



# Canbank Investment Management Services Ltd.

**11<sup>th</sup> Annual Report**  
**2003-2004**



# Canbank Investment Management Services Ltd.

Wholly owned subsidiary of  
**CANARA BANK**

Asset Management Company of  
**CANBANK MUTUAL FUND**

## BOARD OF DIRECTORS

**N.K.Thingalaya**

*Chairman*

**J.L.Gupta**

**A.V.Gokak**

**S.Ravi**

**H.R.Shenoy**

*(upto 30<sup>th</sup> September, 2003)*

**M.Gokuldas**

**Shri K.V.Hegde**

*(from 21<sup>st</sup> October, 2003)*

**N.R.Ramanujam**

*Managing Director*

## EXECUTIVES

**P.J.Subba Rao**

*Asst. General Manager (On Deputation)*

**S.L.Manjrekar**

*Asst. General Manager*

**S.R.Ramaraj**

*Asst. General Manager*

**V.Ramesh Nayak**

*Asst. General Manager*

## AUDITORS

*M/s. Mukund M Chitale & Co.,  
Chartered Accountants,  
204/205, Agarwal Shyamkamal  
Building- A, Vile Parle (E),  
Mumbai 400 057.*

## REGISTERED OFFICE

Construction House, 4<sup>th</sup> Floor, 5, Walchand Hirachand Marg,  
Ballard Estate, Mumbai 400 001



## DIRECTORS' REPORT

## TO THE MEMBERS :

Your Directors have pleasure in presenting the Eleventh Annual Report together with the Audited Accounts of the Company for the year ended 31<sup>st</sup> March, 2004

## FINANCIAL RESULTS :

	(Rs. Lacs )	Year ended 31.3.2004 (Rs. Lacs)	Year ended 31.3.2003 (Rs. Lacs)
<b>Profit before depreciation</b>		752.98	250
Depreciation		98.32	89.1
		654.66	160.9
<b>Profit before tax</b>			
Less : Loss on sale of investments	57.23		-
Loss on sale of fixed assets	8.02		2.41
Provision for write off on fixed assets held for disposal	7.16		-
Provision for diminution in value of current investments	18.37		-
Write off of diminution in value of long term investments	6.13		5.02
		96.91	7.43
<b>Profit for the year before taxation and prior period items</b>		557.75	153.47
Less: Prior period items			
Provision for Income Tax	2.16		0.06
Provision for Wealth Tax	149		29
Provision for deferred Tax (net)	5.63		6.92
Add: Excess provision for earlier years no longer required	-		8.09
Credit for deferred tax asset (net)	0.78		-
	29.91		-
		126.1	
<b>Profit for the year</b>		431.65	109.4
Add : Balance in Profit & Loss Account brought forward		2227.09	2213.24
<b>Amount available for appropriations</b>		2658.74	2322.64
Appropriations :			
Dividend (proposed)	200.00		75.00
Tax on dividend	25.62		9.61
Transfer to General Reserve	43.17		10.94
		268.79	95.55
<b>Profit &amp; Loss Account Balance carried forward</b>		2389.95	2227.09

**OPERATIONS :**

The Company's revenue, mainly in the form of management fees from Canbank Mutual Fund, aggregated to Rs 1645.62 lacs for the year ended 31st March, 2004 (previous year : Rs.1178.73 lacs).

During the year, Canequity Diversified, an open ended equity Scheme and Canshort Term Plan, an open ended debt Scheme were launched. In the initial public offering, which closed on 12<sup>th</sup> September, 2003, the combined collection exceeded Rs. 185 crores. Both the Schemes opened for sale and repurchase of units on an ongoing basis from 17<sup>th</sup> September, 2003.

The Schemes of Canbank Mutual Fund managed by your Company continued to do well. Canliquid Scheme was ranked number one under Composite Performance Ranking by CRISIL for the year ended 30<sup>th</sup> June, 2003. Similarly, ICRA ranked Canliquid Scheme "MFR 1" indicating performance among the top 10% in the category of Open Ended Liquid Schemes for the one year period ended 31<sup>st</sup> December, 2003.

Canpep 94 Scheme, an equity linked tax saving Scheme was redeemed on 31<sup>st</sup> March, 2004 on completion of 10 years as per the terms of offer. The redemption value was Rs. 11.02 per unit of the face value of Rs. 10/-.

Apart from capital appreciation under growth plans of various Schemes, the following Schemes declared dividends during the year under income plans :

Canexpo : 75%, Canequity Tax Saver : 30%, Canpremium : 25%, Canequity Diversified : 25%, Canganga : 20%, Cancigo : 18.75%, Cangilt (PGS) : 9.5%, Canincome : 6%, Canliquid : 4.76% and Canshort Term Plan : 1.5%

As on 31<sup>st</sup> March, 2004, your Company was managing sixteen Schemes of Canbank Mutual Fund, of which three are balanced Schemes, six are debt oriented Schemes and seven are equity oriented Schemes.

