	INDUSTRIAL FOODSTUFF COMPANY-HCM	666,800
13	THANH THANH CONG TRADING PRODUCT CO,LTD	473,738
14	VAN PHAT TRADING PTE COMPANY	435,825
	Total	1,584,605

AMOUNT RECEIVABLE FROM CUSTOMERS
ACCOUNT CODE : 131 (Dr)

Units : 1000 VND

Sl.No	Name of Customer	Amount
01	ACECOOK VIETNAM Ltd.,CO - DANANG BRANCH	55,000
02	NGUYEN THI NEN	127,370
03	QUI NHON MINERAL WATER FIRM	60,000
04	COSEVCO FOOD TECHNOLOGY COMPANY	284,800
05	COCA COLA BEVERAGES VIETNAM LTD, DANANG	292,500
06	CHU SE RUBBER CO.-CRC/KCPVIL/60	2,850
07	TAN HIEP PHAT TRADING CO.	1,412,800
08	MINH ANH FOOD STUFF COMPANY	24,000
09	KHANH HOA MINERAL WATER COMPANY	508,500
10	LONG THOM TRANSPORTATION & TRADING ENTERPRISES	54,000
11	BINH DINH PHARMACEUTICAL MEDICAL EQUI CO	61,000
	Total	2,882,821

ADVANCE RECEIVABLE
ACCOUNT CODE : 141

Units : 1000 VND

Sl.No	Name	Amount
01	NGO SON DONG	4,000
02	HO NGOC DAU	1,000
03	NGUYEN THI TY PHO	150
04	LE MINH DONG	8,500
05	TRAN THI NGOC THAN	400
06	NGUYEN HOANG KHAM	1,189
07	HA VAN DAN	2,500
08	NGO THI TO QUYEN	995
09	DO THI MUOI	1,100
10	MINH THI HUYEN	450
11	K. RAMANAMURTHY	800
12	MISCELLANEOUS DEPOSIT	19,600
13	CANE GROWERS ADHOC PAYMENT	913,795
14	ADVANCE TO HANOI OFFICE	9,306
15	ADVANCE TO DONG XUAN UNIT	1,144
16	FERTILIZER LOAN TO FARMERS	2,727,374
17	CASH LOAN TO FARMERS	47,184
18	SEED LOAN TO FARMERS	2,110,514
	TOTAL	5,850,001

KCP BIO-TECH LIMITED
FINANCIAL STATEMENTS
YEAR ENDED 31st MARCH 2005

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DIRECTORS

DUTT V.L
Chairman
INDIRA DUTT V.L
KAVITHA D. CHITTURI
NANDAGOPAL S.
PRANESH K.B.
SIVARAMA PRASAD A.V.

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 : 55772600 & 55772615 / 619

NOTICE TO SHAREHOLDERS

Notice is hereby given that the 11th Annual General Meeting of the shareholders of the Company will be held on Thursday, the 18th August, 2005 at 6-3-551, Somajiguda, Hyderabad-500 082 at 12.45 pm to transact the following business:

ORDINARY BUSINESS

- To receive, consider, and adopt the Directors' Report, the accounts of the Company for the year ended 31st March, 2005 and the Auditors' Report thereon.
- To appoint auditors for the current financial year and authorise the Board to fix their remuneration. M/s. Brahmayya & Co, Chartered Accountants, Hyderabad retires at this Annual General Meeting and are eligible for re-appointment.
- To appoint a director in the place of Smt .V.L Indira.Dutt, who retires by rotation and is eligible for re-appointment and to consider and if thought fit, to pass the following resolution, as an Ordinary Resolution.
RESOLVED that Smt .V.L Indira.Dutt, who retires by rotation be and is hereby re-appointed as a director of the Company.
- To appoint a director in the place of Smt. Kavitha D Chitturi who retires by rotation and is eligible for re-appointment and to consider and if thought fit, to pass the following resolution, as an Ordinary Resolution.

RESOLVED that Smt. Kavitha D Chitturi who retires by rotation be and is hereby re-appointed as a director of the Company.

SPECIAL BUSINESS

- To consider adoption of the following resolution ,with or without modification, as an ordinary resolution:
"Resolved that Mr. S Nandagopal, who holds office as an additional Director of the company up to the date of this Annual General Meeting, be and is hereby appointed as Director of the company, whose period of office shall be subject to retirement by rotation.
- To consider adoption of the following resolution, with "or without modification, as an ordinary resolution:
"Resolved that Dr. A.V Sivaramaprasad, who holds office as an additional Director of the company up to the date of this Annual General Meeting ,be and is hereby appointed as Director of the company, whose period of office shall be subject to retirement by rotation.

(BY ORDER OF THE BOARD OF DIRECTORS)

For **K.C.P. BIOTECH LIMITED**

Place : Chennai - 600 008
Date : 9th June, 2005

V.L. DUTT
CHAIRMAN

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT 1956 IN RESPECT OF SPECIAL BUSINESS

ITEM NO 5

The Board of Directors of your company co-opted Mr S.Nandagopal as an additional director on 17 th March 2005. Mr S.Nandagopal is a Chartered Accountant and has over 50 years of experience in his profession.

The term of additional directors as per Section 260 of the Companies Act 1956 is only upto the succeeding Annual General Meeting and therefore Mr S.Nandagopal seeks appointment at this Annual General Meeting.

A Notice in writing under Section 257 of the Companies Act 1956 has been received from a member signifying his intention to propose the candidature of Mr S.Nandagopal for the office of director of the company.

None of the Directors is interested in the resolution.

Your Directors recommend the resolution for adoption.

ITEM NO 6

The Board of Directors of your company co-opted Dr. A.V Sivaramaprasad as an additional director on 17 th March 2005. Dr. A.V Sivaramaprasad is a Mechanical engineer and a doctorate in management from the Indian Institute of Science. He has vast experience in working with

Multilateral funding agencies and executed successfully many social and infrastructure development projects. At present he is the Vice President of The KCP Group and has over 17 years of experience in his profession.

The term of additional directors as per Section 260 of the Companies Act 1956 is only upto the succeeding Annual General Meeting and therefore Dr. A.V Sivaramaprasad seeks appointment at this Annual General Meeting.

A Notice in writing under Section 257 of the Companies Act 1956 has been received from a member signifying his intention to propose the candidature of Dr. A.V Sivaramaprasad

for the office of director of the company.

None of the Directors is interested in the resolution.

Your Directors recommend the resolution for adoption.

(BY ORDER OF THE BOARD OF DIRECTORS)

For **K.C.P. BIOTECH LIMITED**

Place : Chennai - 600 008
Date : 9th June, 2005

V.L. DUTT
CHAIRMAN

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31ST MARCH 2005

Submitted to the shareholders at the 11th Annual General Meeting of the Company held on Thursday, the 18th August, 2005 at 6-3-551, Somajiguda, Hyderabad-500 082 at 12.45 pm.

1. The Directors have pleasure in submitting their report for the financial year ended 31st March, 2005 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 loss of Rs. 33,13,352/- for the year 2004-2005 after providing Rs. 3,75,762/- as depreciation.
3. The capital of the company stood at Rs. 3,75,00,700/- as on 31st March, 2005.
4. The company has not accepted Fixed Deposits.
5. The Company has successfully set up manufacturing facility for extraction of natural colours. The trial runs commenced from December 2004 onwards and the commercial production commenced from 1st March 2005. The Company successfully exported the first consignment and is having abundant orders for the current year.
6. A statement giving details of export, foreign exchange earned and outgo, and absorption of technology, is enclosed.
7. (i) Dr. A.V Sivarama Prasad and Mr S Nandagopal , were appointed as additional directors during the year. Notice has been received from shareholders proposing their candidature as Directors.
(ii) Smt. V.L. Indira Dutt and Smt. Kavitha D Chitturi retire by rotation at the forthcoming Annual general meeting. Being eligible, they offer themselves for reappointment.
8. No employee was paid remuneration in excess of limit prescribed under section 217(2A) of the Companies Act, 1956.
9. 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, 2005 and profits of the company for the year ended 31st March, 2005;
 - 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.
10. M/s. Brahmayya & Co., Chartered Accountants, Hyderabad retire at the conclusion of this Annual General Meeting and are eligible for re-appointment.

