ANNUAL REPORT

TITAN INDUSTRIES

1998 - 1999

DIRECTORS

A L Mudaliar
Chairman
Xerxes Desai
Vice Chairman & Managing Director
J J Bhabha
R Gopalan
Farrokh Kavarana
Ishaat Hussain
T K Balaji
A C Mukherji
H K Sinha

SENIOR VICE PRESIDENTS

R C Hari Rao
Bhaskar Bhat
K F Kapadia

VICE PRESIDENTS

V Rajaram
B G Dwarkanath
M S Shantharam
V I Nangia
Bijou Kurien
Jacob Kurian
N Kailasanathan

SENIOR GENERAL MANAGER

H K Azeez Khan

GENERAL MANAGERS

C G Yathiraju
S Sreenivasa Babu
Rafeekh Ahmed
S K Nandy
N V Narayana
K S Subramanian
C S Vishwanath
Manoj Chakravarti
S Ramadoss
H G Raghunath

BANKERS

Canara Bank
ANZ Grindlays Bank
Bank of Baroda
Bank of America
Hongkong Bank
Standard Chartered Bank

AUDITORS

A F Ferguson & Co. (Chartered Accountants)

REGISTERED OFFICE

3, SIPCOT Industrial Complex, Hosur 635 126

SHARE DEPARTMENT

Tata Share Registry Limited, Unit: Titan Industries Limited,
Army & Navy Building, 148, Mahatma Gandhi Road, Mumbai 400 001

NOTICE

The Fifteenth Annual General Meeting of Titan Industries Limited will be held at the Registered Office of the Company, at 3 SIPCOT Industrial Complex, Hosur 635 126, on Friday, 17th September 1999, at 3.30 p.m. to transact the following business :

1. To receive and adopt the Directors' Report and Audited Profit and Loss Account for the year ended 31st March 1999 and the Balance Sheet as at that date.
2. To declare a dividend on Equity Shares.
3. To approve the declaration and payment of interim dividend as final dividend on preference shares.
4. To appoint Directors in place of Mr J J Bhabha, Mr F K Kavarana and Mr Ishaat Hussain who retire by rotation and are eligible for reappointment.
5. To appoint a Director in place of Mr H K Sinha who was appointed a Director of the Company pursuant to Article 118 of the Company to fill the casual vacancy on the Board caused by the resignation of Mr K Ganesan and who holds office upto the date of this Annual General Meeting in terms of section 262 of the Companies Act, 1956, read with Article 118 of the Articles of Association of the Company, who is eligible for reappointment and in respect of whom the Company has received notices in writing from some Members proposing his candidature for the office of Director.
6. To consider and, if thought fit, to pass with or without modification, the following resolution as a Special Resolution :

   "RESOLVED that A F Ferguson & Co. be and are hereby reappointed as Auditors of the Company, to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting, to audit the accounts of the Company for the financial year 1999-2000 on a remuneration of Rs. 11,00,000/= plus out of pocket, travelling and living expenses."

Notes:

(a) The relative explanatory statement pursuant to section 173 of the Companies Act, 1956, in respect of business under item nos. 5 and 6 above are annexed hereto.

(b) A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER.

(c) The Register of Members and the Transfer Books of the Company will be closed from Friday, 20th August 1999 to Friday, 17th September 1999, both days inclusive.

(d) The dividend on the shares as recommended by the Directors for the year ended 31st March 1999, if declared at the Meeting, will be payable on or after 1st October 1999, in accordance with the resolution to be passed by the Shareholders of the Company, to those Members whose names stand on the Register of Members of the Company as on 17th September 1999. In respect of shares held in the electronic form, the dividend will be payable to the beneficial owners of shares as on 20th August 1999, as per details furnished by the Depositories for this purpose.

(e) Members are requested to inform the Company's Registrars and Share Transfer Agents viz., Tata Share Registry Limited, before 20th August 1999 the changes, if any, in their registered addresses along with the PIN code number.

(f) Pursuant to Section 205A of the Companies Act, 1956, all unclaimed dividends upto the financial year ended 31st March 1995, have been transferred to the General Revenue Account of the Central Government. Members who have a valid claim to the unclaimed dividend referred to above may claim the same from the Registrar of Companies, Tamil Nadu, Bank of Baroda Building, 5th Floor, 82 Bank Road, Coimbatore 641 018.

(g) As per the provisions of the amended Companies Act, 1956, the facility for making nominations is now available to the shareholders and debentureholders in respect of the equity shares and debentures, held by them. Nomination forms can be obtained from the Company's Registrars and Share Transfer Agents, viz. Tata Share Registry Limited.

(h) The equity shares and 12.5% non-convertible debentures of the Company are listed at the following Stock Exchanges in India:

   (1) The Madras Stock Exchange Ltd
   (Regional Stock Exchange)
   Exchange Building, 11 Second Line Beach
   P. O. Box No. 183, Chennai 600 001

   (2) The Stock Exchange, Mumbai
   Phiroze Jeejeebhoy Towers
   Dalal Street, Mumbai 400 001

   The Company has paid the annual listing fees to each of the above Stock Exchanges for the financial years 1998-99 and 1999-2000.

(i) For the convenience of Members, the Company will provide a coach service from Bangalore on the day of the Meeting. The coaches will leave for Hosur at 2.00 p.m. from Golden Palm Station (Old BRV Theatre), Cubbon Road, Bangalore, and will bring the Members back to Bangalore after the Meeting.

Registered Office :
3, SIPCOT Industrial Complex
Hosur 635 126.

BY ORDER OF THE BOARD OF DIRECTORS,

G Mohana Sundaram
Assistant Company Secretary

30 July 1999

ANNEXURE TO NOTICE

1. As required by Section 173 of the Companies Act, 1956, the following explanatory statement sets out all material facts relating to the business mentioned under item nos. 5 and 6 of the accompanying Notice dated 30th July 1999.

2. **Item No. 5 :** Mr H K Sinha was appointed a Director of the Company on 28th May 1999 by the Board of Directors to fill the casual vacancy caused by the resignation of Mr K Ganesan. In terms of section 262 of the Companies Act, 1956, read with Article 118 of the Articles of Association of the Company, Mr H K Sinha holds office upto the date of the forthcoming Annual General Meeting being the date upto which Mr K Ganesan would have held office had he not resigned. Notices in writing have been received from some Shareholders of the Company signifying their intention of proposing Mr H K Sinha as a candidate for the office of Director.

   Mr H K Sinha is the Executive Director of Tamilnadu Industrial Development Corporation Ltd (TIDCO) which is the co-promoter of the Company.

   The Directors commend the appointment of Mr H K Sinha as a Director of the Company.

3. **Item No. 6 :** Since the shareholding pattern of the Company is such that the provisions of Section 224A of the Companies Act, 1956, are applicable, the reappointment of A F Ferguson & Co., as Auditors of the Company is required to be made by a special resolution. Accordingly it is proposed to reappoint A F Ferguson & Co. on the remuneration set out in the Resolution as auditors of the Company for the financial year 1999-2000.

Registered Office :
3, SIPCOT Industrial Complex
Hosur 635 126

BY ORDER OF THE BOARD OF DIRECTORS,

G Mohana Sundaram
Assistant Company Secretary

30 July 1999

DIRECTORS' REPORT

To the Members of Titan Industries Limited

The Directors are pleased to present the Fifteenth Annual Report and the Audited Statement of Accounts for the year ended 31st March 1999.

Financial Results

	Rs. in crores	
	1998-99	1997-98
Income	**484.45**	445.22
Expenditure	**393.48**	357.21
Gross profit	**90.97**	88.01
Interest	**51.92**	52.95
Cash operating profit	**39.05**	35.06
Depreciation	**20.14**	18.82
Profit before taxes	**18.91**	16.24
Provision for taxes	**1.87**	1.60
Profit after taxes	**17.04**	14.64
Add: Transfer from investment allowance reserve	**6.93**	0.42
Add: Profit brought forward	**27.82**	30.71
Amount available for appropriation	**51.79**	45.77
Appropriations :		
Debenture redemption reserve	**0.42**	0.29
Dividend paid on preference shares	**4.09**	4.12
Tax paid on preference dividend	**0.41**	0.41
Proposed dividend on equity shares	**10.99**	10.57
Tax on proposed equity dividend	**1.21**	1.06
Transfer to general reserve	**2.40**	1.51
Balance carried forward	**32.27**	27.81

Despite continuing weaknesses in several segments of the market for consumer durables, including watches, and a fall in export earnings, turnover grew by almost 9% from Rs. 445.22 crores in 1997-98 to Rs. 484.45 crores in 1998-99.

Volume growth of watches in the domestic market was about 18% resulting in increased market share. Sales volumes of jewellery and gold coins to the trade showed a very healthy growth of 40%, while direct and indirect sales, at retail prices, to all end consumers grew a spectacular four times to pass the Rs.100 crore mark.

Gross profit before interest and depreciation, at Rs. 90.97 crores, was 3.35% higher than in the previous year. With interest costs coming down from Rs. 52.95 crores to Rs. 51.92 crores, cash operating profit before depreciation and taxes was 11.38% higher than in the previous year.

Profit before taxes increased by 16.4% from Rs. 16.24 crores in 1997-98 to Rs. 18.91 crores and profit after taxes also went up by 16.4% from Rs. 14.64 crores to Rs. 17.04 crores.

Exports were impacted by unfavourable currency rates, the economic situation in the Middle East and South East Asia, a disruption in jewellery sales to the USA, and the reorganisation of operations in Europe, resulting in a fall of 12% relative to the previous year.

Dividend

At the Board Meeting held on 13th March 1999, the Directors declared an interim dividend on preference shares and, accordingly, preference dividend amounting to Rs. 4.09 crores has been paid during the financial year. No further dividend is proposed on the preference shares as the interim dividends cover the contractual requirement.

After payment of dividend on preference shares, the distributable profit is Rs. 9.73 crores (Rs. 8.31 crores in the previous year). In view of the Company's improved performance, the Directors recommend a marginally higher dividend on equity shares of Rs. 2.60 per share (26%), free of tax.

Finance

The positive net cash generation from operations of Rs. 8.88 crores reflects the continuing emphasis on inventory and cost controls. However, steps taken to grow the European business have resulted in a rise in longer-term debtors up to one year as well as an increase in advances to the overseas subsidiary, the two together totalling a little over Rs. 20 crores. The growth of the jewellery business, where sales are entirely on credit unlike the watch business, has also contributed to an increase in debtors to the tune of about Rs. 20 crores, as is to be expected.

The Company continued to borrow in the short term market mainly to reduce its interest costs. Long term loans amounting to Rs. 87.80 crores were availed of during the year to replace short term debt and other loans falling due during the year.

During the year under review, the Company raised Rs. 33.00 crores by way of private placement of preference shares. This enabled the Company to replace preference shares of Rs. 30.50 crores carrying a fixed dividend ranging from 12% to 14%, by preference shares with a dividend rate of 10.5%. The share capital of your Company as at 31st March 1999 thus stood at Rs. 82.28 crores, inclusive of Rs. 40 crores of preference shares. In addition, the Company availed of Rupee term loans aggregating Rs. 77.80 crores from financial institutions, Rs. 10 crores from commercial banks and other borrowings of Rs. 70.59 crores. In the aggregate, the Company raised a total of Rs. 191.39 crores from various sources during the year under review.

Borrowings totalling Rs. 144.72 crores were repaid during the year and Rs. 13.91 crores was incurred as capital expenditure of which close to Rs. 5.4 crores was on account of the acquisition of a franchised Tanishq boutique in North Mumbai and Rs. 3 crores was on account of Foreign Currency fluctuation on imported equipment. Expenditure on acquisition of manufacturing assets was minimised.

As on 31st March 1999, the Company held fixed deposits of Rs. 19.04 crores from the public, shareholders and employees. There were no overdue deposits other than unclaimed deposits amounting to Rs. 18.82 lakhs.

During the year under review, the Company made payments aggregating to Rs. 1.03.78 crores by way of central, state and local taxes and duties as against Rs. 94.88 crores in the previous year.