As on 31<sup>st</sup> March, 2004, the corpus and the net asset base of Canbank Mutual Fund stood at Rs. 1372.23 crores (previous year : Rs. 819.02 crores) and Rs. 1653.28 crores (previous year : Rs. 953.75 crores), respectively.

**DIVIDEND :**

Your Directors recommend payment of a dividend of 20% (previous year : 7.5%). As per the current tax law, the dividend is tax free in the hands of the shareholders.

**SIGNIFICANT DEVELOPMENTS DURING THE YEAR :**

**Shifting of the Registered Office :** In order to facilitate integration of various operations under one roof which were earlier carried out from two separate places, the Registered Office of the Company was shifted to new premises at 'Construction House', 5, Walchand Hirachand Marg, Ballard Estate, Mumbai 400 001.

**Voluntary Retirement Scheme :** With increasing use of information technology in mutual fund operations, a number of activities which were earlier carried out manually became redundant. As a result, the Company had to undertake manpower planning. As a part of this exercise, the Company introduced Voluntary Retirement Scheme during the year. 47 of the 121 employees accepted the Voluntary Retirement Scheme. Consequently, the total strength of the employees now stands at 74 (including 2 employees on deputation).

**CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION & FOREIGN EXCHANGE EARNINGS AND OUTGO :**

Your Company, being a non-banking non-financial Company, no specific comments in terms of the provisions of Section 217 (1) (e) of the Companies Act, 1956 are called for on conservation of energy and technology absorption. Your Company has, however, used information technology relevant to its business in keeping with the size of its operations.

**FIXED DEPOSITS :**

The Company has not invited/accepted deposits from members/public. The Reserve Bank of India has classified the Company as a non-banking non-financial company.

**PARTICULARS OF EMPLOYEES :**

None of the employees was covered by the disclosure requirement of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, as amended.

**DIRECTORS :**

Dr. N.K.Thingalaya and Shri S.Ravi retire by rotation at the Annual General Meeting and are eligible for re-appointment.

Shri H.R.Shenoy, nominee of Canara Bank, ceased to be a Director of the Company. In his place, Canara Bank nominated Shri K.V.Hegde as a Director not liable to retire by rotation.

Your Directors take this opportunity to record their deep appreciation of the services rendered by Shri H.R.Shenoy during his tenure on the Board.

**NUMBER OF BOARD MEETINGS :**

The Board of the Company met seven times during the year on the following dates :

21<sup>st</sup> April, 2003, 9<sup>th</sup> June, 2003, 23<sup>rd</sup> July, 2003, 26<sup>th</sup> September, 2003, 21<sup>st</sup> October, 2003, 15<sup>th</sup> December, 2003 and 16<sup>th</sup> March, 2004.

**DIRECTORS' RESPONSIBILITY STATEMENT :**

Pursuant to Section 217 (2AA) of the Companies Act, 1956, your Directors give hereunder the Directors' Responsibility Statement pertaining to the Accounts of the Company :

- (a) In the preparation of the Annual Accounts, the applicable accounting standards have been followed alongwith proper explanation relating to material departures.
- (b) 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 at the end of the financial year and of the profit for that period.
- (c) The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, as amended, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- (d) The Directors have prepared the Annual Accounts on a going concern basis.

**AUDIT COMMITTEE :**

Consequent upon withdrawal of nomination of Shri H.R.Shenoy by the Promoter, Canara Bank, the Audit Committee of which he was a member was reconstituted. The reconstituted Audit Committee now comprises of Shri S.Ravi, Chairman, Dr. J.L.Gupta, Shri M.Gokuldas and Shri N.R.Ramanujam, Members.

The Committee reviews reports of the internal and statutory auditors placed before them, from time to time.

**AUDITORS :**

The Comptroller and Auditor General of India, New Delhi has appointed M/s. Mukund M Chitale & Co., Chartered Accountants, as Auditors of the Company for the year 2003-2004. Under Section 224(8)(aa) of the Companies Act, 1956, the remuneration of Auditors appointed under Section 619 by the Comptroller and Auditor General of India, shall be fixed by the Company in the General Meeting. Accordingly, Item No. 5 of the Notice of the Annual General Meeting pertains to remuneration of the Auditors for the year 2004-2005.



**ACKNOWLEDGEMENTS :**

Your Directors record their gratitude for the support and guidance received from SEBI and the Board of Trustees of Canbank Mutual Fund. Your Directors also record their sincere appreciation of the support extended by Canara Bank, promoter of the Company, confidence reposed by the investor community and the dedicated work put in by the staff at all levels in the Company.