(BY ORDER OF THE BOARD OF DIRECTORS)

For **K.C.P. BIOTECH LIMITED**

Place : Chennai - 600 008

V.L. DUTT

Date : 9th June, 2005

CHAIRMAN

AUDITORS' REPORT

To
The Members of the
KCP BIO-TECH LIMITED
HYDERABAD (A.P)

1. We have audited the attached Balance Sheet of KCP BIO-TECH LIMITED, HYDERABAD, (A.P) as at 31st March, 2005 and also Profit and Loss Account 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 these financial statements based on our audit.
2. 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.
3. As required by the Companies (Auditors' 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.
4. Further to our comments in the Annexure referred to above we report that:
 - i) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.

- ii) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books.
 - iii) The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the Books of Account.
 - iv) In our opinion, the Balance Sheet and Profit and Loss Account dealt with by this report comply with the Accounting Standards referred to in sub-section(3C) of Section 211 of the Companies Act,1956.
 - v) On the basis of the written representations received from the Directors and taken on record by the Board of Directors, we report that, none of the Directors is disqualified as on 31st March, 2005 from being appointed as a Director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.
5. In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the notes thereon, 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 :
- a) In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2005; and
 - b) In the case of the Profit and Loss Account, of the Loss of the Company for the year ended on that date.

for BRAHMAYYA & CO.,
Chartered Accountants.

Place: Hyderabad
Date : June 10th, 2005

KOTESWARA RAO SSR
Partner
Membership No.18952

ANNEXURE

Re: KCP BIO-TECH LIMITED

- 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 were noticed on such verification.
 - c) During the year, the company has not disposed off substantial part of fixed assets.
- ii)
 - a) The inventories have been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.
- b) 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.
- c) The Company is maintaining proper records of inventories. The discrepancies noticed on physical verification between the physical stocks and book records were not material.
- iii)
 - a) During the year the company has not granted any loans and has taken unsecured loan from a Company covered in the register maintained under section 301 of the Act.
 - b) The rate of interest and other terms and conditions of loan taken by the Company are not prima facie prejudicial to the interest of the Company.
 - c) The payment of dues are regular 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 Inventory and fixed assets and for the sale of goods. 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, the transactions made in 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 lakh in respect of any party during the year have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.
- 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 Central Government has not prescribed under Section 209 (1) (d) of the Companies Act, 1956 the maintenance of cost records for the products of the Company.
- ix) a) According to the records of the Company, the Company is regular in depositing with appropriate authorities undisputed statutory dues including Provident Fund, Income-tax, Sales tax, Customs Duty 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 sales tax, Income-tax, Customs duty were in arrears, as at 31st March, 2005 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 Sales tax, Income Tax and Customs duty which have not been deposited on account of any dispute.
- x) The Company has incurred cash losses during the year covered by the report and it has not incurred cash losses in the immediately preceding financial year and the total losses at the end of the financial year is less than 50% of its networth.
- xi) In our opinion, the Company has not defaulted in repayment of dues to bank.
- xii) The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and 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 guarantee for loans taken by others from banks or financial institutions.
- xvi) In our opinion and according to the information and explanations given to us, the term loans have been applied for the purpose for which they were raised.
- xvii) According to the information and explanations given to us, and on an overall examination of the balance sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment. No long-term funds have been used to finance short-term assets.
- 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 year.

for BRAHMAYYA & CO.,
Chartered Accountants.

Place: Hyderabad
Date : June 10th, 2005

KOTESWARA RAO SSR
Partner
Membership No.18952

BALANCE SHEET AS AT 31st MARCH 2005

PARTICULARS	SCH	As at 31.03.2005	As at 31.03.2004
		Rs.	Rs.
I SOURCES OF FUNDS			
Share Holders Funds			
(a) Share Capital	1	3,75,00,700	3,75,00,700
(b) Reserves & Surplus	2	-	4,48,437
		3,75,00,700	3,79,49,137
II LOAN FUNDS		4,96,80,272	-
a) Secured Loans	3	50,00,000	-
b) Unsecured Loans	4	5,46,80,272	-
Total		9,21,80,972	3,79,49,137
III APPLICATION OF FUNDS			
1) Fixed assets	5		
a) Gross Block		7,61,45,681	3,31,959
b) Less: Depreciation		5,70,783	1,95,111
c) Net Block		7,55,74,898	1,36,848
d) Capital work in progress		-	35,56,687
d) Un allocated capital expenditure		-	16,56,648
		7,55,74,898	53,50,183
2) Investments	6	15,000	15,000
3) Current Assets, Loans & Advances			
a) Inventories	7	2,19,07,281	-
b) Sundry Debtors	8	13,93,020	-
c) Cash and bank balances	9	4,50,928	2,20,595
d) Loans and advances	10	28,22,048	3,31,74,328
e) Other current assets	11	3,24,283	5,95,543
		2,68,97,560	3,39,90,466
Less : Current Liabilities	12	1,32,85,865	15,49,592
Net Current Assets		1,36,11,695	3,24,40,874
4) Miscellaneous expenditure (To the extent not written off or adjusted)			
Preliminary expenses		1,14,464	1,43,080
Profit & Loss Account		28,64,915	-
		29,79,379	1,43,080
Total		9,21,80,972	3,79,49,137
NOTES ON ACCOUNTS :	18		

(FOR AND ON BEHALF OF THE BOARD)

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

KAVITHA D. CHITTURI
DIRECTOR

K.B.PRANESH
DIRECTOR

S.NAND KUMAR
SECRETARY & MANAGER (FINANCE)

KOTESWARA RAO SSR
PARTNER

Place : Hyderabad
Date : 9th June, 2005

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH 2005

PARTICULARS	SCH	CURRENT YEAR	PREVIOUS YEAR
		Rs.	Rs.
I. INCOME			
Sales		14,78,504	-
Interest earned (Others)		1,59,869	25,18,563
Credit balances written back		348	-
Total		16,38,721	25,18,563
II. EXPENDITURE			
Material consumed	13	57,92,288	-
Staff Cost	14	3,32,629	-
Otehr Expenses	15	14,49,445	65,914
Interest	16	4,19,147	-
Depreciation	5	3,75,672	17,209
(Increase)/Decrease in Stock	17	(34,45,724)	-
Preliminary expenses written off		28,616	-
Total		49,52,073	83,123
III. PROFIT/(LOSS) FOR THE YEAR		(33,13,352)	24,35,440
Less : Provison for taxation for the year		-	8,75,000
Add : Balance of Profit/(Loss) brought forward from last year		4,48,437	(11,12,003)
IV. PROFIT / (LOSS) CARRIED TO BALANCE SHEET		(28,64,915)	4,48,437
NOTES ON ACCOUNTS	18		

(For and on behalf of the Board)

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

KAVITHA D. CHITTURI
DIRECTOR

K.B.PRANESH
DIRECTOR

S.NAND KUMAR
SECRETARY & MANAGER (FINANCE)

KOTESWARA RAO SSR
PARTNER

Place : Hyderabad
Date : 9th June, 2005

**SCHEDULES ANNEXED TO AND FORMING PART OF THE ACCOUNTS
FOR THE YEAR ENDED 31ST MARCH 2005**

Particulars	As at 31.03.2005 Rs.	As at 31.03.2004 Rs.
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>
2. RESERVES & SURPLUS		
Profit and Loss account balance	-	4,48,437
Total	-	<u>4,48,437</u>
3. SECURED LOANS		
From State Bank of India		
Terms Loans	3,60,78,076	-
Working Capital Loans	1,36,02,196	-
Total	<u>4,96,80,272</u>	-
4. UNSECURED LOAN		
From a Body Corporate	50,00,000	-
Total	<u>50,00,000</u>	-
6. INVESTMENTS		
6 Year's National Savings Certificates (VIII Issue)	15,000	15,000
Total	<u>15,000</u>	<u>15,000</u>
7. INVENTORIES		
[As valued and Certified by the Management]		
Raw Materials at cost	1,69,77,780	-
Stores and Spares at cost	1,50,204	-
Work-in-progress at cost	16,73,886	-
Finished goods at market value	31,05,411	-
Total	<u>2,19,07,281</u>	-
8. SUNDRY DEBTORS		
[considered good]		
Debts due for less than six months	13,93,020	-
Total	<u>13,93,020</u>	-
9. CASH & BANK BALANCES		
Cash in hand	6,669	4,703
Balance with Scheduled Banks :		
in Current Accounts	4,44,259	2,15,892
Total	<u>4,50,928</u>	<u>2,20,595</u>
10. 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
Advance for Purchases and Expenses	26,84,893	1,68,33,963
Advance Income Tax and TDS (Net of provision)	61,801	1,12,029
Prepaid expenses	75,354	-
Total	<u>28,22,048</u>	<u>3,31,74,328</u>