Domestic Operations

Watches

The domestic watch business continues to be highly successful with a return on capital employed of over 20%. Your Company is, of course, the unquestioned leader in India. Titan is one of the most powerful brands in the Indian market, scoring very high on brand awareness, brand image and brand preference. The Titan brand is one of the most important assets of your Company and steps have been taken to complete a valuation of the brand during the current year.

Over the twelve year period of its existence as a manufacturer, your Company has added considerably both to capacity and to capability. It has a highly integrated plant, making virtually all the parts that go into a watch. As a result, your Company is today the sixth-largest "manufacturer-brand" in the world, after Casio, Citizen, Seiko, Swatch and Timex of America.

In recent times, your Company has shifted its growth strategy from adding to equipment and manpower to one of obtaining increased production through innovative ideas and greater operating efficiency by adopting global best practices. The first priority has been to resolutely drive down unit costs through product and process modifications and aggressive sourcing. The second priority has been to boost asset productivity and to "sweat our assets" better – producing more with less: less of men, materials, machines and time - and thereby securing the twin benefits of higher output and lower costs. Capacity to produce is no longer being seen as a fixed and immutable quantity related to available equipment and other hardware – but as a protean quantum varying with the knowledge base supporting it.

The year under review saw the introduction of a host of new products which were very well received in all the markets in which they were introduced. Good progress was made with the re-engineering of virtually all Titan movements for ensuring greater cost advantage.

The first quarter of the current year saw us going live with an SAP R/3 based Enterprise Resource Planning (ERP) system incorporating a supply chain management process across the watch division. This is a major initiative, successfully undertaken in the previous year, from which very significant benefits can be expected. We saw some disruption of production in the days immediately following the transition to the new system which has impacted first quarter results.

Your Company is also participating in the JRD Tata Quality Value programme instituted by the Tata Group in memory of the late Mr JRD Tata, under which the Company will, among other things, benchmark its processes against global best practices to ensure world-class standards.

Despite continuing recessionary conditions and the ever-present political uncertainty, your Company sold 4.76 million watches in the domestic market as against 3.97 million in the previous year. Growth came mainly from improved market penetration and from the newly introduced Sonata brand, which now includes over 400 models at prices which start from Rs. 350.

Your Company has recently developed a new focus on several market segments with large potential: women, youth, children, sportsmen, the budget-conscious and, of course, the big spenders. Consequently, and not atypical of a market leader and dominant player, your Company will be present in virtually every segment of the market, with products at multiple price points and with a multiplicity of looks and functions. A systematic programme of launching these has already commenced and highlights of the year included the relaunch of Fastrack and Raga. The current year has seen the launch of the children's range, Dash! A new, attractively priced, solid gold line, Nebula, is also being rolled out.

Advertising expenses increased commensurate with heightened marketing and competitive activity but were well within consumer durable industry norms and share of spend in the watch category actually declined.

The Company now has 112 exclusive Titan Showrooms called 'The World of Titan' across 69 towns and a chain of 101 Time Zone outlets covering 59 towns in addition to being present in over 5545 dealer outlets in 1470 towns across the country. Your Company has now sold a cumulative total of more than 30 million watches : central to its reputation for reliability is the all-India network of after-sales service outlets which continues to provide service "par excellence" and to grow in coverage.

A notable development during the year under review was that your Company became the only profitable watch company in India. The difficulties of the year 1998-99 are mirrored in the financial results of other watch majors.

Jewellery

The jewellery business achieved notable successes during the year under review. The Company produced 1.75 lakh jewellery pieces as compared to 1.13 lakh pieces produced last year, a growth of 55%. Domestic primary sales volumes, i.e, sales to the trade, increased by 54% to over 1,27,000 pieces. Domestic retail turnover grew an impressive four times by value to cross Rs. 100 crores.

A number of factors contributed to this success. The product line was completely revamped, pricing was rationalised, advertising was made both more focussed and more effective and distribution was extended from 14 outlets to 21 outlets. Over the past year and a half, Tanishq has moved from a niche and elitist positioning to a mainstream and almost populist positioning. Your Company now offers what the customer wants, with a large variety of styles, price points and application. The Company's Franchisees, our valued partners in the business, are understandably optimistic.

A highlight of the year was the introduction of an easy method to measure gold purity through the Karatmeter. The Indian consumer has now become conscious of the standards – or, rather, the lack thereof – of most jewellers. At the same time, consumers appreciated the unquestioned and rigid adherence to standards which are the hallmark of your Company. Tanishq now stands for a level of dependability which is unrivalled.

The journey to achieving this success has been longer and more tortuous than expected and filled with some anxious moments, but the business has passed a significant milestone. Tanishq has emerged as India's only national jeweller and now has in place the basic competencies needed for being by far the dominant player. The challenges of the current year will be to continue the vigorous rate of expansion of outlets and customer traffic and to ensure that the bulk of growth in existing outlets comes from increased stock-turns through effective product selection, pricing and promotion. The Shareholders can justifiably look forward to a bright future characterised by high sales growth in a market which is estimated to be Rs. 40,000 crores per year.

Table Clocks

The table clock business did not enjoy the same success as the other businesses. We have found that the low end of the market, consisting of very basic alarm time pieces, yields very modest profits, if any. It also does little credit to the Titan image. We will, therefore, focus on the quality segment of the alarm time piece market where aesthetic design, product reliability and brand values are as important to the customer as price.

The prospects look good for upmarket decorative table clocks. Though growth in this product segment could be slow, as it is a wholly new product category in the Indian market and it would take time and money before the market matures, the potential of this product, especially as a personal and corporate gift item, is significant. It also accords well with the Titan image.

Our future focus, therefore, will be the quality segment of the clock market where we will fully leverage our design, sourcing, distribution and brand strengths. Our plastic products manufacturing base will increasingly, and more profitably, be used to make cases and straps for the Sonata and Fastrack ranges, critical components for our modified movements and parts for the automotive industry where a beginning has been made with the production of pointers.

International Operations

The Company's exports slipped for the second year in succession - but to a lesser extent - from Rs. 35.8 crores to Rs. 31.6 crores, primarily due to a fall in jewellery exports to the USA, where distribution had to be reorganised, as also a decline in watch exports to the Middle East, which saw consumer spending fall in the wake of low oil prices.

Watch sales in the South Asian markets grew marginally and the Singapore company has broken even for the year.

The recessionary trends witnessed in the Middle East markets resulted in a challenging year for the Dubai company. Despite lower volume sales, it retained its market share and also maintained its record of turning in good profits.

During the year, the European operations were totally revamped : the product offering was renewed, pricing was revised, advertising revitalised, and, in several countries, distributors were replaced. The benefits from this reorganisation are already apparent in the current year.

Europe still remains the Company's most important though most difficult overseas market. Even so, over 350,000 Titan watches have been sold into this market since inception. But that sale and the presence in some 1,500 outlets in ten countries of Europe has been achieved at a considerable cost. Your Company strongly believes that Europe is extremely important for Titan's future, a future which is inextricably tied up with the globalisation of the brand. The good news is that the European operation is expected to break even in the near future.

For the first time, Titan Industries Limited participated in the prestigious Basel Fair in Switzerland directly and without any constraints thanks to the support received from the Government of India and the understanding finally shown by both the Fair Authorities and the Swiss Watch Industry. The watches and jewellery on display evoked very keen interest from the trade and industry professionals and expectations of your Company run high.

Professional Recognition

Titan continues to be the most admired consumer durables company in the annual A&M - MARG poll. It was also rated one of Asia's 200 leading companies by the Far Eastern Economic Review/AT & T for the fifth year in succession and was ranked fourth among Indian Companies.

Associate Companies

Titan International Holdings B.V. (TIHBV), the Company's wholly owned subsidiary in the Netherlands, whose accounts are annexed, ended the year with a small profit. During the year, the rights to the Titan brand were transferred to a wholly owned subsidiary in the Netherlands Antilles for a consideration of US $ 9 million. As of March 31, 1999, US$ 37 million was employed in the European operation of which US$ 22.4 million was provided by Titan Industries in the form of equity, loans and credit. The balance was raised abroad. These funds have been deployed chiefly in brand building and stocks.

Negotiations for the sale of shares held by your Company and its associates in Timex Watches Ltd. are nearing completion.

RDI Print & Publishing Pvt. Ltd., publisher of the Reader's Digest monthly magazine in India, continues to perform very well. RDI achieved a profit after tax of Rs. 3.99 crores on an income of Rs.19.88 crores. It declared a dividend of 1125% resulting in a hefty 35% yield on the investment made by your Company.

Titan TimeProducts Limited sold 4.60 million electronic circuit boards during the year under review and made a profit of Rs. 31.52 lakhs. Titan TimeProducts paid a dividend of 12%. Its products are of exceptionally high quality and costs are well controlled.

Titan Properties Limited had an understandably lacklustre year, given the state of the property market. However, with the occupation of over 200 houses in the Company's new township at Mathigiri, there has been a surge of interest among employees for the purchase of residential plots. We are now well on our way to adding yet another feather to our cap - a model township bearing the Company's name.

Employees

The Company now has 3,723 employees, including 104 trainees, of whom 3,106 are in manufacturing, 398 at various sales offices and 219 at the corporate head office. Payroll costs increased by Rs. 5.13 crores entirely on account of time, cost-of-living and performance related factors and not due to an increase in the head count which actually declined.

A wage agreement has been recently signed with the Titan Employees' Union for a further period of three years. With the signing of this agreement our workforce continues to be among the best paid in Hosur. A most remarkable and exemplary partnership, of which we can be justly proud, has developed between the Management and the Company Union to raise productivity and drive down costs.

The year saw a host of new initiatives to improve and professionalise the management of the human resource capital of the Company, undeniably its most important asset. The dedication and commitment of the many talented men and women who work in your Company requires a very special word of praise.

Year 2000

The Company has, a well-defined plan to ensure Y2K compliance by its computer hardware, systems and application software and by shop-floor equipment with embedded processors, as also by the Company's critical suppliers. The recent implementation of the Enterprise Resource Planning (ERP) package covering the Company's watch business has effectively addressed a host of Y2K related issues. All major applications at the Hosur and Dehradun watch plants have been rendered Y2K compliant, legacy systems have been remedied and tested, non-Y2K compliant IT hardware has been identified for replacement in a phased manner, remedial measures have been implemented where suppliers of shop-floor equipment have indicated this to be necessary, and a list of the Company's critical suppliers has been drawn up and necessary follow-up action initiated.

Y2K-related contingency plans have also been worked out. These include archiving measures for data, providing for adequate levels of inventory in respect of items from critical suppliers, and ensuring availability of critical personnel.

It is expected that remediation will be completed by the end of September 1999.

Community Initiatives

In a departure from the conventional, your Company underwrote the flight of a powered hangglider from Bangalore to the United Kingdom and used the adventure surrounding the flight to raise funds for CRY - Child Relief and You. A group of highly motivated and committed volunteers managed the smooth execution of the project which successfully raised a sum of Rs.85 lakhs to be used by CRY on schemes related to the education of economically and socially disadvantaged children.

During the year, your Company partnered the Tamil Nadu Government in maintaining two primary health centres near Hosur and continued its support to various other projects in and around Hosur including an eye clinic, several drinking water projects, an income generating programme for rural youth, a rehabilitation unit which provides physiotherapy services to physically handicapped persons, and a Community Development Voluntary Corps formed by our employees to work with and for the local community. Last but not least, the number of beneficiaries under the Titan Scholarship Scheme has now crossed 300 since its inception a decade ago.

In Bangalore, Titan continues to play an active role in a successful waste management programme and in a vocational training unit for school drop-outs established by the Tata Council for Community Initiatives.

In recognition of its role as a good corporate citizen, your Company was adjudged to be worthy of being the first recipient of the Mother Teresa Award for the "Best Corporate Citizen of 1998" instituted by the Loyola Institute of Business Administration, Chennai.