Place : Mumbai

Date : 23<sup>rd</sup> April, 2004

**For and on behalf of the Board of Directors**

**N.K.THINGALAYA  
CHAIRMAN**



**CANBANK INVESTMENT MANAGEMENT SERVICES LIMITED**  
**BALANCE SHEET AS AT 31 ST MARCH, 2004**

	SCH	As at 31st March 2004 Rs.	As at 31st March 2003 Rs.
<b>I SOURCES OF FUNDS</b>			
(1) Shareholder's funds			
(a) Share Capital	A	100,000,000	100,000,000
(b) Reserves & Surplus	B	324,580,605	303,977,757
(2) Deferred Tax Liability (net)		0	134,723
<b>TOTAL</b>		<b>424,580,605</b>	<b>404,112,480</b>
<b>II APPLICATION OF FUNDS</b>			
(1) Fixed Assets	C		
(a) Gross Block		208,208,691	214,019,438
(b) Less : Depreciation		83,192,039	86,116,871
(c) Less : Provision for write off of assets held for disposal		716,351	0
(d) Net Block		124,300,301	127,902,567
(2) Investments	D	255,754,542	255,501,913
(3) Current Assets, Loans & Advances			
(a) Sundry Debtors	E	18,815,744	8,534,790
(b) Cash and Bank Balances	F	12,631,827	8,093,516
(c) Other Current Assets	G	3,361,510	3,649,375
(d) Loans & Advances	H	62,943,534	51,461,239
<b>Total Current Assets</b>		<b>97,752,615</b>	<b>71,738,920</b>
Less : a) Current Liabilities	I	9,518,315	10,573,421
b) Provisions	J	67,879,470	40,457,499
<b>Total Current Liabilities &amp; Provisions</b>		<b>77,397,785</b>	<b>51,030,920</b>
<b>Net Current Assets</b>		<b>20,354,830</b>	<b>20,708,000</b>
(4) Miscellaneous Expenditure ( to the extent not written off or adjusted)	K	21,314,102	0
(5) Deferred Tax Asset (Net)		2,856,830	0
<b>TOTAL</b>		<b>424,580,605</b>	<b>404,112,480</b>

Accounting Policies &amp; Notes on Accounts

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As per our report of even date  
For Mukund M.Chitale & Co.,  
Chartered Accountants

**(M.M.Chitale)**  
Partner  
M.No.14054

**N K Thingalaya**  
Chairman

**A. V. Gokak**  
Director

**N.R.Ramanujam**  
Managing Director

**S L Manjrekar**  
Company Secretary  
Place : Mumbai

**S.Ravi**  
Director

**K.V. Hegde**  
Director

**G Chandrasekaran**  
Divisional Manager  
Date :

**J.L.Gupta**  
Director

**M. Gokuldas**  
Director

Place : Mumbai  
Date :



**CANBANK INVESTMENT MANAGEMENT SERVICES LIMITED**  
**PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2004**

	SCH	For the year ended 31st March 2004 Rs.	For the year ended 31st March 2003 Rs.
<b>INCOME</b>			
Management Fee		132,479,906	90,895,559
Dividend income		15,672,758	0
Profit on sale of investments		0	16,219,448
Other Income	L	16,408,859	10,758,232
<b>TOTAL</b>		<b>164,561,523</b>	<b>117,873,239</b>
<b>EXPENDITURE</b>			
Employees' Remuneration and Benefit	M	29,144,990	26,914,539
Administrative Expenses	N	60,117,982	65,957,963
Depreciation		9,832,107	8,909,742
Loss on sale of investments		5,722,943	0
Loss on sale of fixed Assets		801,862	241,503
Provision for write off on fixed Assets held for disposal		716,351	0
Provision for diminution in value of current investments		1,836,614	0
Write off of diminution in value of long term investments		613,414	502,884
<b>TOTAL</b>		<b>108,786,263</b>	<b>102,526,631</b>
<b>PROFIT FOR THE YEAR BEFORE TAXATION &amp; PRIOR PERIOD ITEMS</b>		55,775,260	15,346,608
Less: Prior Period Items	O	216,714	6,400
Provision for Income Tax		14,900,000	2,900,000
Provision for wealth tax		563,000	691,900
Provision for deferred tax (net)		0	809,050
Add: Excess provision for earlier years no longer required for income tax		78,249	0
Credit for deferred tax asset (net)		2,991,553	0
<b>PROFIT FOR THE YEAR</b>		43,165,348	10,939,258
Balance brought forward		222,708,693	221,324,299
Amount Available for Appropriations		265,874,041	232,263,557
<b>APPROPRIATIONS</b>			
Dividend			
- Proposed Dividend		20,000,000	7,500,000
- Tax on Proposed Dividend		2,562,500	960,938
Transfer to General Reserve		4,316,535	1,093,926
Balance of profit carried to Balance-Sheet		238,995,006	222,708,693
<b>TOTAL</b>		<b>265,874,041</b>	<b>232,263,557</b>
Earnings Per Share (Refer note no.12 of Schedule 'P') Basic and Diluted		4.32	1.09

Accounting Policies &amp; Notes on Accounts

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As per our report of even date  
For Mukund M.Chitale & Co.,  
Chartered Accountants

**(M.M.Chitale)**  
Partner  
M.No.14054

**N K Thingalaya**  
Chairman

**A. V. Gokak**  
Director

**N.R.Ramanujam**  
Managing Director

**S L Manjrekar**  
Company Secretary  
Place : Mumbai

**S.Ravi**  
Director

**K.V. Hegde**  
Director

**G Chandrasekaran**  
Divisional Manager  
Date :

**J.L.Gupta**  
Director

**M. Gokuldas**  
Director



**CANBANK INVESTMENT MANAGEMENT SERVICES LIMITED**  
**SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31 st MARCH 2004**