5. Fixed Assets

Sl. No.	DESCRIPTION	GROSS BLOCK				DEPRECIATION				NETT BLOCK		
		As at 31.3.2004 Rs.	Additions Rs.	Deductions Rs.	As at 31.3.2005 Rs.	upto 31.3.2004 Rs.	For the year Rs.	On Deductions Rs.	Upto 31.3.2005 Rs.	As at 31.3.2005 Rs.	As at 31.3.2004 Rs.	
1	Lands	-	96,80,000	-	96,80,000	-	-	-	-	96,80,000	-	-
2.	Buildings & Factory	-	2,55,85,201	-	2,55,85,201	-	72,336	-	72,336	2,55,12,865	-	-
3.	Plant & Machinery	-	3,65,01,131	1,62,864	3,63,38,267	-	1,60,771	-	1,60,771	3,61,77,496	-	-
4.	R & D Equipment	-	34,62,368	-	34,62,368	-	13,944	-	13,944	34,48,424	-	-
5.	Factory Equipment	-	2,50,986	-	2,50,986	-	1,013	-	1,013	2,49,973	-	-
6.	Office Equipment	1,51,893	3,950	-	1,55,843	33970	20,353	-	54,323	1,01,520	1,17,923	-
7.	Technical Knowhow	-	4,90,000	-	4,90,000	-	98,000	-	98,000	3,92,000	-	-
8.	Computers	1,73,500	-	-	1,73,500	1,60,349	5,260	-	1,65,609	7,891	13,151	-
9.	Furniture & Fixtures	6,566	2,950	-	9,516	792	3,995	-	4,787	4,729	5,774	-
		3,31,959	7,59,76,586	1,62,864	7,61,45,681	1,95,111	3,75,672	-	5,70,783	7,55,74,898	1,36,848	-
	Add : Capital Work-inprogress	35,56,687	5,17,67,544	553,24,231	-	-	-	-	-	-	35,56,687	-
	Less : Internal transfers	38,88,646	12,77,44,130	554,87,095	7,61,45,681	1,95,111	3,75,672	-	5,70,783	7,55,74,898	36,93,535	-
	Total	38,88,646	7,24,19,899	1,62,864	7,61,45,681	1,95,111	3,75,672	-	5,70,783	7,55,74,898	36,93,535	-
	Previous Year	2,31,793	36,56,853	-	38,88,646	1,77,902	17,209	-	1,95,111	36,93,535	53,891	-

STATEMENT OF UNALLOCATED CAPITAL EXPENDITURE DURING THE CONSTRUCTION PERIOD

Particulars	Incurred upto 31.03.2004 Rs.	During the Year Rs.	Total Rs.
Material consumed during trial run	-	39,10,508	39,10,508
Power & Fuel	1,00,170	3,74,185	4,74,355
Water charges	-	80,230	80,230
Stores consumed	-	4,72,885	4,72,885
Salaries	-	7,85,735	7,85,735
Staff Welfare expenses	1,500	6,251	7,751
Travelling & Conveyance	9,12,489	3,13,914	12,26,403
Printing & Stationery	33,973	50,480	84,453
Postage & Telephones	10,695	23,615	34,310
Professional charges	4,80,952	9,06,359	13,87,311
Seminars & conferences	57,114	12,030	69,144
Filing Fees	8,100	-	8,100
Books & Periodicals	2,705	1,440	4,145
Testing, Analysis Charges	5,600	39,953	45,553
Bank charges	-	3,91,517	3,91,517
Interest	-	18,35,685	18,35,685
Insurance	-	47,174	47,174
Repairs	-	7,046	7,046
Watch & Ward	-	1,24,134	1,24,134
General charges	43,350	6,88,788	7,32,138
Total	<u>16,56,648</u>	<u>1,00,71,929</u>	<u>1,17,28,577</u>
Less : Value of stocks obtained during trial run			<u>13,33,573</u>
Expenditure capitalised during the year			<u>1,03,95,004</u>

18. 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. Tangible Fixed assets are stated at cost net of depreciation provided.
 - c. Expenditure incurred during project implementation period which cannot be directly allocated to the assets is treated as Unallocated Expenditure and such expenditure was allocated to Fixed Assets on the commencement of operations.
 - d. Borrowing costs that are directly attributable to the acquisition/construction of fixed assets are capitalised as part of the cost of that asset.
 - e. Depreciation on the assets of the Company is provided on Straight Line/Written Down Value method as per schedule XIV to the Companies Act,1956.
 - f. Raw materials, stores and spares are valued at cost on Weighted Average Method. Work-in-progress is valued at cost. Finished goods are valued at lower of cost or net realisable value.
 - g. Contributions to provident fund are remitted to provident Fund Commissioner. Liability in respect of encashment of leave salary is provided for based on actuarial valuation. The said remittances and provision are charged against revenue.
 - h. All contingent liabilities are indicated by way of a note and will be provided/paid on crystallisation.
 - i. Transactions in foreign currency are initially accounted at the exchange rate prevailing on the date of the transaction and adjusted appropriately to capital or revenue, with the difference in the rate of the exchange arising on actual receipt/payment during the year.
 - j. Deferred tax asset/liability is calculated by applying the tax rate and tax laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax asset is recognised and carried forward only to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax asset can be realised.
 - k. Preliminary expenses are being written off over a period of 5 years, commencing from the year of commercial operations.
2.
 - a. Technical know-how fees is being written off over a period of 5 years, commencing from the year of commercial operations.
 - b. Depreciation on other fixed assets acquired upto 31st March, 2004 is provided on Written Down Value Method and on assets acquired thereafter is provided on Straight Line Method as per Schedule XIV to the Companies Act,1956.
3. National Savings Certificates of the value 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.17.25 Lakhs (previous year Rs.193.21 Lakhs).
5. Term loans are secured by first charge on the fixed assets of the Company and extension of charge on current assets of the Company.
 The working capital loans from State Bank of India are secured by hypothecation of all chargeable current assets, i.e. stocks, book debts and other current assets of the Company both present and future and extension of charge on the fixed assets of the Company. Against the above loans, comfort letter was issued by the The KCP Limited, the Holding Company.
6. During the year the Company had taken into account the bills submitted by the contractors to arrive at the cost of buildings. However, the said bills are subject to certification from the consultant and difference in the bills, if any, will be adjusted in the cost of building on such certification.
7. As per the information available there are no amounts remaining unpaid to any Small Scale Industrial Undertakings as at the Balance Sheet date.
8. The Company has commenced its commercial operations in the last quarter and in the absence of convincing evidence regarding availability of sufficient taxable income in the coming years, against which the deferred tax asset can be adjusted, the Company has not recognised the deferred tax asset.
9. Details of capacities and production
 - a) Class of goods manufactured :
 - 1) Chilly Oleoresin & Colour
 - 2) Annato Dye