Government Policy

The new Exim Policy announced on 31st March unexpectedly and peremptorily removed all quantitative restrictions on the import of fully assembled watches a full three years ahead of commitments made to the WTO and in contravention of earlier assurances to the domestic industry. This will lead to significant upheavals in the watch industry and the trade. Most affected will be watch majors with significant idle capacity, small or weak brands and a host of component suppliers to them. Least affected will be players whose sales exceed manufacturing capacity and who have both strong brands and strong distribution. Your Company is the only domestic player in the latter category.

Your Company will take the fullest advantage of the opportunity presented by the new Exim Policy by significantly widening its product offering, deepening its market penetration and being more responsive than was possible in the previous regime to opportunities that constantly arise in the marketplace.

The new competitive environment has also served to provide yet a new impetus to the ongoing task of achieving or enhancing competitive advantage in manufacturing operations.

At the same time, we look to the Government of India to provide commensurate support to the domestic watch industry which is likely to face illegal competition from law evading foreign brands - through tighter controls over smuggling, prevention of misleading country of origin or country of manufacture claims, a reduction in excise duties and the use of its good offices, where possible, to bring about a reduction in sales-taxes.

The Union Budget for 1999-2000 increased the excise duty on watches with a retail price in excess of Rs. 850 from the already high level of 13% to 16%. Your Company, along with others, has represented to Government to bring this excise duty to the lower level of 8% which applies to all other watches.

Your Company has also represented against the high sales taxes and other state-level or local levies which, like the excise duty, significantly benefit the smuggling fraternity and unscrupulous elements in the watch trade.

Your Company continues to be concerned about country of origin and country of manufacture claims made by certain brands for products which have a miniscule Swiss or Japanese content and are chiefly made in other countries. We have represented that country of origin and country of manufacture claims should be permitted only where at least 75% of value addition is performed in the country making the claim.

The Year Ahead

Your Company expects to increase turnover and market shares in all its businesses through innovative and aggressive marketing policies and to improve profitability through volume increases, a continuing and strong focus on cost reduction and superior management of its asset base, be it fixed assets, working capital or human resources.

Shareholders are aware that, as a member of the Tata Group, it has benefited very substantially from this connection. The achievements of your Company in terms of product excellence and innovation, market leadership and brand equity, have also served to add lustre to the Tata name. It has been a valuable and synergistic relationship which we now propose to formalise through a specific contract with Tata Sons. The contract sets out the rights and obligations of both parties related to the use and promotion of the TATA brand name and symbol as also the conduct of business affairs so as to accord well with Tata values and global best practices.

Directors

Mr J J Bhabha, Mr F K Kavarana and Mr Ishaat Hussain retire by rotation and are eligible for reappointment.

During the year, the Tamilnadu Industrial Development Corporation (TIDCO) nominated Mr H K Sinha, their Executive Director, as a Director of the Company, in place of Mr K Ganesan. Your Directors have placed on record their appreciation of the services rendered by Mr Ganesan during his tenure on the Board. In terms of the Articles of Association and the Companies Act, 1956, Mr H K Sinha holds office upto the forthcoming Annual General Meeting. The Company has received notice from some members signifying their intention to propose Mr H K Sinha as a Director of the Company.

Acknowledgements

Your Directors wish to place on record their appreciation of the support which the Company has received from its promoters, financial institutions, bankers, the watch trade, suppliers and customers, the world press and, most importantly, our employees.

Subsidiary Company

The statement under Section 212 of the Companies Act, 1956, is annexed together with the Annual Report of the wholly owned subsidiary of the Company, Titan International Holdings BV, together with the Annual Report of its wholly owned subsidiary, Titan Watches & Jewellery International (Asia-Pacific) Pte Ltd.

Not included are the accounts of its second wholly-owned subsidiary, Titan Brand Holdings NV as the first financial year of this Company will only end on 31 December 1999.

Particulars of Employees

Information required to be provided under Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, forms part of this report. However, as per the provisions of Section 219(1)(b)(iv) of the Companies Act, 1956, the Report and Accounts are being sent to all Shareholders of the Company excluding the statement of particulars of employees under Section 217(2A) of the Act. Any Shareholder interested in obtaining a copy of the said statement may write to the Assistant Company Secretary at the registered office of the Company.

Section 217(1)(e) of the Companies Act

In accordance with the provisions of Section 217(1)(e) of the Companies Act, 1956, the required information relating to "Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo" is annexed.

Auditors

Members will be requested at the Annual General Meeting to appoint auditors for the current year and to fix their remuneration.

BY ORDER OF THE BOARD OF DIRECTORS,

A. L. Mudaliar
Chairman

Bangalore, 30 July 1999

ANNEXURE TO THE DIRECTORS' REPORT

(Additional information given in terms of Notification 1029 of 31-12-1988 issued by the Department of Company Affairs)

A. CONSERVATION OF ENERGY

As a part of the energy conservation project identified through the process of energy audits, eight specific projects were completed during the year under review resulting in energy savings estimated at Rs. 15 lakhs per annum. Another six projects have been taken up and are under implementation.

B. TECHNOLOGY ABSORPTION

(a) Research & Development

The Research & Development Group has successfully designed and tested several watch movements like the ultra slim, solar and electro-luminescent movements. Watches incorporating these movements will be launched during the year. Field trials have also been completed for economy movements which are expected to be productionised during the course of the current year. The world time watch developed by the Company has recently been patented in the Company's name.

The Company incurred an expenditure of Rs. 1.10 crores during the year on R & D.

(b) Technology Absorption, Adaptation and Innovation

Technology for metal injection moulding for bracelet components has been successfully established and special moulds have been designed and developed in-house for this purpose. The surface coating group has successfully developed new coating techniques.

C. FOREIGN EXCHANGE EARNED AND USED

The Company has earned Rs. 33.55 crores in foreign exchange and used Rs. 47.07 crores (consisting of Rs. 0.47 crore on capital imports and Rs. 44.15 crores on revenue imports).

BY ORDER OF THE BOARD OF DIRECTORS,

A. L. Mudaliar
Chairman

Bangalore, 30 July 1999

ANNEXURE TO THE DIRECTORS' REPORT

STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956, RELATING TO SUBSIDIARY COMPANIES :

1.	Name of Subsidiary	Titan International Holdings B.V.	Titan Brand Holdings N.V	Titan Watches & Jewellery (Asia-Pacific) Pte Ltd.
2.	Financial year of the Subsidiary	31st March 1999	**	30th June 1999
3.	Share of the Subsidiary held by Titan Industries Limited on the above date:-			
	a) Number of shares and face Value	10,000 equity shares of NLG 1000 each (fully paid up)	*2,500 equity shares of NFL 10 each (fully paid up)	*100,000 equity shares of SGD 1 each (fully paid up)
	b) Extent of Holding	100%	*100%	*100%
4.	Net aggregate amount of profit/ (loss) of the Subsidiary so far as they concern the members of Titan Industries Limited.			
	a) Dealt with in the accounts of Titan Industries Limited for the year ended 31st March 1999	Nil	Nil	Nil
	b) Not dealt with in the accounts of Titan Industries Limited for the year ended 31st March 1999	NLG 12,405	Nil	SGD 26,568
5.	Net aggregate amount of profit / (loss) for previous financial year of the Subsidiary since it became a subsidiary so far as they concern the members of Titan Industries Limited.			
	a) Dealt with in the accounts of Titan Industries Limited for the year ended 31st March, 1999	Nil	Nil	Nil
	b) Not dealt with in the accounts of Titan Industries Limited for the year ended 31st March, 1999	NLG 87,696	Nil	(SGD 86,384)

* held by Titan International Holdings BV

** the first financial year will end on 31 December, 1999.

BY ORDER OF THE BOARD OF DIRECTORS,

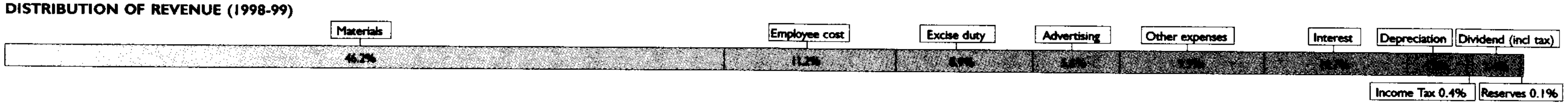
Bangalore, 30 July 1999

A. L. Mudaliar
Chairman

BALANCE SHEET	FINANCIAL YEAR 1987-88	88-89	89-90	90-91	91-92	92-93	93-94	94-95	95-96	96-97	97-98	98-99
												Rupees in crores
Share Capital - Equity	23.95	23.96	26.84	26.84	26.84	42.28	42.28	42.28	42.28	42.28	42.28	**42.28**
Share Capital - Preference	–	–	–	–	–	–	–	7.50	10.00	33.00	37.50	**40.00**
Reserves and surplus	0.21	1.38	2.11	6.42	12.15	77.82	86.34	98.74	111.46	117.25	115.73	**116.07**
Loans	37.76	42.45	57.86	66.52	75.46	114.43	151.15	191.63	303.34	368.14	381.80	**395.48**
SOURCES OF FUNDS - Total	61.92	67.79	86.81	99.78	114.45	234.53	279.77	340.15	467.08	560.67	577.31	[illegible]
Net fixed assets	53.76	60.34	79.66	86.09	95.20	131.37	166.65	205.91	229.67	232.86	238.38	**236.63**
Investments	0.03	0.06	0.06	0.06	0.06	0.06	14.92	21.82	28.32	27.00	27.00	**27.00**
Inventories	8.17	14.94	29.93	62.65	71.63	86.39	101.85	112.07	152.54	226.19	172.67	**172.19**
Debtors	0.24	2.41	3.27	4.03	5.65	14.06	14.32	33.58	77.85	78.10	83.25	**101.40**
Cash and bank balances	3.34	2.38	0.96	2.22	1.70	8.50	12.65	9.63	13.85	4.58	7.64	**5.04**
Loans and advances	5.16	2.41	4.51	10.38	15.95	30.19	18.61	18.93	43.89	68.42	106.47	**121.45**
Total of Current Assets	16.91	22.14	38.67	79.28	94.93	139.14	147.43	174.21	288.13	377.29	370.03	**400.08**
Less : Current liabilities & Provisions	8.78	14.75	31.58	65.65	75.74	36.04	49.23	61.79	79.04	76.48	58.10	**69.88**
Net current assets	8.13	7.39	7.09	13.63	19.19	103.10	98.20	112.42	209.09	300.81	311.93	**330.20**
APPLICATION OF FUNDS - Total	61.92	67.79	86.81	99.78	114.45	234.53	279.77	340.15	[illegible]	[illegible]	[illegible]	[illegible]

PROFIT & LOSS ACCOUNT	FINANCIAL YEAR 1987-88	88-89	89-90	90-91	91-92	92-93	93-94	94-95	95-96	96-97	97-98	98-99
												Rupees in crores
Sales Volumes (nos. in lakhs)												
Watches	3.44	5.13	12.52	18.33	22.42	25.75	28.07	32.58	38.75	39.45	43.53	**51.11**
Jewellery	–	–	–	–	–	–	–	0.09	0.20	0.37	1.20	**1.68**
Table Clocks	–	–	–	–	–	–	–	–	0.67	3.64	3.05	**4.30**
Sales Income	16.80	27.59	74.06	106.26	155.01	191.21	226.23	282.49	[illegible]	[illegible]	[illegible]	[illegible]
Expenditure	16.40	21.09	59.02	79.29	119.94	156.25	183.78	223.93	276.19	320.73	357.20	**393.48**
Interest	1.36	3.51	6.51	11.82	17.72	18.46	16.16	21.80	34.22	56.40	52.96	**51.92**
Depreciation	0.85	2.16	3.98	6.57	6.74	7.23	9.78	13.11	15.68	16.52	18.82	**20.14**
Operating profit	(1.81)	0.83	4.55	8.58	10.61	9.27	16.51	23.65	24.63	14.87	13.08	**16.50**
Add: Other income	2.11	0.45	0.56	0.52	0.49	1.60	2.58	1.44	2.94	12.93	3.16	**2.41**
Profit before taxes	0.30	1.28	5.11	9.10	11.10	10.87	19.09	25.09	27.57	27.80	16.24	**18.91**
Taxes	0.04	0.21	0.78	–	–	–	–	–	–	3.58	1.60	**1.87**
Profit after taxes	0.26	1.07	4.33	9.10	11.10	10.87	19.09	25.09	27.57	[illegible]	[illegible]	[illegible]
Equity Dividend (%)	–	–	15%	18%	20%	22%	25%	30%	33%	33%	25%	**26%**
(Rs)	–	–	3.60	4.83	5.37	6.89	10.57	12.69	13.95	13.95	10.57	**10.99**