	As at 31st March,2004 Rs.	As at 31st March, 2003 Rs.
<b>SCHEDULE 'A' - SHARE CAPITAL</b>		
<b>AUTHORISED</b>		
10,000,000 Equity Shares of Rs. 10 each	100,000,000	100,000,000
<b>ISSUED, SUBSCRIBED AND PAID UP :</b>		
10,000,000 Equity Shares of Rs. 10 each Fully paid up ( All the shares are held by Canara Bank and its nominees). Of the above shares : 5000000 shares were allotted as fully paid-up by way of Bonus shares by Capitalisation of Surplus in the Profit & Loss Account	100,000,000	100,000,000
<b>TOTAL</b>	<b>100,000,000</b>	<b>100,000,000</b>
<b>SCHEDULE 'B' - RESERVES AND SURPLUS</b>		
<b>GENERAL RESERVE</b>		
Balance as per Last Balance Sheet	81,269,064	79,500,811
Add : Deferred tax asset at the beginning of the year	0	674,327
Add: Transfer from P & L Account	4,316,535	1,093,926
<b>TOTAL (A)</b>	<b>85,585,599</b>	<b>81,269,064</b>
<b>PROFIT &amp; LOSS ACCOUNT</b>	<b>238,995,006</b>	<b>222,708,693</b>
<b>TOTAL (B)</b>	<b>238,995,006</b>	<b>222,708,693</b>
<b>TOTAL (A+B)</b>	<b>324,580,605</b>	<b>303,977,757</b>



CANBANK INVESTMENT MANAGEMENT SERVICES LIMITED  
SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31 st MARCH 2004

SCHEDULE 'C' FIXED ASSETS

Description	GROSS BLOCK			DEPRECIATION			Provision for write off on assets held for disposal	NET BLOCK					
	As at 1.4.03 Rs.	Addition Rs.	Deletion Rs.	As at 1.4.03 Rs.	Addition Rs.	Deletion Rs.		As at 31.3.04 Rs.	Of assets held for disposal Rs.	As at 31.3.03 Rs.			
1	2	3	4	5	6	7	8	9	10	11	12	13	14
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Residential Flats	169267610	0	0	169267610	0	51248165	5900972	0	57149137	0	112118473	0	118019445
Office Equipments	7446686	1733555	3505535	5674706	82849	5484283	382181	2816229	3050235	5115	2619356	15000	1962403
Air Conditioners	2720785	611918	945810	2386893	1539960	1860383	107661	742605	1225439	142606	1018848	385000	860402
Comp & Peripherals	20040737	271864	5220633	15091968	1333845	15442967	1866577	5133862	12175682	44463	2871823	0	4597770
Electrical Fittings	545258	1331679	189861	1687076	235997	495791	649811	170496	975106	22124	689846	0	49467
Furniture & Fixtures	12232900	4477109	4375033	12334976	4315320	10453898	760743	3893747	7320894	502043	4512039	200000	1779002
Motor Vehicle	1765462	0	0	1765462	0	1131384	164162	0	1295546	0	469916	0	634078
Total	214019438	8426125	14236872	208208691	7507971	86116871	9832107	12756939	83192039	716351	124300301	600000	127902567
Previous Year	217409052	4697182	8086796	214019438	0	84938970	8909742	7731841	86116871	0	127902567	0	-

**Notes:**

- 1) The amounts shown in column no.6 under Gross Block represent the cost of the assets which are retired from active use and held for disposal. The amounts stated in this column are included in column no. 5 of Gross Block as at 31.03.2004.
- 2) The amounts shown in column no. 11 represent the provision for write off on assets held for disposal. These amounts represent the difference between the net realisable value of the asset and its net book value on the date of the retirement of such asset from their active use.
- 3) The assets retired from active use and held for disposal are shown at the lower of their net book value and net realisable value and these are shown in column no. 13. The amounts stated in column no. 13 are included in the column no.12 for Net Block as on 31.03.2004.



**CANBANK INVESTMENT MANAGEMENT SERVICES LIMITED**  
**SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31 st MARCH 2004**