	Current Year (in Tons)		Previous Year (in Tons)	
b) Installed capacities				
1) Chilly Oleoresin & Colour	36		-	
2) Circummin Powder	54		-	
3) Annato Dye	9		-	
(The figures for installed capacity are as certified by the Management and not verified by the auditors this being a technical matter)				
c) Quantitative information with regard to goods manufactured				
Particulars	Current Year		Previous Year	
	Qty Kgs.	Value Rs.	Qty. Kgs.	Value Rs.
i) Opening stock	-	-	-	-
ii) Production (including the quantity obtained during trial run)				
a) Chilly Oleoresin & Colour		3,874		-
b) Annato Dye		42		-
c) Chilly Seeds		48,702		-
iii) Closing stock				
a) Chilly colour	3124	29,62,966	-	-
b) Chilly seed	20207	60,621	-	-
c) Annato Dye	42	81,824	-	-
		<u>31,05,411</u>	-	-
iv) Sales				
a) Chilly colour	750	13,93,020	-	-
b) Chilly Seeds	28,495	85,484	-	-
		<u>14,78,504</u>	-	-
10. Details of Materials Consumed				
a) Chilly (Kgs)	149043	71,01,467	-	-
b) Turmeric (Kgs, used for trial run)	5395	1,98,317	-	-
c) Annato(Kgs)	2850	42,750	-	-
d) Acetone (Kgs)	24439	16,18,695	-	-
e) Ethyl acetate (kgs)	5371	3,87,488	-	-
f) Others		3,54,079	-	-
		<u>97,02,796</u>	-	-
Less : Material consumed during trial run		39,10,508	-	-
Total		<u>57,92,288</u>	-	-
11. Value of imports calculated on CIF basis by the Company during the year :				
Capital Goods		7,95,236	-	-
12. Earnings in Foreign Exchange on account of Export of Goods calculated on FOB basis		13,88,616	-	-
13. Analysis of Materials Consumed				
Imported	-	-	-	-
Indigenous	100.00	97,02,796	-	-
TOTAL	<u>100.00</u>	<u>97,02,796</u>	-	-

14. The details of the transactions with related parties to be disclosed as required by Accounting Standard 18 are as under :

Nature of Transaction	Current year	
Purchase of Capital goods	9,51,200	Holding Company
interest earned	1,59,869	-do-
Sale of assets	1,62,864	-do-
Payable at the end of the year	26,077	-do-
Loan received and outstanding at the end of the year	50,00,000	Company, in which the key management personnel are interested
interest (expenditure)	3,37,808	-do-

b) Names of Related parties and description of relationship.

1) Key Management Personnel : Dr.V.L.Dutt, Chairman
Smt.V.L.Indira Dutt, Director
Smt.Kavitha Dutt Chitturi, Director

2) Holding Company : The KCP Ltd.

3) Company in which the key management personnel are interested : V.Ramakrishna Sons Pvt. Ltd.

15. The previous year's figures have been regrouped wherever necessary.

(For and on behalf of the Board)

Per our report of even date.

For Brahmayya & Co.,

Chartered Accountants

KOTESWARA RAO SSR
Partner

(KAVITHA D. CHITTURI)
Director

(K.B. PRANESH)
Director

(S. NAND KUMAR)
Secretary & Manager (Finance)

Place : Hyderabad

Date : 9th June, 2005

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, 2005, 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 financial statements of KECEPE Investments Private Limited which is under liquidation, have been prepared for the period from 1st April 2004 to 9th December 2004 on which date it went into liquidation. We have been informed by The KCP Limited that the said accounts are not required to be audited under the laws of the country of its domicile, since it is under liquidation. Our opinion, insofar as it relates to the amounts included in the consolidated statements referred to above, in respect of KECEPE Investments Private Limited, is based solely on the information and explanations for the purpose of the consolidation referred to herein, furnished to us by The KCP Limited. The accounts of the other subsidiary KCP Vietnam Industries Limited for the year ended 31st March 2005, were audited by other auditors. Our opinion, insofar as it relates to the amounts included in the consolidated statements referred to above, in respect of KCP Vietnam Industries Limited, is based solely on the reports of the other auditors, and on the information and explanations for the purpose of the consolidation referred to herein, furnished to us by The KCP Limited.
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/unaudited 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, wherever furnished to us, on the individual audited/unaudited 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, 2005;
 - 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

PLACE: Chennai
DATE :9th June 2005

C.MURALI KRISHNA
(ICAI Memb.No.20884)
Partner

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2005

	2005		TOTAL Rs.	2004
	ADD Rs.	LESS Rs.		Rs.
A. CASH FLOW FROM OPERATING ACTIVITIES				
Net Profit before Tax			24,05,71,323	1,58,65,340
			24,05,71,323	1,58,65,340
ADJUSTMENTS FOR				
Depreciation	12,21,93,836			14,30,13,414
Investments written off	9,99,999			9,33,155
Foreign Exchange Difference	1,24,29,969			1,94,65,914
Provision for diminution in value of investments				78,502
Profit/Loss on Sale / conversion of Assets	4,74,24,081	13,49,119		5,50,462
Assets Written off	3,259			
Interest (Nett)	6,10,78,508			9,60,12,697
Dividend Received		2,55,925		-26,535
Preliminary Expenses Written off	28,616			
Provision for diminution in value of investments of earlier years withdrawn		11,96,037		-16,52,646
	24,41,58,268	28,01,081		
			24,13,57,187	25,83,74,965
OPERATING PROFIT BEFORE WORKING CAPITAL :			48,19,28,510	27,42,40,303
Trade and other Receivables	2,55,87,695	0		-7,76,92,179
Inventories		12,41,38,505		2,01,19,041
Trade Payables & Provision		2,77,82,710		6,03,92,044
	2,55,87,695	15,19,21,215	-12,63,33,520	28,18,906
CASH GENERATED FROM OPERATIONS		4,17,56,054	35,55,94,990	27,70,59,209
Direct Taxes refunds received/Paid			-4,17,56,054	-1,39,54,904
			31,38,38,936	26,31,04,305
CASH FLOW BEFORE EXTRAORDINARY ITEMS				
Foreign Exchange Difference		1,24,29,969		1,94,65,914
		1,24,29,969	-1,24,29,969	1,94,65,914
NET CASH FROM OPERATING ACTIVITIES A			30,14,08,967	24,36,38,391
B. CASH FLOW FROM INVESTING ACTIVITIES				
Purchase of Fixed Assets		11,56,49,662		-3,51,51,391
Capital Work-in-Progress		44,77,102		-50,73,801
Purchase of Investments	1,26,22,456	0		-14,120
Sale of Fixed Assets	60,00,000			12,16,173
Sale of Investments	78,38,543			2,512
Interest Received	2,55,925			57,27,838
Dividend Received				26,535
Translation difference	7,48,32,546	4,06,22,353		3,76,52,416
Movement in Minority Interest	0	2,04,56,186		49,09,014
	10,15,49,470	18,12,05,303	-7,965,5,833	92,95,176
NET CASH USED IN INVESTING ACTIVITIES ... B			-7,96,55,833	92,95,176
C. CASH FLOW FROM FINANCING ACTIVITIES				
Repayment of Long Term Borrowings (Secured)		25,09,59,415		-12,07,62,551
Dividends Paid		1,28,92,116		-1,28,92,116
Tax on Distributed Profits		16,51,802		-16,51,802
Interest Paid		6,89,17,051		-10,17,40,535
Proceeds of Long Term Borrowings (Unsecured)	14,94,07,000			3,05,42,000
	14,94,97,999	33,44,20,384	-18,50,13,384	-20,65,05,004
NET CASH USED IN FINANCING ACTIVITIES ... C			-18,50,13,384	-20,65,05,004
Net increase in cash and cash equivalents (A+B+C)			3,67,39,750	4,64,28,563
Opening Cash Balance			12,50,36,299	7,86,07,736
Closing Cash Balance			16,17,76,049	12,50,36,299

(BY ORDER OF THE BOARD)