DISTRIBUTION OF REVENUE (1998-99)



DISTRIBUTION OF SHAREHOLDING

NUMBER OF ORDINARY SHARES HELD	NUMBER OF SHAREHOLDERS	
	31-3-1999	31-3-1998
	%	%
1 to 500	**96.42**	96.40
501 to 1000	**2.51**	2.51
1001 to 10000	**0.95**	0.94
Over 10000	**0.12**	0.15
	100.00	100.00

CATEGORIES OF SHAREHOLDERS

CATEGORY	NUMBER OF SHAREHOLDERS		VOTING STRENGTH %		NUMBER OF ORDINARY SHARES HELD	
	31-3-1999	31-3-1998	**31-3-1999**	31-3-1998	**31-3-1999**	31-3-1998
Tamilnadu Industrial Development Corpn Ltd	**1**	1	**27.88**	27.88	**11,784,606**	11,784,606
Tata Group Companies	**19**	19	**27.19**	26.66	**11,495,021**	11,270,021
Other Companies	**488**	518	**1.33**	0.82	**563,569**	347,154
Unit Trust of India	**1**	1	**4.20**	4.84	**1,775,319**	2,046,289
Life Insurance Corporation of India	**1**	1	**0.96**	0.96	**404,426**	404,426
Government & Other Public Financial Institutions	**4**	4	**0.25**	0.24	**104,600**	103,500
Nationalised Banks, Mutual Funds and Trusts	**46**	43	**3.87**	4.65	**1,637,413**	1,966,643
Foreign Institutional Investors	**21**	29	**5.55**	6.19	**2,345,545**	2,618,382
Individuals	**69,818**	69,651	**28.77**	27.76	**12,165,771**	11,735,249
Total	**70,399**	70,267	**100.00**	100.00	**42,276,270**	42,276,270

AUDITORS' REPORT

TO THE MEMBERS OF TITAN INDUSTRIES LIMITED

We have audited the attached balance sheet of Titan Industries Limited as at 31st March, 1999 and also the profit and loss account of the Company for the year ended on that date, annexed thereto, and report that :

1. As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988, issued by the Company Law Board in terms of Section 227(4A) of the Companies Act, 1956, we annex hereto a statement on the matters specified in paragraphs 4 and 5 of the said Order.

2. Further to our comments in the annexure referred to in paragraph 1 above :

   (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 the books;

   (c) the balance sheet and profit and loss account dealt with by this report are in agreement with the books of account;

   (d) in our opinion, the profit and loss account and the balance sheet comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;

   (e) in our opinion and to the best of our information and according to the explanations given to us, the accounts give the information required by the Companies Act, 1956 in the manner so required, and give a true and fair view:

      (i) in the case of the balance sheet, of the state of affairs of the Company as at 31st March, 1999; and

      (ii) in the case of the profit and loss account, of the profit for the year ended on that date.

For A. F. Ferguson & Co.
Chartered Accountants

Date : 28 May 1999
Bangalore

H. L. Shah
Partner

ANNEXURE TO THE AUDITORS' REPORT

Annexure referred to in paragraph 1 of the Auditors' Report to the Members of Titan Industries Limited on the Accounts for the year ended 31st March, 1999.

1. The Company has maintained proper records showing full particulars including quantitative details and location of fixed assets. Most of the fixed assets have been physically verified by the management during the year. As explained to us, no material discrepancies were noticed on such verification. In our opinion, the frequency of physical verification is reasonable.
2. None of the fixed assets have been revalued during the year.
3. The stocks of finished goods, stores, spare parts and raw materials have been physically verified by the management at regular intervals. The stocks in possession of third parties have been verified by the management, in most cases, with reference to certificates obtained by them and/or other relevant documents.
4. The procedures followed by the management for physical verification of stocks are reasonable and adequate in relation to the size of the Company and the nature of its business.
5. The discrepancies noticed on physical verification of stocks as compared to the book records were not significant and have been properly dealt with in the books of account.
6. In our opinion, the valuation of stocks is fair and proper in accordance with the normally accepted accounting principles and is on the same basis as in the preceding year.
7. The Company has not taken any loans from companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956 where the terms and conditions were prima facie prejudicial to the interest of the Company. We are informed that there are no companies under the same management within the meaning of Section 370 (1B) of the Companies Act, 1956.
8. The Company has not granted any loans to companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956 where the terms and conditions were prima facie prejudicial to the interest of the Company. We are informed that there are no companies under the same management within the meaning of Section 370 (1B) of the Companies Act, 1956.
9. In respect of loans and advances in the nature of loans given by the Company, where stipulations have been made, the parties are repaying the principal amounts as stipulated or as rescheduled and are also regular in the payment of interest, where applicable.
10. In our opinion and according to the information and explanations given to us, having regard to the explanations that some of the items purchased are of a special nature for which comparable alternative quotations are not available, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchases of stores, raw materials including components, plant and machinery, equipment and other assets, and for the sale of goods.
11. In our opinion and according to the information and explanations given to us and having regard to our comments in 10 above, where transactions have been made with different parties, the transactions of purchase of goods and materials and sale of goods, materials and services, made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 and aggregating during the year to Rs. 50,000 or more in respect of each party, have been made at prices which are

reasonable having regard to the prevailing market prices for such goods, materials or services as available with the Company, or the prices at which transactions for similar goods or services have been made with other parties.

12. As explained to us, the Company has a regular procedure for the determination of unserviceable or damaged stores, raw materials and finished goods and adequate provision for the same has been made in the accounts.

13. In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Section 58A of the Companies Act, 1956, and the Companies (Acceptance of Deposits) Rules, 1975 with regards to the deposits accepted.

14. As explained to us, the Company's operations do not generate any by-products. In our opinion, reasonable records have been maintained by the Company for the sale of scrap.

15. In our opinion, the Company has an adequate internal audit system commensurate with the size and nature of its business.

16. We are informed that maintenance of cost records has not been prescribed by the Central Government under Section 209(1)(d) of the Companies Act, 1956 in respect of the Company's products.

17. According to the records of the Company, provident and employees state insurance dues have been regularly deposited during the year with the appropriate authorities.

18. There are no undisputed amounts payable in respect of income tax, wealth tax, sales tax, customs duty and excise duty as at 31st March, 1999 which are outstanding for a period of more than six months from the date they became payable.

19. In our opinion and according to the information and explanations given to us, personal expenses have not been charged to revenue account other than those payable under contractual obligations or in accordance with generally accepted business practice.

20. The Company is not a sick industrial company within the meaning of clause (o) of sub-section (1) of Section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985.

21. In respect of its service activities, the Company has a reasonable system of recording receipts, issues and consumption of components and stores commensurate with its size and the nature of its business. The system provides for a reasonable allocation of materials to the relative jobs but it is not considered necessary by the management to allocate man-hours consumed to relative jobs. In our opinion, there is a reasonable system for authorisation at proper levels and an adequate system of internal control commensurate with the size of the Company and the nature of its business on issue of stores and allocation of stores to jobs.

22. In respect of the Company's trading activity, we are informed that there are no damaged stocks.

For A. F. Ferguson & Co.
Chartered Accountants

Date : 28 May 1999
Bangalore

H. L. Shah
Partner

BALANCE SHEET

as at 31 March 1999

SOURCES OF FUNDS	SCHEDULE		Rupees in lakhs 31-3-99	31-3-98
Shareholders' funds				
Share capital	A		**8227.63**	7977.63
Reserves and surplus	B		**11607.71**	11573.10
Loan funds				
Secured loans	C		**20367.79**	17007.63
Unsecured loans	D		**19179.98**	21172.99
Total			**59383.11**	57731.35
APPLICATION OF FUNDS				
Fixed assets	E			
Gross block, at cost		**34925.32**		33682.65
Less : Depreciation		**11980.34**		10038.64
Net block		**22944.98**		23644.01
Advances on capital account and capital work in progress, at cost		**718.58**		194.46
			23663.56	23838.47
Investments	F		**2699.72**	2699.72
Current assets, loans and advances	G			
Inventories		**17218.99**		17267.16
Sundry debtors		**10140.12**		8324.85
Cash and bank balances		**503.78**		764.00
Loans and advances		**12145.12**		10646.70
		40008.01		37002.71
Less:				
Current liabilities and provisions	H			
Current liabilities		**5564.60**		4451.72
Provisions		**1423.58**		1357.83
		6988.18		5809.55
Net current assets			**33019.83**	31193.16
Total			**59383.11**	57731.35
Notes	K			

PER OUR REPORT ATTACHED
FOR A. F. FERGUSON & CO.
Chartered Accountants

For and on behalf of the Board,

H. L. Shah
Partner

A. L. Mudaliar
Chairman

Xerxes Desai
Vice Chairman & Managing Director

K. F. Kapadia
Sr. Vice President - Finance

G. Mohana Sundaram
Asst. Company Secretary

Bangalore, 28 May 1999

PROFIT AND LOSS ACCOUNT

for the year ended 31 March 1999

			Rupees in lakhs	
INCOME	**SCHEDULE**		**Current Year**	Previous Year
Sales			**48203.96**	44206.38
Other income	I		**241.49**	315.68
Total			**48445.45**	44522.06
EXPENDITURE				
Operating and other expenses	J		**35019.43**	32013.31
Excise duty			**4328.38**	3707.63
Depreciation			**2014.12**	1881.65
Interest			**5192.27**	5295.50
Total			**46554.20**	42898.09
PROFIT FOR THE YEAR			**1891.25**	1623.97
TAXES			**186.90**	160.13
PROFIT AFTER TAXES			**1704.35**	1463.84
Transfer from investment allowance reserve			**693.01**	41.75
Profit brought forward			**2781.54**	3071.22
Amount available for appropriation			**5178.90**	4576.81
Appropriations				
Transfer to debenture redemption reserve		**41.88**		29.00
Dividend paid on preference shares		**408.77**		411.71
Tax paid on preference dividend		**40.88**		40.96
Proposed dividend on equity shares		**1099.18**		1056.91
Tax on proposed equity dividend		**120.91**		105.69
Transfer to general reserve		**239.75**		151.00
			1951.37	1795.27
Balance carried to balance sheet			**3227.53**	2781.54
Notes	K			

PER OUR REPORT ATTACHED
FOR A. F. FERGUSON & CO.
Chartered Accountants

H. L. Shah
Partner

Bangalore, 28 May 1999

K. F. Kapadia
Sr. Vice President - Finance

G. Mohana Sundaram
Asst. Company Secretary

For and on behalf of the Board,

A. L. Mudaliar
Chairman

Xerxes Desai
Vice Chairman & Managing Director

"A" SHARE CAPITAL	Rupees in lakhs 31-3-99	31-3-98
Authorised		
8,00,00,000 equity shares of Rs. 10 each	**8000.00**	8000.00
40,00,000 redeemable cumulative preference shares of Rs. 100 each	**4000.00**	4000.00
	12000.00	12000.00
Issued and subscribed		
4,22,76,270 equity shares of Rs. 10 each, fully paid up	**4227.63**	4227.63
5,00,000 (1998:5,00,000) 11% redeemable cumulative preference shares of Rs. 100 each, fully paid up	**500.00**	500.00
Nil (1998: 3,00,000) 13.5% redeemable cumulative preference shares of Rs. 100 each, fully paid up	—	300.00
Nil (1998: 10,00,000) 14% redeemable cumulative preference shares of Rs. 100 each, fully paid up	—	1000.00
2,50,000 (1998: 2,50,000) 9.5% redeemable cumulative preference shares of Rs. 100 each, fully paid up	**250.00**	250.00
2,50,000 (1998: 2,50,000) 9.75% redeemable cumulative preference shares of Rs. 100 each, fully paid up	**250.00**	250.00
5,00,000 (1998: 5,00,000) 10% redeemable cumulative preference shares of Rs. 100 each, fully paid up	**500.00**	500.00
2,00,000 (1998: 2,00,000) 10.25% redeemable cumulative preference shares of Rs. 100 each, fully paid up	**200.00**	200.00
23,00,000 (1998: 7,00,000) 10.5% redeemable cumulative preference shares of Rs. 100 each, fully paid up	**2300.00**	700.00
Nil (1998: 50,000) 12% redeemable cumulative preference shares of Rs. 100 each, fully paid up	—	50.00
	8227.63	7977.63