	As at 31st March,2004 Rs.	As at 31st March, 2003 Rs.
<b>SCHEDULE 'D'- INVESTMENTS</b>		
<b>NON TRADE</b>		
<b>A) LONG TERM</b>		
<b>1) Quoted</b>		
<b>(a) Investment in Tax-free Bonds:</b>		
10.50% IRFC (2004) Bonds F. V. Rs. 100 LACS (Pr. yr. FV Rs.100.00 lacs)	10,071,033	10,372,509
7.99% HUDCO (2007) Bonds F.V. Rs. 300 LACS (Pr. yr. FV Rs.300.00 lacs)	30,288,609	30,385,076
10.00% HUDCO (2006) Bonds F.V. Rs. 100 LACS (Pr. yr. FV Rs.100.00 lacs)	10,381,946	10,597,417
10.50% HUDCO (2004) Bonds F.V. NIL (Pr. yr.F.V. Rs 100.00 Lacs)	0	10,066,039
8.50% HUDCO (2007) Gujrat Punarnirman Bonds F. V. Rs.150 lacs ( Pr. Yr. F.V. NIL)	15,000,000 00	0
	<b>65,741,588</b>	<b>61,421,041</b>
<b>b) Investment in other Bonds :</b>		
11.5% MSRDC (2005) Bonds F.V. Rs.50 Lacs (Pr. yr. F.V. Rs. 100 Lacs)	5,000,000	10,000,000
	5,000,000	10,000,000
<b>2) Unquoted</b>		
12.00% MSEB (2006) Bonds F.V. Rs.250 Lacs (Pr. yr.F.V. Rs 250.00 Lacs)	25,000,000	25,000,000
8.50% HUDCO (2007) Gujrat Punarnirman Bonds F. V. NIL ( Pr. Yr. F.V. Rs. 150 Lacs)	0	15,000,000
	25,000,000	40,000,000
<b>TOTAL (A)</b>	<b>95,741,588</b>	<b>111,421,041</b>
<b>B) CURRENT</b>		
<b>Unquoted</b>		
Investment in units of Canliquid F.V. Rs.317.10 Lacs (Pr. yr.1322.26 Lacs) NAV Rs. 3,18,50,374/- (Pr. Yr Rs.14,42,95,079/-)	31,849,568	144,080,872
Investment in units of CanShort Term Plan F.V. Rs.1268.38 Lacs (Pr. yr.Nil) NAV Rs. 12,81,63,386/- (Pr.Yr. Rs Nil)	128,163,386	0
<b>TOTAL (B)</b>	160,012,954	144,080,872
<b>TOTAL (A+B)</b>	<b>255,754,542</b>	<b>255,501,913</b>
<b>NOTE :</b>		
1. The Aggregate Value of quoted Investments		
Long Term Investments		
Cost :	71,777,000	72,097,000
Market Value :	74,028,925	72,676,120
2. The Aggregate Value of unquoted Investments		
Long term Investments		
Cost :	25,000,000	40,000,000
Current Investments		
Cost :	161,849,568	144,080,872



**CANBANK INVESTMENT MANAGEMENT SERVICES LIMITED**  
**SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31 st MARCH 2004**

	As at 31st March,2004 Rs.	As at 31st March, 2003 Rs.
<b>SCHEDULE 'E'- SUNDRY DEBTORS</b>		
( Unsecured and considered good)		
More than 6 months	757,213	149,056
Others	18,058,531	8,385,734
<b>TOTAL</b>	<b>18,815,744</b>	<b>8,534,790</b>
<b>SCHEDULE 'F'- CASH &amp; BANK BALANCES</b>		
Cash on Hand	15,876	14,906
Demand draft in Transit	0	2,500
Balance with Scheduled Banks in		
- Current Accounts	5,615,951	8,076,110
- In Term Deposits	7,000,000	0
<b>TOTAL</b>	<b>12,631,827</b>	<b>8,093,516</b>
<b>SCHEDULE 'G' - OTHER CURRENT ASSETS</b>		
Interest accrued on Investments	3,260,260	3,649,375
Interest accrued on security deposits	101,250	0
<b>TOTAL</b>	<b>3,361,510</b>	<b>3,649,375</b>
<b>SCHEDULE 'H' - LOANS &amp; ADVANCES</b>		
<b>- Secured and considered good:</b>		
Staff Loans	2,091,765	2,371,770
<b>- Unsecured and considered good:</b>		
Security Deposit	5,200,221	4,982,621
Other Deposit	694,261	1,178,628
Income Tax	45,705,712	35,186,442
Wealth Tax	3,940,122	3,248,242
Staff Loans & Advances	2,486,439	2,039,411
Advances recoverable in cash or kind or for value to be received	2,825,014	2,454,125
<b>TOTAL</b>	<b>62,943,534</b>	<b>51,461,239</b>



**CANBANK INVESTMENT MANAGEMENT SERVICES LIMITED**  
**SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31 st MARCH 2004**

	As at 31st March,2004 Rs.	As at 31st March, 2003 Rs.
<b>SCHEDULE 'I' - CURRENT LIABILITIES</b>		
Sundry Creditors		
— Dues to small scale industrial undertakings	0	0
— Others	3,495,701	2,157,323
— Security Deposits	360,000	520,000
— Other Liabilities	4,937,514	7,896,098
— Retention Money	725,100	0
<b>TOTAL</b>	<b>9,518,315</b>	<b>10,573,421</b>
<b>SCHEDULE 'J' - PROVISIONS</b>		
Proposed Dividend	20,000,000	7,500,000
Tax on Proposed Dividend	2,562,500	960,938
Leave Encashment	3,549,751	4,712,062
Gratuity	39,020	19,300
Bonus	749	749
Taxation	41,727,450	27,264,450
<b>TOTAL</b>	<b>67,879,470</b>	<b>40,457,499</b>
<b>SCHEDULE 'K'-MISCELLANEOUS EXPENDITURE</b>		
(to the extent not written off or adjusted)		
Preliminary Expenses		
Balance at the beginning of the year	0	59,5
Less: Written off during the year	0	59,569
Expenditure on VRS for Employees		
Incurred during the year	26,642,628	0
Less: Written off during the year	5,328,526	0
<b>TOTAL</b>	<b>21,314,102</b>	<b>0</b>