*Per our Certificate of even date
for BRAHMAYYA & CO*

Chartered Accountants
C.MURALIKRISHNA
(ICAI Memb.No.20884)
Partner

V.L. DUTT
Chairman & Managing Director

BALANCE SHEET AS AT 31ST MARCH 2005

PARTICULARS	Schedule	AS AT 31-3-2005		AS AT 31-3-2004	
		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	78,46,04,331		70,91,76,692	
			91,35,25,491		83,80,97,852
2. Minority Interest	C		7,40,76,395		6,40,63,714
3. Loan Funds:					
(a) Secured Loans	D	60,68,67,766		73,56,01,195	
(b) Unsecured Loans	E	36,08,75,000		33,36,93,986	
			96,77,42,766		106,92,95,181
4. Deferred Tax Liability (Net) See note 8					
(a) Deferred Tax Liability		8,04,33,212		8,74,12,130	
(b) Less: Deferred Tax Asset		36,42,885		75,60,524	
			7,67,90,327		7,98,51,606
Total			203,21,34,979		205,13,08,353
(II) APPLICATION OF FUNDS:					
1. Fixed Assets:					
(a) Gross Block	F	266,37,44,603		271,19,58,838	
(b) Less: Depreciation		125,72,52,219		116,53,42,499	
(c) Nett Block		140,64,92,384		154,66,16,339	
(d) Capital Work-in-Progress		1,82,29,775		1,37,52,673	
			142,47,22,159		156,03,69,012
2. Investments	G		6,58,37,145		7,16,27,587
3. Current Assets, Loans and Advances:					
(a) Inventories	H-1	56,51,44,603		44,10,06,098	
(b) Sundry Debtors	H-2	16,22,21,130		19,11,57,983	
(c) Cash and Bank Balances	H-3	16,17,76,050		12,50,36,299	
(d) Other Current Assets	H-4	20,81,935		42,10,377	
(e) Loans and Advances	H-5	27,19,49,838		23,56,79,858	
		116,31,73,557		99,70,90,615	
Less: Current Liabilities and Provisions					
(a) Liabilities	I-1	51,21,43,029		54,10,26,223	
(b) Provisions	I-2	10,95,69,317		3,68,95,718	
		62,17,12,346		57,79,21,941	
Nett Current Assets			54,14,61,211		41,91,68,674
Preliminary Expenses (to the extent Not Written Off)			1,14,464		1,43,080
Total			2,03,21,34,979		205,13,08,353

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

V.L.INDIRA DUTT
Joint Managing
Director

KAVITHA D CHITTURI
Executive Director

S. NANDAGOPAL
Director

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

C.MURALIKRISHNA
(ICAI Memb.No.20884)
Partner

Place: Chennai - 600 008.
Date : 9th June, 2005

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2005

PARTICULARS	Schedule	For the year ended 31-3-2005 Rs.	For the year ended 31-3-2004 Rs.
INCOME FROM:			
Sale of Products and Services			
Group Companies (including Excise duty recovered Rs. 27,46,22,509/- (Rs. 23,68,49,063/-) and Service Tax Rs.8,18,473/- (Rs.2,99,736/-)		2,19,19,64,476	1,89,00,32,920
Joint Venture (including Excise duty recovered Rs. 8,14,527/- (Rs.33,63,450/-) and Service Tax Rs8,30,578/- (Rs.10,17,851/-)		11,26,68,782	9,98,87,249
Other Income	1		
Group Companies		5,54,73,073	2,77,95,868
Joint Venture		2,54,417	-
		2,36,03,60,748	2,01,77,16,037
EXPENDITURE ON:			
Materials Consumed	2	59,78,97,656	53,45,00,777
Payments and Benefits to Employees	3	19,45,43,309	18,57,28,047
Manufacturing, Selling, Administrative and other expenses	4	85,54,17,787	78,94,97,060
Excise Duty and Taxes (excluding income-tax)	5	28,08,19,786	24,73,70,863
Interest & Finance Charges			
Group Companies		6,79,16,846	10,13,42,360
Joint Venture		10,00,205	3,98,175
Depreciation			
Group Companies		12,20,35,774	14,29,28,710
Joint Venture		1,58,062	84,704
		2,11,97,89,425	2,00,18,50,696
Profit for the year:		24,05,71,323	1,58,65,341
Less: Minority Share of Profit / (Loss)		3,04,68,867	-5,18,410
Less: Provision for Taxation - Current			
Group Companies		5,25,00,000	24,72,085
Joint Venture		4,80,000	86,000
Less: Provision for Taxation-deferred		-30,61,279	59,52,484
Add: Excess provision for tax withdraw		-	57,00,000
Profit after Taxation		16,01,83,735	1,35,73,182
Balance brought forward from last Year		35,46,92,484	35,56,63,220
		51,48,76,219	36,92,36,402
		51,48,76,219	36,92,36,402
This Year (Rs.)	Previous Year (Rs.)		
Add: Investment Allowance (utilised) withdrawn	8,88,95,000	8,88,95,000	-
Less: Transfer to General Reserve	11,00,00,000	11,00,00,000	-
		49,37,71,219	36,92,36,402
Less: Proposed Dividend	38676348	3,86,76,348	1,28,92,116
Tax on distributed Profits (see Directors' Report)	5457396	54,57,396	16,51,802
Balance carried forward to next Year		44,96,37,475	35,46,92,484
Basic Earnings per equity share of Rs.10/- each (EPS)		12.42	1.05
Net Profit after tax Rs. 16,01,83,735/- (Rs.1,35,73,181/-) No.of equity shares 1,28,92,116 (1,28,92,116)			

Notes, Schedules & Statement on 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

V.L.INDIRA DUTT
Joint Managing
Director

KAVITHA D CHITTURI
Executive Director

S. NANDAGOPAL
Director

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

C.MURALIKRISHNA
Secretary & Corporate
Partner
(ICAI Memb.No.20884)

Place: Chennai - 600 008.
Date : 9th June, 2005

SCHEDULES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET

Schedule 'A'
"Share Capital"

PARTICULARS	AS AT	AS AT
	31-3-2005	31-3-2004
	Rs.	Rs.
Authorised:		
50000000 Equity Shares of Rs.10/-each	<u>50,00,00,000</u>	50,00,00,000
Issued:		
12897748 Equity Shares of Rs.10/-each	<u>12,89,77,480</u>	12,89,77,480
Subscribed and Paid-up:		
12892116 Equity Shares of Rs.10/-each fully paid	<u>12,89,21,160</u>	12,89,21,160
Total taken to Balance Sheet	<u>12,89,21,160</u>	<u>12,89,21,160</u>

Schedule 'B'
"Reserves & Surplus"

Particulars	AS AT	Added during the year	Withdrawn during the year	AS AT
	31-3-2004			31-3-2005
	Rs.	Rs.	Rs.	Rs.
Investment Allowance Reserve (utilised)	8,88,95,000	0	8,88,95,000	0
Group Companies				
Capital Reserve	3,66,87,536	0	0	3,66,87,536
General Reserve				
Group companies	19,00,00,000	11,00,00,000	0	30,00,00,000
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	3,01,68,312	0	0	-1,04,54,040
Surplus (i.e) Balance in Profit and Loss Account	35,46,92,484	0	0	44,96,37,475
Total taken to Balance Sheet	<u>70,91,76,692</u>	<u>11,00,00,000</u>	<u>8,88,95,000</u>	<u>78,46,04,331</u>

Schedule 'C'
"Minority interest"

PARTICULARS	AS AT	AS AT
	31-3-2005	31-3-2004
	Rs.	Rs.
Share capital in KCPVIL	11,85,71,834	11,85,71,834
4819922 Equity Shares (4819922 shares) held by minority in KCPVIL		
Share capital in KCP BIOTECH 7 shares held by minority in KCP Biotech Limited	700	700
Reserves	-6,95,92,976	-6,90,74,566
Translation reserves	-53,72,030	1,50,84,156
Share in Current Year Profit / (Loss)	3,04,68,867	-5,18,410
Total taken to Balance Sheet	<u>7,40,76,395</u>	<u>6,40,63,714</u>

Schedule 'D'
"Secured Loans"

PARTICULARS	AS AT	AS AT
	31-3-2005	31-3-2004
	Rs.	Rs.
I. Short-Term Loans:		
a) Working capital loans from Banks		
in Group companies	42,33,89,114	64,99,37,619
in Joint Venture	36,40,000	82,33,326
II. Long-Term Loans :		
From Financial institutions	17,97,29,052	7,74,30,249
Joint Venture	1,09,600	-
Total taken to Balance Sheet	<u>60,68,67,766</u>	<u>73,56,01,195</u>

Schedule 'E'
"Unsecured Loans"

PARTICULARS	AS AT	AS AT
	31-3-2005	31-3-2004
	Rs.	Rs.
Fixed Deposits	25,98,89,000	21,14,68,000
Intercompany Loans	10,09,86,000	12,22,25,986
Total taken to Balance Sheet	<u>36,08,75,000</u>	<u>33,36,93,986</u>