"B" RESERVES AND SURPLUS		Rupees in lakhs 31-3-99	31-3-98
Capital reserve			
As per last balance sheet		**13.23**	13.23
Share premium account		**6172.69**	6172.69
Debenture redemption reserve			
As per last balance sheet	**242.58**		213.58
Transfer from profit and loss account	**41.88**		29.00
		284.46	242.58
Investment allowance reserve account			
As per last balance sheet	**997.06**		1038.81
Transfer to profit and loss account	**693.01**		41.75
		304.05	997.06
General reserve			
As per last balance sheet	**1366.00**		1215.00
Transfer from profit and loss account	**239.75**		151.00
		1605.75	1366.00
Balance in profit and loss account		**3227.53**	2781.54
		11607.71	11573.10

"C" SECURED LOANS	Rupees in lakhs 31-3-99	31-3-98
12.5% debentures, fully paid up	**568.91**	568.91
Foreign currency term loans from the International Finance Corporation, Washington	**291.00**	499.14
Term loans from financial institutions	**7475.00**	2911.79
Term loans from banks	**6925.00**	8775.00
Interest free sales tax loan	**83.30**	99.96
Other term loans	**512.63**	792.38
Cash credit account secured by hypothecation of book debts, inventories, stores and spares	**4511.95**	3360.45
	20367.79	17007.63

"D" UNSECURED LOANS		Rupees in lakhs 31-3-99	31-3-98
Fixed deposits		**1904.39**	2087.99
Short term loans and advances			
Loans from banks	**6232.73**		4875.00
Loans from others	**1500.00**		700.00
Deposits from companies	**6400.00**		9510.00
		14132.73	15085.00
Other loans and advances			
Term loans from banks		**3142.86**	4000.00
		19179.98	21172.99

"E" FIXED ASSETS

Rupees in lakhs

	GROSS BLOCK				DEPRECIATION		NET BLOCK	
	Cost as at 1-4-1998	Additions	Deductions	Cost as at 31-3-1999	For the year	As at 31-3-1999	As at 31-3-1999	As at 31-3-1998
Land - freehold	85.51	—	—	**85.51**	—	—	**85.51**	85.51
Land - leasehold	42.24	—	—	**42.24**	—	—	**42.24**	42.24
Buildings	3380.44	**495.00**	—	**3875.44**	**104.73**	**593.20**	**3282.24**	2891.97
Plant, machinery and equipment	27721.07	**683.34**	**50.87**	**28353.54**	**1741.60**	**10513.32**	**17840.22**	18921.12
Furniture, fixtures and equipment	2185.34	**181.79**	**73.24**	**2293.89**	**141.39**	**786.33**	**1507.56**	1508.31
Vehicles	268.05	**30.53**	**23.88**	**274.70**	**26.40**	**87.49**	**187.21**	194.86
TOTAL	33682.65	**1390.66**	**147.99**	**34925.32**	**2014.12**	**11980.34**	**22944.98**	
As at 31-3-1998	30969.91	2774.03	61.29	33682.65	1881.65	10038.64		23644.01
Advances on capital account and capital work in progress, at cost							**718.58**	194.46
							23663.56	23838.47

"F" INVESTMENTS - LONG TERM		Rupees in lakhs 31-3-99	31-3-98
Trade investments			
Quoted			
50,00,000 (1998: 50,00,000) fully paid equity shares of Rs. 10 each in Timex Watches Limited		**500.00**	500.00
Unquoted			
1,00,000 (1998: 1,00,000) fully paid equity shares of Rs. 100 each in Tata Industries Limited	**100.00**		100.00
5,00,000 (1998: 5,00,000) fully paid equity shares of Rs. 10 each in Titan Time Products Limited	**50.00**		50.00
1,00,000 (1998: 1,00,000) fully paid equity shares of Rs. 10 each in Titan Properties Limited	**10.00**		10.00
5,010 (1998: 501) fully paid equity shares of Rs. 10 each (1998: Rs. 100) in Titan Mechatronics Limited	**0.50**		0.50
2,510 (1998: 251) fully paid equity shares of Rs. 10 each (1998: Rs. 100) in Titan Holdings Limited	**0.25**		0.25
60,000 (1998: 60,000) fully paid equity shares of Rs. 10 each in Questar Investments Limited	**18.00**		18.00
85,000 (1998: 85,000) fully paid equity shares of Rs. 10 each in RDI Print & Publishing Pvt. Ltd.	**266.72**		266.72
15,000 (1998: 15,000) fully paid equity shares of Rs. 10 each in Tanishq India Ltd.	**1.50**		1.50
		446.97	446.97
Investment in subsidiary company - unquoted			
8,108 (1998: 8,108) fully paid equity shares of NLG 1,000 each in Titan International Holdings BV		**1638.03**	1638.03
Others - unquoted			
7,46,328 (1998: 7,46,328) units of Rs. 10 each of the Unit Trust of India including Nil (1998: 67,848) bonus units received during the year (Repurchase price Rs. 110.46 lakhs; 1998: Rs. 110.46 lakhs)........................		**114.72**	114.72
		2699.72	2699.72
Aggregate amount of quoted investments		**500.00**	500.00
Aggregate amount of unquoted investments		**2199.72**	2199.72
Market value of quoted investments		**850.00**	1050.00

		Rupees in lakhs	
"G" CURRENT ASSETS, LOANS AND ADVANCES		**31-3-99**	31-3-98
Inventories			
Consumable stores		**458.25**	524.53
Loose tools		**109.28**	176.16
Stock-in-trade			
Raw materials and bought-out components	**4575.28**		4531.12
Work in progress	**4652.02**		4433.28
Finished goods	**7424.16**		7602.07
		16651.46	16566.47
		17218.99	17267.16
Sundry debtors (unsecured and considered good)			
Over six months	**3844.01**		2728.86
Others	**6296.11**		5595.99
		10140.12	8324.85
Cash and bank balances			
Cash and cheques on hand	**60.87**		57.09
With scheduled banks - in current accounts	**4.27**		16.19
- on deposit	**318.81**		660.38
- in transit	**119.83**		30.34
		503.78	764.00
Loans and advances (unsecured and considered good)			
Advances recoverable in cash or in kind or for value to be received	**8194.10**		8444.55
Due from subsidiaries	**3819.74**		2106.94
Tax payments, net of provision	**77.30**		48.44
Balances with customs and excise authorities	**53.98**		46.77
		12145.12	10646.70
		40008.01	37002.71

"H" CURRENT LIABILITIES AND PROVISIONS		Rupees in lakhs 31-3-99	31-3-98
Current liabilities			
Sundry creditors			
Due to small scale industrial undertakings	**191.01**		158.71
Others	**4823.36**		3498.61
	5014.37		3657.32
Unclaimed dividends	**29.52**		40.69
Interest accrued but not due on loans	**520.71**		753.71
		5564.60	4451.72
Provisions			
Proposed dividend	**1099.18**		1056.91
Retiring gratuities	**299.97**		284.17
Others	**24.43**		16.75
		1423.58	1357.83
		6988.18	5809.55

"I" OTHER INCOME	Rupees in lakhs Current Year	Previous Year
Interest from dealers, staff loans and bank deposits - gross (tax deducted at source on interest received Rs. 2.76 lakhs; 1998: Rs. 5.73 lakhs)	**54.99**	120.38
Income from trade investments - gross (tax deducted at source Nil; 1998: Nil)	**91.60**	95.26
Dividend from units of Unit Trust of India (tax deducted at source Rs. 2.99 lakhs; 1998: Rs. 2.99 lakhs)	**14.93**	14.93
Miscellaneous income	**79.97**	85.11
	241.49	315.68

"J" OPERATING AND OTHER EXPENSES

Rupees in lakhs

			Current Year	Previous Year
Raw materials and components consumed			20773.94	15370.42
Loose tools, stores and spare parts consumed			1074.68	912.63
Purchase of finished goods			5.61	259.37
Payments to and provisions for employees				
Salaries and wages		4324.92		3813.85
Company's contribution to provident and other funds		331.97		303.87
Welfare expenses		712.56		678.96
Gratuity		34.82		94.81
			5404.27	4891.49
Other expenses				
Power and fuel		704.61		686.70
Repairs to buildings		42.62		37.91
Repairs to plant and machinery		125.64		113.98
Advertising		2736.35		2003.94
Selling and distribution expenses		879.79		731.17
Insurance		236.90		254.63
Rent		408.31		452.96
Rates and taxes		935.73		709.53
Travel		573.47		418.22
General expenses		1246.94		1242.79
			7890.36	6651.83
Auditors' remuneration				
Audit fees		10.00		8.00
Fees for taxation matters		3.42		3.80
Fees for other services		0.60		0.66
Reimbursement of expenses		0.87		0.36
			14.89	12.82
Directors' fees			0.66	0.42
Decrease/(Increase) in work in progress and finished goods				
Closing stocks				
Work in progress	4652.02			4433.28
Finished goods	7424.16			7602.07
		12076.18		12035.35
Opening stocks				
Work in progress	4433.28			5239.28
Finished goods	7602.07			10755.82
		12035.35		15995.10
			(40.83)	3,959.75
			35123.58	32058.73
Less: Expenses capitalised			104.15	45.42
			35019.43	32013.31

"K" Notes to the accounts

1. Accounting policies:

The accounts are prepared under the historical cost convention and materially comply with the applicable accounting standards. The significant accounting policies followed by the Company are as stated below:

i. Revenue recognition: Revenue from sale of goods is recognised when the goods are billed/despatched from the stock points.

Interest income is recognised on a time proportion basis, taking into account the amount outstanding and the rate applicable.

Dividend income is recognised when the Company's right to receive the payment is established.

ii. Fixed Assets: Capitalised at acquisition cost including directly attributable cost.

iii. Depreciation: Depreciation has been provided on the straight line method in accordance with the Companies Act, 1956.

iv. Foreign currency transactions: Foreign exchange transactions are recorded at the exchange rates prevailing on the date of the transaction.

Foreign currency liabilities incurred for the acquisition of fixed assets are translated at exchange rates prevailing on the last working day of the accounting year or forward cover rates, as applicable. The net variation arising out of the said translation is adjusted to the cost of fixed assets.

Outstanding foreign currency assets and liabilities are restated at year end rates. The net loss or gain arising on restatement / settlement is adjusted to the profit and loss account.

v. Investments: Long term investments are valued at acquisition cost.

vi. Inventories: Consumable stores and loose tools are valued at cost. All other inventories are valued at lower of cost and net realisable value. The cost of various categories of inventory is determined as follows:

a) Consumable stores, loose tools, raw materials and components are valued on a monthly moving weighted average rate.

b) Work in progress and manufactured goods are valued on full absorption cost method based on the annual average cost of production.

c) Traded goods are valued at annual average cost of purchases.

vii. Product warranty expenses: Product warranty costs are determined based on past experience and provided for in the year of sale.

viii. Retirement benefits: Contribution to the provident fund is made monthly at a pre-determined rate to the Provident Fund Trust and debited to the profit and loss account on an accrual basis.