CANBANK INVESTMENT MANAGEMENT SERVICES LIMITED  
SCHEDULES FORMING PART OF THE PROFIT & LOSS A / C FOR THE YEAR ENDED  
31 st MARCH 2004

	As at 31st March,2004 Rs.	As at 31st March, 2003 Rs.
<b>SCHEDULE 'L'- OTHER INCOME</b>		
Interest on taxfree bonds	7,543,370	5,408,435
Interest on other bonds (TDS Rs. 890472 P.Y. TDS Rs. 871500)	3,092,945	4,150,000
Interest on Term Deposit (TDS Rs. 41694 P.Y. TDS Rs. 101363)	203,956	405,295
Interest on Staff Loans	259,012	253,567
Registrar & Transfer charges (TDS Rs. 188311 P.Y. TDS Rs. 7776)	3,535,658	178,363
Interest on Security Deposit	101,250	101,250
License Fees received	1,112,613	252,771
Interest on Income Tax refund	555,370	0
Miscellaneous Income	4,685	8,551
<b>TOTAL</b>	<b>16,408,859</b>	<b>10,758,232</b>



CANBANK INVESTMENT MANAGEMENT SERVICES LIMITED  
SCHEDULES FORMING PART OF THE PROFIT & LOSS A / C FOR THE YEAR ENDED  
31 st MARCH 2004

	As at 31st March, 2004 Rs.	As at 31st March, 2003 Rs.
<b>SCHEDULE 'M'- EMPLOYEES' REMUNERATION &amp; BENEFITS</b>		
Salaries, Bonus and other allowances	17,878,587	20,334,299
Contribution to PF, Group Gratuity and other Funds	2,464,398	2,581,410
Other Welfare expenses	3,473,479	3,998,830
VRS Expenses written off	5,328,526	0
<b>TOTAL</b>	<b>29,144,990</b>	<b>26,914,539</b>
<b>SCHEDULE 'N' - ADMINISTRATIVE EXPENSES</b>		
Advertisement & Publicity	1,361,740	1,947,368
Computer software & development	856,547	1,131,454
Director Sitting Fees	55,000	61,000
Electricity Charges	2,702,396	2,598,227
Insurance	43,162	86,548
Lease rental	1,694,015	1,609,485
Legal and Professional Charges	1,007,126	972,875
Miscellaneous Expenses	2,517,182	1,829,335
Preliminary Expenses written off	0	59,569
Payment to Statutory Auditors		
— Audit Fee	135,000	131,250
— Certification Fee	29,600	15,750
— Reimbursement of Expenses	0	7,500
Payment to Other Auditors		
— Internal Audit, Tax Audit, Certification Charges	573,697	499,600
Postage , Telegrams & Telephone	2,852,817	2,622,340
Printing & Stationery	2,293,574	2,140,877
Rates & Taxes	2,981,584	5,193,896
Rent	16,474,503	26,966,103
Repairs & Maintenance		
- Buildings	4,868,553	2,112,599
- Others	4,406,909	4,713,891
Scheme Expenses	8,453,666	5,462,219
Subscription	2,910,315	2,942,524
Travelling & Conveyance	3,900,596	2,853,553
<b>TOTAL</b>	<b>60,117,982</b>	<b>65,957,963</b>
<b>SCHEDULE 'O' - PRIOR PERIOD ITEMS</b>		
Rent	0	6,400
Legal charges	134,828	0
Electricity Charges	64,727	0
Rates & Taxes	9,586	0
Repairs & Maintenance Building	5,576	0
Water Charges	1,997	0
<b>TOTAL</b>	<b>216,714</b>	<b>6,400</b>



SCHEDULE FORMING PART OF THE ACCOUNTS  
SCHEDULE 'P' ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

**A. SIGNIFICANT ACCOUNTING POLICIES:**

**1. BASIS OF ACCOUNTING:**

The financial statements are prepared under historical cost convention and in accordance with the accounting standards referred to in section 211(3C) of the Companies Act, 1956.

**2. FIXED ASSETS & DEPRECIATION:**

2.1 Fixed Assets are stated at cost of acquisition or construction. Depreciation on various assets is provided on written down value method at the rates provided in Schedule XIV of the Companies Act, 1956 except in the case of Electrical Fittings. The rate of depreciation charged on Electrical Fittings is @20% p.a. on Written Down Value method.

2.2 Depreciation on additions / deletions during the year are provided on pro-rata basis.

2.3 The cost of partition/constructions not removable / reusable, which are temporary in nature in Company's rental premises are charged to revenue.

**3. INVESTMENT:**

3.1 Long-term investments are stated at cost. The excess of cost over face value is amortised over the period of holding of investment upto redemption. The provision for diminution in value of investments is made, if such diminution in the opinion of the management is of a permanent nature.