Schedule eFi
iFixed Assets

Sl.	DESCRIPTION	GROSS BLOCK					DEPRECIATION		NETT BLOCK		
		Cost upto 31.3.2004 Rs.	Additions during the year Rs.	Deductions during the year Rs.	Exchange difference Rs.	Cost upto 31.3.2005 Rs.	Exchange Difference Rs.	Total Depreciation upto 31.3.2004 Rs.	Total Depreciation 31.3.2005 Rs.	As at 31.3.2005 Rs.	As at 31.3.2004 Rs.
1	Lands	13769411	15567892	1373261		27964042		0		27964042	13769411
2.	Group Companies	182403126	26876649			209279775		73488168		135791607	112931167
(b)	Leasehold Buildings	1547500	0	0	0	1547500	0	387118		1160382	1185606
3	Tramways & Railway Sidings	7012866	0	0	0	7012866	0	4789321		2223545	2546666
4	Group Companies Plant & Machinery Owned	2396254912	67634215	72303323	-88267426	2306318378	-13583444	1088924426		1214393952	1390829108
	Group Companies Leased Assets	803107				803107		762951		40156	305272
5	Group Companies Furniture, Fixtures & Office Equipment	41662376	1107980	1480717	-456137	40833502	-452804	31107949		9378808	10554427
	A) Owned	754627	443272	42977		1154922		627014		420251	127613
	Joint Venture	128932				128932		24336		82154	104596
6	Group Companies B) Leased	57124157	3887763	602440	-536582	59872898	-510921	48641348		10710474	8482809
	Joint Venture	34841	131891	5823	0	160909	0	18544		128874	16297
	B) Leased	8022630	0	0	0	8022630	0	2968083		3494022	5054547
7	Group Companies Research & Development Equipment	1540353	0	56128	0	1484225	0	831433		704117	708920
8	Group Companies Patents	2181938	0	0	-21022	2160916	-21022	90000		0	0
	Group Companies	2713240776	115649662	75864669	-89281166	2663744603	-14568190	1165342499	1257252219	1406492384	1546616339
1	Group Companies	2712322376	115074499	75815889	-89281166	2662299840	-14568190	1164672605	1256438735	1405861106	1546367833
2.	Joint Venture	918400	575163	48800	0	1444763	0	669894	813484	631279	248507
	Grand Total	2713240776	115649662	75864669	-89281166	2663744603	-14568190	1165342499	1257252219	1406492384	1546616339

Schedule 'G'
"Investments"

PARTICULARS	AS AT	AS AT
	31-3-2005	31-3-2004
	Rs.	Rs.
1. Trade Investments:		
(a) Quoted Equity Shares - Fully paid	1	1,39,000
(b) Unquoted Equity Shares - Fully paid	5,40,00,000	6,00,00,000
2. Non-Trade Investments:		
(a) Quoted Equity Shares - Fully Paid	12,08,507	8,76,350
Less: Provision for shortfall on Investments	<u>2,172</u>	
(b) Unquoted Equity Shares - Fully Paid	50,00,002	50,00,001
3. Other Investments	<u>56,30,807</u>	<u>56,12,236</u>
Total taken to Balance Sheet	6,58,37,145	7,16,27,587

Schedule 'H-1'

"Current Assets"

INVENTORIES

(as certified by the Managing Director)

(1) Stores and Spares		
Group Companies	18,33,56,733	17,00,07,439
Joint Venture	78,60,305	99,01,979
a) Raw Materials	3,16,98,532	69,14,350
b) i) Finished Goods at Cost	12,15,47,114	13,48,17,876
Joint Venture	58,95,445	-
ii) Finished Goods at Market Value		
Group Companies	1,48,73,692	1,55,64,404
c) Work-in-progress	<u>19,99,12,782</u>	<u>10,38,00,050</u>
Total taken to Balance Sheet	56,51,44,603	44,10,06,098

Schedule 'H-2'

"Sundry Debtors"

A) Debts outstanding for a period exceeding six months:

Considered Good		
a) Fully Secured		
Group Companies	25,83,813	20,22,186
b) Unsecured		
Group Companies	4,67,127	1,12,64,342
Joint venture	<u>98,06,407</u>	<u>83,10,287</u>
Considered Doubtful	1,28,57,347	2,15,96,815
Group Companies	5,22,405	5,22,405
Joint Venture	<u>10,93,346</u>	<u>10,93,347</u>
	<u>16,15,751</u>	<u>16,15,752</u>
Less: Provision for doubtful debts	1,44,73,098	2,32,12,567
Group Companies	5,22,405	
Joint Venture	<u>10,93,346</u>	5,22,405
	<u>16,15,751</u>	<u>10,93,347</u>
B) Other Debts-Considered Good	1,28,57,347	2,15,96,815
a) Fully Secured		
Group Companies	46,76,934	51,90,571
b) Unsecured		
Group Companies	12,90,67,622	14,50,23,115
Joint Venture	<u>1,56,19,227</u>	<u>1,93,47,482</u>
Total taken to Balance Sheet	14,93,63,783	16,95,61,168
	16,22,21,130	19,11,57,983

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

PARTICULARS	AS AT	
	31-3-2005	31-3-2004
	Rs.	Rs.
(1) Cash /Cheques on hand		
Group Companies	1,34,44,789	85,84,222
Joint venture	<u>4,663</u>	15,326
	1,34,49,452	
(2) At Scheduled Banks:		
i) in Fixed Deposits		
Group Companies	3,00,65,334	2,79,55,340
Joint venture	<u>20,35,473</u>	20,34,485
	3,21,00,807	
ii) in Current Accounts		
Group Companies	6,00,76,114	8,62,93,558
Joint venture	<u>98,34,085</u>	1,53,368
	6,99,10,199	
iii) in other Banks	<u>4,63,15,592</u>	-
Total taken to Balance Sheet	16,17,76,050	12,50,36,299

Schedule 'H-4'
"Other Current Assets"

Interest accrued		
Group Companies	20,57,202	41,86,326
Joint Venture	<u>24,733</u>	24,051
Total taken to Balance Sheet	20,81,935	42,10,377

Schedule "H-5"
"Loans And Advances"

(1) Advances (unsecured, recoverable in cash or in kind, for value to be received)		
Considered Good :		
Group Companies	5,93,34,464	7,10,19,832
Joint Venture	<u>1,12,14,368</u>	39,74,797
Considered Doubtful	<u>34,18,278</u>	34,03,403
	7,39,67,110	7,83,98,032
Less : Provision for Doubtful Advances	<u>34,18,278</u>	34,03,403
(2) Prepaid Expenses	7,05,48,832	7,49,94,629
Group Companies	1,59,47,878	1,02,39,949
Joint Venture	<u>2,65,431</u>	1,17,121
	1,62,13,309	
(3) Excise Duty paid in advance		
Group Companies	1,48,32,761	48,22,359
Joint Venture	<u>1,98,607</u>	3,22,478
	1,50,31,368	
(4) Income-tax / Wealth -tax paid in advance		
Group Companies	12,47,23,020	8,99,76,972
Joint Venture	<u>9,87,148</u>	4,81,158
	12,57,10,168	
(5) Income-tax deducted at source		
Group Companies	21,67,900	66,16,674
Joint Venture	<u>2,98,022</u>	3,08,906
	24,65,922	
(6) Deposits recoverable		
Group Companies	3,93,26,565	3,69,16,584
Joint Venture	<u>215,534</u>	2,48,872
	3,95,42,099	
(7) Claims recoverable		
Group Companies	24,38,139	90,75,236
Joint Venture	<u>-</u>	15,58,920
	24,38,139	
Total taken to Balance Sheet	27,19,49,838	23,56,79,858