Gratuity liability and leave encashment benefit is provided on an actuarial basis.

Contribution to the superannuation fund is made annually at a pre-determined rate to the Superannuation Trust and debited to the profit and loss account on an accrual basis.

2. Estimated amount of contracts remaining to be executed on capital account and not provided for is Rs. 448.04 lakhs (1998 : Rs. 72.73 lakhs).

3. Contingent liabilities not provided for:

   i) Guarantees given by the Company – Rs. 2123 lakhs (1998 : Rs. 1977 lakhs).

   ii) Letter of comfort given to a bank – Rs. 5303 lakhs (1998 : Rs. 5142 lakhs).

   iii) Bills discounted by trade – Rs. 5524 lakhs (1998 : Rs. 2891 lakhs).

   iv) Claims against the Company not acknowledged as debts: Sales tax, Customs, Excise and Income tax matters – Rs. 3872 lakhs (1998: Rs. 3715 lakhs).

4. a) The 11% redeemable cumulative preference shares aggregating Rs. 500 lakhs are redeemable at par at the end of 7 years from the date of allotment (i.e., 31st March, 1995). However, they may be redeemed either at the option of the Company or by the Holder(s) at any time after the expiry of 24 months from the date of allotment.

   b) The 9.50% redeemable cumulative preference shares aggregating Rs. 250 lakhs are redeemable at par at the end of 7 years from the date of allotment (i.e., 15th September, 1997). However, they may be redeemed either at the option of the Company or by the Holder(s) at any time after the expiry of 18 months from the date of allotment. In case of withdrawal of certain tax benefits, they may be redeemed at the option of the holder.

   c) The 9.75% redeemable cumulative preference shares aggregating Rs. 250 lakhs are redeemable at par at the end of 7 years from the date of allotment (i.e., 17th September, 1997). However, they may be redeemed either at the option of the Company or by the Holder(s) at any time after the expiry of 18 months from the date of allotment. In case of withdrawal of certain tax benefits, they may be redeemed at the option of the holder.

   d) The 10.25% redeemable cumulative preference shares aggregating Rs. 200 lakhs are redeemable at par at the end of 7 years from the date of allotment (i.e. 1st October, 1997). However, they may be redeemed either at the option of the Company or by the Holder(s) on expiry of 18 months from the date of allotment. Yearly call and put option is exercisable thereafter on the 1st working day of April every year. In case of withdrawal of certain tax benefits, they may be redeemed at the option of the holder.

   e) The 10.50% redeemable cumulative preference shares aggregating Rs. 1700 lakhs are redeemable at par at the end of 7 years from the respective dates of allotment as under :–

      Rs. 200 lakhs – 1st July, 1998
      Rs.1000 lakhs – 8th July, 1998
      Rs. 300 lakhs – 9th September, 1998
      Rs. 200 lakhs – 28th September, 1998

      However, they may be redeemed either at the option of the Company or by the Holder(s) at any time after the expiry of 18 months from the date of allotment. In case of withdrawal of certain tax benefits, they may be redeemed at the option of the holder.

   f) The 10.50% redeemable cumulative preference shares aggregating Rs. 600 lakhs are redeemable at par at the end of 3 years from the date of allotment (i.e., 7th December, 1998). However, they may be redeemed either at the option of the Company or by the Holder(s) after the expiry of 12 months from the date of allotment and at the end of 24 months from the date of allotment. In case of withdrawal of certain tax benefits, they may be redeemed at the option of the holder.

g) The 10% redeemable cumulative preference shares aggregating Rs. 500 lakhs are redeemable at par at the end of 7 years from the date of allotment (i.e., 10th March, 1999). However, they may be redeemed either at the option of the Company or by the Holder(s) at any time after the expiry of 18 months from the date of allotment. In case of withdrawal of certain tax benefits, they may be redeemed at the option of the holder.

5. The 12.5% debentures are redeemable at par on 30th September, 1999, and are secured by:

   a) a legal mortgage on an immovable property of the Company; and

   b) an equitable mortgage of the Company's immovable property relating to the Watch Plant located at Hosur.

   c) further, the Company has also created an additional security by hypothecation of its movable assets (save and except the current assets and book debts), both present and future, relating to the Watch Plant located at Hosur subject to a prior charge on specific assets covered under note 10 (a) below.

6. The foreign currency term loans from the International Finance Corporation, Washington, are secured:

   a) by way of an equitable mortgage of the Company's immovable property relating to the Watch Plant situated at Hosur; and

   b) by hypothecation of its movable assets (save and except book debts) both present and future, subject to a prior charge on inventories in favour of banks for providing working capital and the specific charge on assets covered under note 10 (a) below.

7. The term loans from financial institutions shown under secured loans include :

   a) Loan of Rs. 4975 lakhs (1998: Rs. Nil) which is secured/to be secured by the securities stated below:

      (i) to be secured by a first mortgage and charge of all the Company's immovable properties, both present and future; and

      (ii) secured by a first charge by way of hypothecation of all the Company's movables, both present and future (save and except current assets), subject to the prior charges created in favour of the Company's Bankers for the working capital requirement of the Company and subject to a prior charge on the specific assets covered under note 10 (a) below.

   b) Loan of Rs. 2500 lakhs (1998: Nil) to be secured by a first charge by way of hypothecation of current assets including book debts, receivables and inventories both present and future.

8. The term loans from banks shown under secured loans include:

   a) loan of Rs. 375 lakhs (1998: Rs. 625 lakhs) secured by a first charge on the movable assets of the Company, both present and future (save and except current assets and book debts).

   b) loan of Rs. 3300 lakhs (1998: Rs. 4400 lakhs) secured by a first charge on the movable and immovable properties of the Company, both present and future.

c) loan of Rs. 500 lakhs (1998: Rs. 750 lakhs) secured by a first charge on the movable assets and to be secured by an equitable mortgage of immovable properties of the Company, both present and future.

d) loan of Rs. 2750 lakhs (1998: Rs. 3000 lakhs) secured by a first charge on the movable assets and to be secured by an equitable mortgage of immovable properties of the Company, both present and future.

9. The interest-free sales tax loan is secured by a second charge by way of an equitable mortgage of the Company's immovable property relating to the Watch Plant located at Hosur and hypothecation of assets except inventories and book debts.

10. The other term loans shown under secured loans, include:

a) loans of Rs. 140.63 lakhs (1998: Rs. 234.38 lakhs) secured by a first charge on assets purchased out of these amounts.

b) loans of Rs. 372 lakhs (1998: Rs. 558 lakhs) which is secured/to be secured as follows:

(i) a first charge by way of hypothecation of all the movable assets and mortgage of all lands and immovable properties of the Company, both present and future.

(ii) a pledge of the shares of its wholly owned subsidiary.

(iii) all receivables to the Company from its subsidiary.

11. The security covered under notes 5(b) & (c), 6, 7, 8 and 10(b) above rank pari passu.

12. Loans and advances include Rs. 412.74 lakhs (1998: Rs. 72.52 lakhs) advanced to a Company which is proposed to be adjusted against issue of equity shares by that Company.

13. The small scale industrial undertakings to whom the Company owes a sum exceeding Rs.1 lakh which is outstanding for more than 30 days are Sona Horologicals Private Limited and Ratesh International.

14. Exchange fluctuation on foreign currency loans taken for acquisition of fixed assets capitalised is Rs. 304.98 lakhs (1998: Rs. 315.74 lakhs).

Exchange gain (net), included in profit and loss account is Rs. 470.12 lakhs (1998: Rs. 412.06 lakhs).

Exchange loss (net), in respect of forward exchange contracts to be recognised in the profit and loss account of the subsequent year i.e. financial year 1999-2000 is Rs. 69.00 lakhs.

15. Sales includes sale of scrap Rs. 200.82 lakhs (1998: Rs. 155.51 lakhs), sale of accessories Rs.1784.79 lakhs (1998: Rs. 1657.30 lakhs), income from services provided Rs. 144.72 lakhs (1998: Rs. 496.26 lakhs) and is net of all discounts including cash discount of Rs. 156.84 lakhs (1998: Rs. 131.80 lakhs).

16. Interest expense disclosed in the profit and loss account is net of Rs. Nil lakh (1998: Rs. 1.74 lakhs), being the amount capitalised and Rs. 599.57 lakhs (1998: Rs. 458.92 lakhs) being interest received on advances.

17. Interest on fixed loans and debentures amounts to Rs. 5015.51 lakhs (1998: Rs. 5100.91 lakhs).

18. Maximum amount due by the Company's Officers at any time during the year was Rs. 0.09 lakh (1998: Rs. 0.18 lakh). Balance as on 31st March, 1999 Rs. Nil lakh (1998: Rs. 0.09 lakh).

19. The Managing Director's remuneration of Rs. 27.98 lakhs (1998: Rs. 20.60 lakhs) is inclusive of contribution to provident and other funds Rs. 2.43 lakhs (1998: Rs. 1.56 lakhs), perquisites Rs. 5.30 lakhs (1998: Rs. 4.04 lakhs) and commission Rs. 11.25 lakhs (1998: Rs. 9.00 lakhs).

Computation of net profit under section 309(5) of the Companies Act, 1956 for the current year is as under :

	Rupees in lakhs 1999	1998
Profit before taxes as per Profit and Loss Account	**1891.25**	1623.97
Add: Managing Director's remuneration	**27.98**	20.60
Directors' fees	**0.66**	0.42
Depreciation provided in the accounts for the current year	**2014.12**	1881.65
Loss on sale of fixed assets as per books (net)........	**34.49**	—
Profit on sale of fixed assets as per section 349 of the Companies Act, 1956.............................	**0.46**	16.86
	3968.96	3543.50
Less: Depreciation as per section 350 of the Companies Act, 1956 for the current year	**2567.65**	2711.22
Profit on sale of fixed assets as per books (net)......	—	6.15
Net Profit..	**1401.31**	826.13

20. The provisions of Industries (Development and Regulation) Act, 1951, relating to licensed capacity are not applicable to the Company. The installed capacity is 4.53 million watches per annum (1998: 4.43 million watches), 0.15 million jewellery pieces per annum (1998: 0.12 million jewellery pieces) and 0.65 million Table Clocks (1998: 0.65 million Table Clocks). The installed capacities are as certified by the management and relied upon by the auditors without verification, being a technical matter.

21. The Company produced 50,17,870 watches (1998: 41,61,706 watches) sold 51,04,664 watches - Rs. 37,509.71 lakhs (1998: 43,08,393 watches - Rs. 34,681.49 lakhs) and had a Closing Stock of 5,01,261 watches - Rs. 4,745.52 lakhs (1998: 5,88,055 watches - Rs. 5,236.70 lakhs; 1997: 7,34,742 watches - Rs. 6,410.27 lakhs).

The Company produced 1,74,915 jewellery pieces (1998: 1,12,868 jewellery pieces), purchased Nil jewellery pieces (1998: Nil jewellery pieces) sold 1,67,744 jewellery pieces - Rs. 7,438.28 lakhs (1998: 1,19,567 jewellery pieces - Rs. 5,999.19 lakhs) and had a closing stock of 32,046 jewellery pieces - Rs.1,978.37 lakhs (1998: 24,875 jewellery pieces - Rs.1,566.42 lakhs; 1997 : 31,574 jewellery pieces - Rs. 3,261.14 lakhs).

The Company produced 5,03,152 Table Clocks (1998: 1,83,369) sold 4,25,967 Table Clocks - Rs.1,071.68 lakhs (1998: 2,88,458 Table Clocks - Rs. 852.46 lakhs) and had a closing stock of 1,90,790 Table Clocks - Rs. 545.13 lakhs (1998: 1,13,605 Table Clocks - Rs. 605.25 lakhs; 1997: 2,18,694 Table Clocks - Rs. 843.26 lakhs).