3.2 Current investments are stated at lower of cost and fair market value.

**4. RETIREMENT BENEFITS:**

4.1 Periodical contributions made to concerned authority towards provident fund are charged to revenue.

4.2 Group Gratuity Scheme is administered through policy taken from Life Insurance Corporation of India and the premium is charged to revenue based on actuarial valuation of gratuity liability made as at 1<sup>st</sup> September each year.

4.3 Leave encashment benefits on retirement are provided on accrual basis.

4.4 Gratuity and Leave encashment in respect of deputed employees is calculated as per the terms of deputation and provided in the accounts on accrual basis.

4.5 The expenses incurred on the voluntary retirement scheme are written off over a period of five years in equal installments.

**5. REVENUE RECOGNITION:**

5.1 Revenue is recognised when there is certainty of ultimate collection.

**6. PRELIMINARY EXPENSES:**

6.1 Preliminary expenses are written off over a period of ten years in equal installments.

**B. NOTES ON ACCOUNTS:**

**1. Contingent Liability**

i) The amounts that may be payable to Canara Bank for the office premises occupied by the Company in Orient House in case such amounts are determined to be payable arising out of negotiations between Canara Bank and the owners of Orient House towards:

a) Additional Rent for the period of 01.10.2002 to 31.10.2003.

b) Municipal Taxes for the period of 01.04.1999 to 31.10.2003.

The actual amounts are not yet quantified.

ii) The amount payable on account of subletting charges, which are not yet quantified, to Mumbai Port Trust in the case of Plot of land on which Canara Bank building is constructed and part of the building as was occupied by the Company as sub-lettee of Canara Bank upto 30.09.2003.

iii) The amount payable towards claim made by Canara Bank for reimbursement of Municipal Taxes made by Municipal



Corporation of Greater Mumbai arising out of enhancement of rateable value for the period 01.04.2000 to 30.09.2003. The enhanced rateable value was the matter of complaint with Municipal Commissioner and the same had been disposed during the year 2002-2003. The Municipal Corporation of Greater Mumbai during the year 2003-2004 has raised the issue of enhancement of rateable value, which has been appealed in the Small Cause Court, Mumbai by Canara Bank. This is pending for decision.

2. During the year the Company has paid Rs.3,27,543/- towards amenity charges for office in Chennai for the year 2003. This includes Rs.81,886/- for the period 01.01.2003 to 31.03.2003. An amount of Rs. 82,000/- has been provided for the period 01.01.2004 to 31.03.2004.
3. As per the offer letter of Canequity Diversified and Canshort Term Plan Schemes launched during the year, initial issue expenses amounting to Rs. 33,86,859/- incurred for the said Schemes has been absorbed by the Company.
4. During the year an amount of Rs. 32,39,789/- being expenditure incurred by following schemes in excess of the limit prescribed by SEBI (Mutual Fund) Regulation 1996, has been absorbed by the Company.

Sr. No.	Name of the Scheme	Amount (Rs.)
1	Canexpo	2,75,076/-
2	Canpremium' 98	1,29,495/-
3	Canequity Tax Saver	2,18,997/-
4	Canbonus	22,81,882/-
5	Canglobal	96,154/-
6	Canpep' 94	2,38,185/-
	<b>Total</b>	<b>32,39,789/-</b>

2. The Company has incurred expenditure of Rs. 2,66,42,628/- during the year towards voluntary retirement scheme. The scheme was operational during 01.08.2003 to 14.08.2003. 1/5<sup>th</sup> of the total expenses incurred amounting to Rs. 53,28,526/- have been expensed out during the year. The balance amount of Rs. 2,13,14,102/- have been carried forward as Deferred Revenue Expense and shown under Miscellaneous Expenditure.
3. Income from Management Fee includes Rs.1,23,05,711/- from Canbank Mutual Fund - General Administration Dept. (CMF - GAD) for the year 2003-2004. The accounts of Canbank Mutual Fund - General Administration Department for the year 2003-2004 are not yet audited and hence the amount of Rs.1,23,05,711/- has been taken as income on the basis of certificate obtained from the statutory auditors of CMF - GAD.
4. Income from Management fee includes Rs. 1,78,440/- received from Canbank Offshore Mutual Fund towards sub-manager services. The fees for the period 01.04.2003 to 31.12.2003 as per the certificate obtained from the statutory auditors of the Fund is Rs. 1,37,707/-. The fees for the period 01.01.2004 to 31.03.2004 amounting to Rs. 40,733/- has been taken as income as certified by the authorised official of the Fund.
5. Canara Bank has deputed Shri N. R. Ramanujam as the Managing Director of the Company from 31.08.2002. The remuneration of the Managing Director is in accordance with the service rules of the said Bank and the same has been approved by the shareholders of the Company at the Annual General Meeting held on 27.06.2003. The same is in compliance with Schedule XIII of the Companies Act, 1956.