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

PARTICULARS	AS AT	
	31-3-2005	31-3-2004
	Rs.	Rs.
A. CURRENT LIABILITIES:		
(1) Sundry Creditors		
Group Companies	22,73,66,826	322961786
Joint Venture	1,49,18,002	14636625
(2) Advances received against sales		
Group Companies	17,33,70,760	11,33,92,456
Joint Venture	3,43,90,963	2,27,87,895
(3) Trade Deposits	3,59,25,000	3,69,85,858
(4) Security Deposits from staff and others		
Group Companies	16,01,633	63,000
Joint Venture	2,000	-
(5) Interest accrued but not due on loans		
Group Companies	88,86,954	
Joint Venture	75	51,45,823
(6) Due to Superannuation and Gratuity Trusts (NET)	88,06,643	1,06,44,215
(7) Unclaimed Dividend	43,03,961	1,44,08,565
(8) Other Liabilities		
Joint venture	25,70,212	-
Total taken to Balance Sheet	51,21,43,029	54,10,26,223

Schedule "I-2"

B. PROVISIONS:

(1) for Income Tax & Wealth Tax		
Group Companies	56692891	1,51,56,565
Joint Venture	745623	2,65,623
(2) for Proposed Dividend	38676348	1,28,92,116
(3) for Tax on Dividend	5424358	16,51,802
(4) for Leave Encashment		
Group Companies	7646585	66,18,172
Joint Venture	383512	3,11,440
Total taken to Balance Sheet	109569317	3,68,95,718

Signature to schedule A to I2

(BY ORDER OF THE BOARD)

V.L.DUTT **V.L.INDIRA DUTT** **KAVITHA D CHITTURI** **S. NANDAGOPAL**
Chairman & Joint Managing Executive Director Director
Managing Director Director
Place: Chennai - 600 008.
Date : 9th June, 2005

K.B.PRANESH
Secretary & Corporate (ICAI Memb.No.20884)
General Manager (Finance) Partner

Per our report annexed
For **BRAHMAYYA & CO**
Chartered Accountants
C.MURALIKRISHNA

SCHEDULES ANNEXED TO AND FORMING PART OF PROFIT AND LOSS ACCOUNT

Schedule-1 "Other Income"

PARTICULARS	Details	For the year ended	Details	For the year ended
	Rs.	31-3-2005	Rs.	31-3-2004
(1) Interest received from Banks and others				
Group Companies	77,28,498			53,86,096
Joint Venture	<u>1,10,045</u>	78,38,543		3,41,742
(2) Dividends Received (Gross)		2,55,925		26,535
(3) Rents received		10,42,813		10,57,116
(4) Miscellaneous Receipts				
Group Companies		29,05,986		40,49,800
(5) Profit on sale of Assets				
Group Companies	13,41,867			5,14,722
Joint Venture	<u>7,252</u>	13,49,119		33,892
(6) Unclaimed balances credited back		63,33,837		32,75,528
(7) Claims/refunds received		2,93,55,920		6,37,248
(8) Provision no longer required credited back				
Group Companies	40,08,227			71,40,186
Joint Venture	<u>1,37,120</u>	41,45,347		1,43,004
(9) Bad debts recovered		<u>25,00,000</u>		51,90,000
Total taken to Profit and Loss Account		<u>5,57,27,490</u>		<u>2,77,95,868</u>

Schedule-2 "Materials Consumed" Opening Stocks:

Raw materials				
Group Companies	65,85,275		1,00,82,658	
Joint Venture	99,01,979		-	
Work-in-Progress				
Group Companies	9,87,10,164		11,33,32,540	
Finished Goods			13,66,94,888	
Group Companies	15,54,72,156			
Joint Venture			<u>1,33,00,031</u>	
		<u>27,06,69,574</u>		<u>27,34,10,117</u>
ADD:				
i) Purchases:				
Raw materials & Components				
Group Companies	24,71,84,650		39,02,09,285	
Joint Venture	8,91,27,621		5,10,94,056	
ii) Cost of raw materials produced				
Group Companies	<u>34,27,11,656</u>		9,04,56,893	
		<u>67,90,23,927</u>		<u>53,17,60,234</u>
		<u>94,96,93,501</u>		<u>80,51,70,351</u>
LESS:				
Closing Stocks:				
Raw materials				
Group Companies	1,45,63,220		65,85,275	
Joint Venture	78,60,305		-	
Work-in-Progress				
Group Companies	19,20,52,477		9,87,10,164	
Finished goods				
Group Companies	13,14,24,397		15,54,72,156	
Joint Venture	<u>58,95,445</u>		<u>99,01,979</u>	
		<u>35,17,95,845</u>		<u>27,06,69,574</u>
Total taken to Profit and Loss Account		<u>59,78,97,656</u>		<u>53,45,00,777</u>

Schedule-3
“Payments and Benefits to Employees”

PARTICULARS	For the year ended	For the year ended
	31-3-2005	31-3-2004
	Rs.	Rs.
Salaries, Wages and Bonus		
Group Companies	15,11,98,229	14,28,51,026
Joint Venture	38,39,404	31,82,286
Contribution to Provident Fund and Family Pension Scheme		
Group Companies	1,02,10,990	93,31,995
Joint Venture	2,48,087	4,98,051
Contribution to Superannuation Funds		
Group Companies	49,07,972	43,90,258
Joint Venture	2,96,667	-
Contribution to Gratuity Funds		
Group Companies	44,95,198	39,40,804
Joint Venture	66,992	-
Workmen and Staff Welfare expenses		
Group Companies	1,86,89,852	2,09,81,351
Joint Venture	5,89,918	5,52,276
Total taken to Profit and Loss Account	19,45,43,309	18,57,28,047

Schedule-4

“Manufacturing, Selling, Administrative and Other Expenses”

Manufacturing:

Stores and Spares (including Packing Materials) consumed.		
Group Companies	16,26,55,473	16,25,24,753
Joint Venture	33,36,091	-
Sub-contracted works		
Group Companies	4,80,94,720	3,74,94,283
Joint Venture	12,46,443	44,63,537
Power and Fuel		
Group Companies	39,33,96,428	
Less: Self consumption of Power generated internally	7,90,26,740	
	<u>31,43,69,688</u>	33,09,84,796
Insurance		
Group Companies	53,82,031	48,23,114
Joint Venture	15,936	32,465
Research & Development		
Group Companies	3,65,134	3,50,717
Technical fee and royalty		
Group Companies	-	-
Joint Venture	2,42,258	1,42,834
Lease Rentals		
Group Companies	10,37,487	18,07,155
Joint Venture	46,375	2,49,514
Repairs to Buildings		
Group Companies	1,44,34,678	1,30,50,290
Repairs to Machinery		
Group Companies	4,21,78,115	3,18,17,231
Repairs to Other Assets		
Group Companies	85,67,784	90,71,597
	(A) <u>60,19,72,213</u>	<u>59,68,12,315</u>

PARTICULARS	For the year ended	For the year ended
	31-3-2005	31-3-2004
	Rs.	Rs.
Selling:		
Advertisement		
Group Companies	82,81,921	67,29,196
Joint Venture	29,652	30,013
Loading,Unloading,Transport etc		
Group Companies	8,29,15,210	7,83,09,491
Joint Venture	24,25,096	-
Commission on Sales		
Group Companies	45,67,013	24,31,162
Joint Venture	26,75,640	-
	(B)	
	<u>10,08,94,532</u>	<u>8,74,99,862</u>
Administrative:		
Rent		
Group Companies	13,52,232	15,08,682
Joint Venture	29,652	4,800
Payments to Auditors		
Group Companies	13,19,160	11,31,904
Joint Venture	70,600	81,082
Directors' Sitting Fee		
Group Companies	3,69,795	3,76,000
Managerial Remuneration		
Group Companies	76,18,315	14,85,896
Joint Venture	3,57,931	3,59,243
Miscellaneous Expenses		
Group Companies	6,69,45,500	6,42,18,047
Joint Venture	44,70,295	65,47,133
	(C)	
	<u>8,25,33,480</u>	<u>7,57,12,787</u>
Other Items:		
Warranty Claims		
Group Companies	84,33,371	69,03,423
Joint Venture	-	1,37,120
Provision for doubtful debts		
Group Companies	43,491	5,60,096
Bad debts and irrecoverable advances written off		
Group Companies	6,83,393	2,94,809
Discarded assets written off		
Group Companies	3,259	10,99,042