22. The Company purchased 189 watches (1998: 40,535 watches), sold 5,990 watches - Rs. 40.44 lakhs (1998: 44,518 watches - Rs. 317.10 lakhs) and had a closing stock of 27,085 watches - Rs.138.84 lakhs (1998: 32,886 watches - Rs. 172.43 lakhs; 1997: 36,869 watches - Rs. 203.91 lakhs).

23. The Company purchased 11 clocks (1998: 9,630 clocks), sold 3,703 clocks - Rs. 13.52 lakhs (1998: 16,555 clocks - Rs. 47.07 lakhs) and had a closing stock of 5,935 clocks - Rs. 16.30 lakhs (1998: 9,627 clocks - Rs. 21.27 lakhs; 1997: 16,552 clocks -Rs. 37.24 lakhs).

24. Analysis of raw materials and components consumed :

	Rupees in lakhs **1999**	1998
Precious metals - Gold (1999: 1350 Kgs.) (1998: 826 Kgs.)	**5790.20**	3437.71
- Others	**317.83**	38.80
Components	**10086.42**	9369.95
Other materials	**4044.04**	2375.90
Sundry charges	**535.45**	148.06
	20773.94	15370.42

25. Value of imports on CIF basis :

	Rupees in lakhs **1999**	1998
Raw materials and components	**4083.71**	2942.23
Stores and spares	**331.23**	247.47
Capital goods	**46.96**	1629.98
	4461.90	4819.68

26. Expenditure in foreign currency (on payment basis) on account of :

	Rupees in lakhs **1999**	1998
Royalty & Technical Fees	**—**	11.73
Interest	**37.39**	57.27
Others	**205.22**	114.65

27. Amount remitted by the Company in foreign currency on account of dividends :

	31.3.1999	31.3.1998
i) Number of Shareholders	**17**	14
ii) Number of equity shares on which dividend was paid	**86,922**	1,10,670
iii) Year to which the dividend related	**1997-98**	1996-97
iv) Amount remitted (net of tax) (Rs. in lakhs)	**2.17**	3.65

28. Earnings in foreign exchange:

	Rupees in lakhs **1999**	1998
Export of goods on FOB basis	**3155.91**	3581.23
Interest	**199.50**	50.59

29. Value of imported and indigenous raw materials and components consumed and the percentage of each to the total consumption :

	1999		1998	
	Rupees in Lakhs	**%**	Rupees in Lakhs	%
Imported				
CIF Value	**4352.18**	**21**	3256.02	21
Customs duties	**464.03**	**2**	331.47	2
	4816.21	**23**	3587.49	23
Indigenous	**15957.73**	**77**	11782.93	77
	20773.94	**100**	15370.42	100

30. Expenditure directly attributable to research and development [including capital expenditure of Rs. 5.25 lakhs; (1998: Rs. 24.54 lakhs)] is estimated at Rs. 109.78 lakhs (1998: Rs. 115.94 lakhs).

31. The figures of the previous year have been regrouped/recast, where necessary.

32. Balance Sheet Abstract and Company's General Business Profile :

I. REGISTRATION DETAILS

REGISTRATION NO.	1 8 - 0 0 1 4 5 6
STATE CODE	1 8
BALANCE SHEET DATE	3 1 (DATE) 0 3 (MONTH) 9 9 (YEAR)

II. CAPITAL RAISED DURING THE YEAR (AMOUNT IN RS. THOUSANDS)

PUBLIC ISSUE	N I L
RIGHTS ISSUE	N I L
BONUS ISSUE	N I L
PREFERENTIAL ALLOTMENT	2 5 0 0 0

III. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS (AMOUNT IN RS. THOUSANDS)

TOTAL LIABILITIES	6 6 3 7 1 2 9
TOTAL ASSETS	6 6 3 7 1 2 9

SOURCE OF FUNDS

PAID-UP CAPITAL	8 2 2 7 6 3
RESERVES & SURPLUS	1 1 6 0 7 7 1
SECURED LOANS	2 0 3 6 7 7 9
UNSECURED LOANS	1 9 1 7 9 9 8

APPLICATION OF FUNDS

NET FIXED ASSETS	2 3 6 6 3 5 6
INVESTMENTS	2 6 9 9 7 2
NET CURRENT ASSETS	3 3 0 1 9 8 3
MISC. EXPENDITURE	N I L
ACCUMULATED LOSSES	N I L

IV. PERFORMANCE OF COMPANY (AMOUNT IN RS. THOUSANDS)

TURNOVER	4 8 4 4 5 4 5
TOTAL EXPENDITURE	4 6 5 5 4 2 0
+ / - PROFIT/LOSS BEFORE TAX	+ ✓ 1 8 9 1 2 5
+ / - PROFIT/LOSS AFTER TAX	+ ✓ 1 7 0 4 3 5
EARNING PER SHARE IN RS.	2 . 9 7
DIVIDEND RATE %	2 6

V. GENERIC NAMES OF THE THREE PRINCIPAL PRODUCTS OF THE COMPANY

ITEM CODE NO. (ITC CODE)	PRODUCT DESCRIPTION
9 1 . 0 2	W A T C H E S
9 1 . 0 3	C L O C K S
7 1 . 1 3	J E W E L L E R Y

SIGNATURE TO SCHEDULES "A" TO "K"
FOR AND ON BEHALF OF THE BOARD,

A. L. Mudaliar
Chairman

Xerxes Desai
Vice Chairman & Managing Director

K. F. Kapadia
Sr. Vice President - Finance

G. Mohana Sundaram
Asst. Company Secretary

Bangalore, 28 May 1999

CASH FLOW STATEMENT

for the year ended 31 March, 1999

	Current Year	Previous Year
	Rupees in lakhs	
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net profit before tax	**1,891.25**	1,623.97
Adjustments for :		
Depreciation	**2,014.12**	1,881.65
Exchange difference	**(470.12)**	(412.06)
Financial lease payments	**2.94**	3.16
Loss/(profit) on sale of fixed assets (net)	**34.49**	(6.15)
Profit on sale of investments (net)	**—**	—
Dividend received	**(106.53)**	(110.19)
Interest paid (net)	**5,137.28**	5,175.12
Operating profit before working capital changes	**8,503.43**	8,155.50
Adjustments for :		
(Increase)/Decrease in sundry debtors	**(1,815.27)**	(514.44)
(Increase)/Decrease in inventories	**48.17**	5,351.87
(Increase)/Decrease in loans and advances	**(1,469.56)**	(3,756.49)
Increase/(Decrease) in current liabilities	**1,136.36**	(1,369.13)
Cash generated from operations	**6,403.13**	7,867.31
Interest paid (net)	**(5,137.28)**	(5,175.12)
Direct taxes paid	**(377.55)**	(486.55)
NET CASH FROM/(USED IN) OPERATING ACTIVITIES	**888.30**	2,205.64
B. CASH FLOW FROM INVESTING ACTIVITIES		
Additions to fixed assets (including capital work in progress and advances on capital account)	**(1,914.78)**	(2,480.02)
Proceeds from sale of fixed assets	**41.08**	51.69
Purchase of investments	**—**	—
Proceeds from sale of investments	**—**	—
Dividend received	**106.53**	110.19
NET CASH FROM/(USED IN) INVESTING ACTIVITIES	**(1,767.17)**	(2,318.14)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from issue of preference share capital	**3,300.00**	2,150.00
Redemption of preference share capital	**(3,050.00)**	(1,700.00)
Proceeds from new borrowings	**15,839.20**	12,366.60
Repayment of borrowings	**(14,472.05)**	(10,999.90)
Financial lease payments	**(2.94)**	(3.16)
Dividends paid	**(1,465.68)**	(1,806.83)
Exchange difference	**470.12**	412.06
NET CASH FROM/(USED IN) FINANCING ACTIVITIES	**618.65**	418.76
NET CASH FLOWS DURING THE YEAR (A+B+C)	**(260.22)**	306.26
CASH AND CASH EQUIVALENTS (OPENING BALANCE)	**764.00**	457.74
CASH AND CASH EQUIVALENTS (CLOSING BALANCE)	**503.78**	764.00

FOR AND BEHALF OF THE BOARD,

A. L. Mudaliar
Chairman

Xerxes Desai
Vice Chairman & Managing Director

K. F. Kapadia
Sr. Vice President - Finance

G. Mohana Sundaram
Asst. Company Secretary

Bangalore, 28 May 1999

AUDITORS' CERTIFICATE

We have examined the above cash flow statement of Titan Industries Limited for the year ended 31 March, 1999. The statement has been prepared by the Company in accordance with the requirements of Clause 32 of listing agreements with the Stock Exchanges and is based on and in agreement with the corresponding profit and loss account and balance sheet of the Company covered by our report of 28 May 1999 to the members of the Company.

For A. F. Ferguson & Co.
Chartered Accountants

H. L. Shah
Partner

Bangalore, 28 May 1999

TITAN INTERNATIONAL HOLDINGS B. V.

Amsterdam

MANAGEMENT REPORT

The Board of Directors is pleased to present the Annual Report and Accounts of the Company for the financial year ended March 31, 1999.

OVERVIEW OF ACTIVITIES

The state of affairs of the Company at the closing of the financial year is adequately presented in the Balance Sheet and the Profit and Loss Account attached hereto.

During the year under review the Company incorporated a Netherlands Antilles company, Titan Brand Holdings N.V. and transferred its trademarks to the subsidiary for a total consideration of NLG 18,300,000.

An additional investment of £ 2,000,000 was made in Titan International Marketing Ltd., London.

The Company increased its share capital to NLG 10,000,000. The legal procedure to properly issue the additional 1,892 shares was completed on June 24, 1999.

FUTURE DEVELOPMENTS

The Management does not anticipate any major changes during the coming financial year.

POST BALANCE SHEET EVENTS

No material matters or circumstances of importance have arisen since the end of the financial year, which have significantly affected or may significantly affect the operations of the Company, the results of those operations or the affairs of the Company.

THE MANAGING DIRECTORS

F. K. Kavarana   X. S. Desai   A. L. Mudaliar
V. I. Nangia   M. N. Ramdas

Amsterdam, July 23, 1999

AUDITORS' REPORT

Introduction

We have audited the financial statements for the purposes of filing with the Chamber of Commerce of TITAN INTERNATIONAL HOLDINGS B.V., Amsterdam (The Netherlands) for the year ended March 31, 1999. 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.

Scope

We conducted our audit in accordance with auditing standards generally accepted in The Netherlands. 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.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at March 31, 1999 and of the result for the year then ended in accordance with accounting principles generally accepted in The Netherlands and comply with the financial reporting requirements included in Part 9, Book 2 of The Netherlands Civil Code, applying certain restrictions allowed by Article 396 of that Part.

Emphasis of matter

Without qualifying our opinion above, we draw attention to note 5 to the financial statements. As explained in this note, the company has invested significant amounts in a subsidiary that has incurred significant losses over the past few years. Realizability of this investment depends on the uncertain outcome of the measures undertaken to generate future profits in the subsidiary. We also draw attention to note 4; realizability of the amounts invested in design and development expenses depends on the flow of royalty income in the future.

Rotterdam, The Netherlands, July 23, 1999   ARTHUR ANDERSEN

BALANCE SHEET

as of March 31, 1999
(After proposed appropriation of results)

ASSETS	NOTES	1999 NLG	1998 NLG
Fixed Assets			
Intangible assets	(4)	**5,429,277**	24,661,852
Investments	(5)	**15,153,749**	8,909,807
		20,583,026	33,571,659
Current Assets			
Royalties receivable	(6)	**0**	1,756,268
Receivable from subsidiaries and affiliated companies	(7)	**18,893,955**	204,227
Prepaid interest		**34,723**	0
Other receivables and prepaid expenses		**65,936**	101,744
Cash at banks		**180,693**	24,768
		19,175,307	2,087,007
TOTAL ASSETS		**39,758,333**	35,658,666
SHAREHOLDER'S EQUITY AND LIABILITIES			
Shareholder's Equity	(8)		
Issued and fully paid-in share capital		**10,000,000**	8,108,000
Retained earnings		**100,101**	87,696
		10,100,101	8,195,696
Provision For Deferred Taxes	(11)	**0**	252,740
Long-term Liabilities	(9)	**20,234,106**	21,234,960
Current Liabilities			
Due to group and affiliated companies	(10)	**8,391,110**	5,846,723
Corporate tax payable		**428,740**	0
Interest payable to group and affiliated companies		**542,182**	64,993
Accounts payable and accrued expenses		**62,094**	63,554
		9,424,126	5,975,270
TOTAL SHAREHOLDER'S EQUITY AND LIABILITIES		**39,758,333**	35,658,666

The accompanying notes form part of these accounts.