9. Salary and Allowances of Managing Director:

	2003-2004 (Rs.)	2002-2003 (Rs.)
Salary and Allowances	3,49,327/-	3,42,274/-
Contribution to Provident Fund and other funds	43,300/-	42,745/-
Value of Perquisites	1,75,533/-	1,75,533/-
<b>Total</b>	<b>5,68,160/-</b>	<b>5,60,552/-</b>



## 10. Related party transactions:

Following are the related parties with whom transactions have taken place during the year.

Parent	: Canara Bank
Fellow Subsidiaries	: Canbank Computer Services Ltd. Canbank Financial Services Ltd. Canbank Factors Ltd.
Under Common Control of Parent	: Canfin Homes Ltd.
Key Management Personnel	: Managing Director and other Directors

Sr. No.	Nature of Transactions	Relationship	Expenditure Rs.	Income Rs.	Assets Rs.	Liabilities Rs.
1	Rent Fellow Subsidiary Under Common Control	Parent 77250 70750	8317428		7500 4250	54900
2	Interest Subsidy	Under Common Control	445591			
3	Bank Charges	Parent	64664			
4	Collection charges	Parent	60000			
5	Reimbursement of property Tax	Parent Fellow Subsidiary	2876680 20078			
6	Salary & other benefits	Managing Director	392627			47673
7	Medical Reimbursement	Managing Director				3000
8	Sitting Fees	Directors	55000			
9	R & T charges for IPO	Fellow Subsidiary	28217			
10	Reimbursement of Electricity	Fellow Subsidiary Charges	80230			9500
11	Reimbursement of Electricity charges	Parent	258910			
12	Maintenance charges	Parent	46777			
13	Dividend paid (for the year 2002-03)	Parent	7500000			
14	Bank Balance	Parent			5615950	
15	Fixed Deposits (Note 1)	Parent			7000000	
16	Interest on Fixed Deposits	Parent		203956	113547	



**Note 1:** The Company has cumulatively kept fixed deposits of Rs.4,80,00,000/- and encashed Rs.4,10,00,000/- during the year.

2. Operating Leases:

The Company has entered into lease agreements for various premises of the branch offices for which the future lease payments are as under:

	2003-2004 (Rs.)	2002-2003 (Rs.)
Not later than 1 year	17,76,088/-	87,50,192/-
Later than 1 year but not later than 5 years	51,70,024/-	3,55,57,878/-
Later than 5 years	1,54,95,189/-	5,05,26,581/-

12. Earnings Per Share :

Basic & Diluted :	2003-2004	2002-2003
No. of equity shares	1,00,00,000	1,00,00,000
Net Profit (Rs.)	43165348	1,09,39,258
Earnings Per Share (Rs.)	4.32	1.09
Nominal Value per share (Rs.)	10	10

12. Deferred Taxation:

The major components of deferred tax liabilities and deferred tax assets are as under:

(A) Deferred tax liability on account of:	As on 31.03.2004 (Rs.)	As on 31.03.2003 (Rs.)
Depreciation Difference	1181086/-	756573/-
Capital Gain		742930/-
	<b>1181086/-</b>	<b>1499503/-</b>
(B) Deferred tax asset on account of:		
Capital Loss	3589305/-	1020464/-
Others	448611/-	344316/-
<b>Total</b>	<b>4037916/-</b>	<b>1364780/-</b>
<b>Net Deferred Tax Asset/(Liability)</b>	<b>2856830/-</b>	<b>134723/-</b>
	<b>As on 31.03.2004 (Rs.)</b>	<b>As on 31.03.2003 (Rs.)</b>
14. (i) Expenditure and earnings in foreign currency	729364/-	NIL
(ii) Value of import calculated on C.I.F. basis	NIL	NIL

**SIGNATURE TO SCHEDULES 'A' TO 'P'**

As per our report of even date  
For Mukund M.Chitale & Co.,  
Chartered Accountants

**(M.M.Chitale)**

Partner  
M.No.14054

**N K Thingalaya**  
Chairman

**A. V. Gokak**  
Director

**N.R.Ramanujam**  
Managing Director

**S L Manjrekar**  
Company Secretary  
Place : Mumbai

**S.Ravi**  
Director

**K.V. Hegde**  
Director

**G Chandrasekaran**  
Divisional Manager  
Date :

**J.L.Gupta**  
Director

**M. Gokuldas**  
Director

Place : Mumbai  
Date :



**COMMENTS OF THE COMPTROLLER & AUDITOR GENERAL OF INDIA UNDER SECTION 619 (4) OF THE COMPANIES ACT 1956, ON THE ACCOUNTS OF CANBANK INVESTMENT MANAGEMENT SERVICES LTD. MUMBAI FOR THE YEAR ENDED 31 MARCH 2004.**

I have to state that the Comptroller & Auditor General of India has no comments upon or supplement to the Auditors' Report under Section 619 (4) of Companies Act 1956, on the accounts of Canbank Investment Management Services Ltd. for the year ended 31 March 2004

**(Saroj Punhani)**

Principal Director of Commercial Audit  
& Ex-Officio Member, Audit Board-I Mumbai

Date : 11th June 2004.