PARTICULARS	For the year ended	For the year ended
	31-3-2005	31-3-2004
	Rs.	Rs.
Loss on sale of assets		
Group Companies	4,74,24,081	-
Joint Venture	-	34
Investments written off		
Group Companies	9,99,999	9,33,155
Shortfall in value of Investments		
Group Companies	-	78,502
Difference in exchange (NET)		
Group Companies	1,23,81,200	1,94,58,322
Joint Venture	48,769	7,592
	(D) <u>7,00,17,563</u>	<u>2,94,72,096</u>
Totals of A+B+C+D taken to Profit and Loss Account	85,54,17,787	78,94,97,060

Schedule-5

"Excise Duty & Taxes (Excluding Income tax)"

Excise Duty and Cess		
Group Companies	27,12,74,041	23,92,80,400
Joint Venture	6,58,042	13,45,412
Rates and Taxes		
Group Companies	88,72,032	67,27,627
Joint Venture	15,671	17,424
Total taken to Profit and Loss Account	28,08,19,786	24,73,70,863

Signature to Schedules 1 to 5

(BY ORDER OF THE BOARD)

V.L.DUTT
Chairman &
Managing Director
Place: Chennai - 600 008.
Date : 9th June, 2005

V.L.INDIRA DUTT
Joint Managing
Director

KAVITHA D CHITTURI
Executive Director

S. NANDAGOPAL
Director

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

Per our report annexed
For **BRAHMAYYA & CO**
Chartered Accountants
C.MURALIKRISHNA
(ICAI Memb.No.20884)
Partner

NOTES FORMING PART OF THE ACCOUNTS

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, KCP Biotech Limited, in accordance with "Accounting Standard 21 Consolidated Financial Statements" issued by the Institute of Chartered Accountants of India.

Financial Statements of Subsidiaries other than KECEPE Investments Pte Ltd, were prepared for the year ended 31/03/2005, and the same have been adopted for consolidation. KECEPE Investments Pte Ltd went into liquidation on 9th Decemebr,2004. Hence, statement as on that day has been consolidated.

1.1 Companies included in consolidation

KECEPE Investments Pvt 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. The above said subsidiaries reporting dates are different from that of the parent. The reporting date of the subsidiaries is 31st December. KCP Biotech limited is a 99.98% subsidiary of The K.C.P Limited and Fives Cail - KCP Limited, a company incorporated in India, is a joint venture entity in which The KCP Limited has a 40% interest. The reporting date of these two entities is 31st March.

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.

1.3 FOREIGN EXCHANGE TRASACTIONS

- A) Transactions in foreign currency are initially accounted at the exchange rate prevailing on the date of the transaction, and adjusted appropriately with the difference in the rate of exchanges arising on actual receipt/ payment during the year.
- B) At each Balance Sheet date foreign currency monetary items are reported using the rate of exchanges on that date; foreign currency non-monetary items are reported using the exchange rate at which they were initially recognized
- C) In respect of forward exchange contracts in the nature of hedges
 - a. Premium or discount on the contract is amortised over the term of the contract,
 - b. Exchange differences on the contract are recognized as profit or loss in the period in which they arise
- D) In consolidating the transactions of the non-integral foreign operations of the group, in the group financial statements, all the assets and liabilities of such operations are translated at the exchange rate on the date of the Balance Sheet Income and expenses of such operations are translated at the yearly average rates. The resulting exchange differences are accumulated in a foreign currency translation reserve until the disposal of the investment in such operations.

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

PARTICULARS	ASSETS Rs.	LIABILITIES Rs.
1. Depreciation		80433212
2. Items U/s 43 B of IT Act	2316452	
3. Provision for Doubtful Debts	1326433	
	3642885	80433212
Net deferred tax liability as on 31.3.2005		76790327

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

	KCP Ltd	Minority	Total
	Rs.	Rs.	Rs.
3. Movement in Translation Reserve			
Opening Balance (Cr)	30168313	15084156	45252469
Movement due to Non Monetary items-			
Capital, Reserves, opening Stock etc. (Dr)	40622353	20456186	61078539
Closing balance(Dr)	-10454040	-5372030	-15826070

4. 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 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
 Mr.N.Radhakrishana Rao- Director and President, Fives Cail KCP Ltd

Relatives 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
 Mrs.Uma S Vallabaneni Sister of Smt V.L.Indira Dutt
 Mrs.V.Rama Kumari Sister of Smt. V.L.Indira Dutt
 Kum.Shivani Dutt Chitturi Daughter of Smt.Kavita Dutt Chitturi
 Smt. Rajeswary Ramakrishanan, Sister of Dr. V.L. Dutt.

Companies controlled by

Key management Personnel/Relatives

KCP Technologies Limited
 V. Ramakrishna Sons (Private) Limited
 The Jeypore Sugar Company Ltd.
 VRK Grandsons (Private) Limited

B.Transactions with the related parties:

	Key management Personnel	Relatives of Key Management Personnel	Company Controlled by KMP / Relatives of KMP
	Rs.	Rs.	Rs.
Transactions during the year			
Services rendered	30,000	0	1,22,880
	(30,000)		(1,22,880)
Loans/Deposits Received	0		0
	(32,50,000)		0
Services received and others	0	14,700	92,647
	(8,360)	(6,374)	(45,000)
Remuneration paid	79,76,246	0	0
	(18,45,139)	0	0
Interest paid	4,01,125	0	16,80,205
	(42,13,79)	(1,456)	(23,07,388)
Dividend paid	6,67,573	1,74,777	48,57,331
	(4,73,443)	(25,157)	(48,29,494)
Loans paid/Given	0		80,15,585
	(3,00,000)		(834415)

	Key management Personnel	Relatives of Key Management Personnel	Company Controlled by KMP / Relatives of KMP
	Rs.	Rs.	Rs.
Balances as at 31.03.2005			
Receivable - Trade dues			4,14,314
			0
Share capital in KCP held by	86,23,960	17,47,770	4,85,73,310
	(54,87,310)	(13,00,000)	(5,78,33,010)
Loans/Advance/Deposits received	44,03,000	0	1,72,50,000
	(49,03,000)	(11,000)	(2,52,65,585)
Guarantees received	17,45,20,000		
	(21,93,00,000)		
Payable - Interest			3,02,763
			(44,94,469)

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

(a) Finance Leases:

PARTICULARS	AS ON 31.3.2005	Not Later than One Year	Later than 1 year Not later than 5 years
	Rs.	Rs.	Rs
Total minimum lease payments	41,39,937	24,53,976	16,85,961
Present value of minimum lease payments	23,82,421	14,89,268	8,93,153

- 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.

(b) Operating Lease:

- There are no minimum lease payments.

- Lease payments accrue only by way of contingent rents based on the number of units of power generated from the Wind Energy Generators for which the company has entered into a noncancellable Operating Lease arrangement.

- The leasing arrangement contains terms for renewal but not for purchase of the assets under lease and also contains a built-in escalation provision.

- There are no material restrictions imposed under the said operating lease arrangement.

6. Claims against the Company not admitted

	31st March,2005	31st March,2004
	Rs.	Rs.
Statutory Levies		
Indirect Taxes		
Group Companies	2,42,78,783	3,03,21,912
Joint Venture	<u>49,80,709</u>	30,19,730
Direct Taxes		
Group Companies	3,54,82,402	3,14,72,450
Joint Venture	<u>0</u>	1,79,623
Contractual Levies	1,15,49,013	22,05,167
Others	<u>1,97,83,576</u>	<u>1,03,46,437</u>
Total	<u>9,60,74,483</u>	<u>7,75,45,319</u>

General:

Pauses 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

Place: Chennai - 600 008.

Date : 9th June, 2005

V.L.INDIRA DUTT

Joint Managing
Director

KAVITHA D CHITTURI

Executive Director

S. NANDAGOPAL

Director

K.B.PRANESH

Secretary & Corporate
General Manager (Finance)

Per our report annexed
For **BRAHMAYYA & CO**
Chartered Accountants
C.MURALIKRISHNA

(ICAI Memb.No.20884)
Partner



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.

**64th ANNUAL
GENERAL MEETING ON FRIDAY
16TH SEPTEMBER, 2005
AT 10.00 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 ofbeing 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/our behalf at the 64th Annual General Meeting of Company to be held on at 10.00 am on Friday, the 16th September, 2005 and at any adjournment thereof.

As witness my (our) hand(s) this day of2005.

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.