PROFIT AND LOSS ACCOUNT

for the year ended March 31, 1999

OPERATING INCOME (EXPENSES)	NOTES	1999 NLG	1998 NLG
Royalty income		**2,291,098**	3,703,842
General and administrative expenses		**(17,193)**	(112,086)
Amortization expense		**(2,657,070)**	(1,749,970)
Net operating income (loss)		**(383,165)**	1,841,786
FINANCIAL INCOME (EXPENSES)			
Interest expenses, net	(11)	**(1,188,900)**	(898,475)
Currency exchange differences		**(24,622)**	(721,108)
Net financial income (expenses)		**(1,213,522)**	(1,619,583)
Result from ordinary activities before taxes		**(1,596,687)**	222,203
Income taxes	(12)	**449,000**	(195,000)
Result from ordinary activities after taxes		**(1,147,687)**	27,203
Extraordinary result	(4)	**1,785,092**	0
Income taxes on extraordinary result	(12)	**(625,000)**	0
Extraordinary result after taxes		**1,160,092**	0
NET PROFIT FOR THE YEAR		**12,405**	27,203

The accompanying notes form part of these accounts.

NOTES TO THE ANNUAL ACCOUNTS — MARCH 31, 1999

1. (a) **Group Affiliation and Principal Activities**

The Company, incorporated on November 23, 1993, is a limited liability company with its statutory seat in Amsterdam, The Netherlands.

During the fiscal year, the principal activity of the Company was the holding and financing of group companies and the exploitation of trademarks. The Company is a wholly owned subsidiary of Titan Industries Limited, India ("the parent company"), to whose accounts the annual accounts of the Company are appended.

(b) **Related Party Transactions**

Royalty income and interest income are generated and incurred primarily through group and affiliated companies. In the past, costs associated with brand-building, trademarks and design and development were charged to the Company by affiliated companies. During fiscal year 1998/1999 no such costs were incurred by the Company. Credit Notes to cover certain costs were received to an amount of NLG 150,000.

On March 31, 1999 the Company sold its trade mark rights and associated registration and brand building costs to an unconsolidated subsidiary.

2. **Basis of Presentation**

The accompanying annual accounts have been prepared in accordance with principles of accounting generally accepted in The Netherlands.

For comparison purposes certain minor reclassifications have been made in the 1997/1998 figures.

3. **Significant Accounting Policies**

(a) **General**

Assets and liabilities are stated at face value unless indicated otherwise.

(b) **Intangible Assets**

The initial expenses incurred in connection with the incorporation of the Company are capitalized and amortized on a straight-line basis over a period of five years.

The Company carries acquisition, registration and brand building expenses associated with its trademarks, and design and development, at cost. These costs are amortized on a straight line basis over a period of ten years. Amortization commences when the costs are charged and when operation of the trade mark has commenced.

(c) **Investments**

Since no significant influence can be exercised, the investments in subsidiaries are stated at historical cost price or, in case of a permanent impairment of the value of the investment, at market value.

(d) **Foreign Currencies**

Assets and liabilities denominated in foreign currencies are translated into Dutch guilders at rates of exchange applicable at the balance sheet date, unless stated differently.

Transactions in foreign currencies are translated at the rates in effect at the dates of transactions.

Exchange gains or losses are reflected in the profit and loss account.

			1999	1998
Exchange rates used at year-end are:	CHF	1	**1.381**	1.367
	FRF	100	**33.595**	33.638
	GBP	1	**3.298**	3.491
	USD	1	**2.047**	2.084
	SGD	1	**1.185**	1.290
	INR	100	**4.830**	5.274

(e) **Deferred Taxes**

Until March 31, 1999 the value of intangible assets for tax purposes was different from the value in the statutory accounts. The deferred taxes related to these differences are determined on the basis of tax rate in effect at the year-end.

(f) Recognition of Income and Expense

Income and expenses, including taxation, are recognized and reported on an accrual basis. Dividend income is recognized upon receipt.

4. Intangible Assets

The amount represents incorporation expenses, design and development expenses and expenses associated with trademarks (see note 3b) and is specified as follows:

	1999 NLG	1998 NLG
Incorporation expenses	**52,019**	33,099
Accumulated depreciation	**(33,099)**	(28,834)
Book value of incorporation expenses	**18,920**	4,265
Total cost of Design and Development expenses	**6,560,761**	6,560,761
Accumulated amortization	**(1,150,404)**	(494,304)
Book Value at end of the year	**5,410,357**	6,066,457
Total cost of trademarks at beginning of the year	**20,762,224**	9,828,157
Additions during the year, net	**0**	10,934,067
Total cost of trademarks before accumulated amortization	**20,762,224**	20,762,224
Accumulated amortization	**(4,247,316)**	(2,171,094)
Trademarks at end of the year, before transfer	**16,514,908**	18,591,130
Transfer of trademarks to unconsolidated subsidiary	**16,514,908**	0
Trademarks at end of the year after transfer	**0**	18,591,130
Total intangible assets	**5,429,277**	24,661,852

The trademarks (and associated capitalised expenditure) were sold as of March 31, 1999 to the new Company's subsidiary, Titan Brand Holdings N.V. for NLG 18,300,000. The resulting profit has been recorded under extraordinary result in the Profit & Loss Account.

The Company received a credit note from its parent company as a contribution towards amortization expenses amounting to NLG 99,000.

Capitalized expenses associated with design and development expenses are expected to be recovered through royalty income from affiliates. The management is confident that sufficient royalties will be earned to cover the costs incurred.

5. Investments

	% held	1999 NLG	1998 NLG
Titan International Marketing Ltd., U.K. Representing all of the 6% redeemable non-cumulative preference shares	91	**14,554,587**	8,335,645
Titan International Investments B.V., the Netherlands, 45,276 shares at NLG 10 each	49	**452,760**	452,760
Titan Watches & Jewellery International (Asia Pacific) Pte. Ltd., Singapore, 1,00,000 shares of S$ 1 each	100	**121,402**	121,402
Titan Brands Holdings N.V., Netherlands Antilles 2,500 shares of NLG 10 each	100	**25,000**	0
Total investments stated at cost		**15,153,749**	8,909,807

Titan International Marketing Ltd., U.K.:

The shareholders' equity as of March 31, 1999 consisted of 5,000,000, 6% redeemable non-convertible preferred shares and 480,000 ordinary shares with a par value of GBP 1 each.

Additional information of Titan International Marketing Ltd., is based on unaudited financial statements as of December 31, 1998;

	GBP	NLG
Shareholders' equity	**158,111**	521,450
Net loss for the period (18 months)	**(2,716,387)**	(8,958,644)

A significant gap exists between the amounts invested by the Company in this entity and its share in that entity's shareholders' equity, primarily caused by losses incurred over the past few years. Measures have been taken during the fiscal year to initiate a turnaround in the entity's results (including, for example, changes in product offering, distributors and advertising campaigns).

Although there is an element of uncertainty with respect to the recovery of funds invested, Management believes that the value of the Company's investment in that entity is not permanently impaired.

Titan International Investments B.V., the Netherlands:

The shareholders' equity of Titan International Investments B.V. as of December 31, 1998 and the net loss for the period then ended are NLG 629,407 and NLG (49,978) respectively based on audited financial statements.

Titan Watches & Jewellery International (Asia Pacific) Pte Ltd., Singapore:

Additional information of Titan Watches & Jewellery International is based on unaudited financial statements as of March 31, 1999;

	SGD	NLG
Shareholder's equity	**29,379**	34,814
Net profit for the period (18 months)	**15,763**	18,679

Titan Brand Holdings N.V. :

The shareholder's equity of this entity as of March 31, 1999 and the results for the period then ended are NLG 25,000 and zero respectively, based on unaudited financial statements.

NLG equivalents are stated at year-end exchange rate for presentation purposes.

6. Royalties Receivable

	1999 NLG	1998 NLG
Titan Watches & Jewellery International (Asia Pacific) Pte Ltd., Singapore	**0**	689,920
Titan International (Middle East) FZE, UAE.	**0**	1,066,348
	0	1,756,268

As of March 31, 1999 the Company had received advance payments for future royalties; these amounts are included under current liabilities.

7. Receivable from Subsidiaries and Affiliated Companies

		1999 NLG	1998 NLG
TITAN INTERNATIONAL MARKETING LTD., U.K., inclusive interest	GBP 106,645	**351,752**	0
TITAN BRAND HOLDINGS N.V.		**18,300,000**	0
TITAN INTERNATIONAL INVESTMENTS B.V., inclusive interest		**242,203**	204,227
		18,893,955	204,227

8. Shareholder's Equity

The authorized share capital of the Company is NLG 10,000,000 divided into 10,000 shares of NLG 1,000 each.

At the balance sheet date a total of 8,108 shares were issued and fully paid-in. The shareholders have decided before the closing of the accounts to newly issue 1,892 shares. Although the legal procedure was first completed on June 24, 1999, the accounts already reflect this transaction.

Movements in the shareholder's equity accounts are as follows:

	1999 NLG	1998 NLG
Share Capital		
Authorized share capital	**10,000,000**	10,000,000
Not issued	**0**	(1,892,000)
Issued and paid-in share capital	**10,000,000**	8,108,000
Retained earnings		
Retained earnings carried forward	**87,696**	60,493
Result for the year	**12,405**	27,203
Retained earnings	**100,101**	87,696
Total shareholder's equity	**10,100,101**	8,195,696

9. Long-term Liabilities

	1999 NLG	1998 NLG
Parent Company:		
NLG account	**0**	7,501,083
INR account	**0**	2,224
NLG loan bearing interest at 8% p.a. (at March 31, 1999)	**10,000,000**	3,000,000
	10,000,000	10,503,307
Other Loans		
The Hongkong & Shanghai Banking Corporation, Bahrain, guaranteed by the parent company, bearing interest rates, varying from 5.8% to 6.7375%, and payable in three equal annual installments commencing in April 2000 (USD 5,000,000 inclusive interest)	**10,234,106**	10,731,653
	20,234,106	21,234,960

Although the above NLG loan from parent company was received in US$, the parent company will require redemption of the stated NLG amount. If the above funds had remained payable in US$, the liability as of March 31, 1999 would have been approximately NLG 230,000 higher.

An arrangement fee of USD 50,000 paid to the above Bank, has been capitalized under "other receivables and prepaid expenses" and will be amortized in 5 years (the maturity of the loan).

10. Due to Group and Affiliated Companies

	1999 NLG	1998 NLG
Titan International Marketing Ltd., U.K.	**0**	5,447,623
Titan International (Middle East) FZE, UAE	**891,110**	0
Titan Industries Limited	**7,500,000**	399,100
	8,391,110	5,846,723

11. Interest Expense

During the fiscal year, approximately half the interest expense was related to third party financing.

12. Income Taxes

The effective tax rate differs from the statutory rate because of certain non-deductible expenses.

13. Directors and Employees

The Company has no employees at the end of the year.

The Company had five unremunerated directors during the year. No loans or advances have been given to or received from the directors.

The Company has no supervisory directors.

OTHER INFORMATION

1. Proposed Appropriation of Results

Subject to the provision under Dutch law that no dividends can be declared until all losses have been recovered, profits are at the disposal of the Annual General Meeting of Shareholders in accordance with Article 27 of the Company's Articles of Incorporation.

The Management proposes not to declare a dividend and to add the net result for the year to the retained earnings.

TITAN WATCHES & JEWELLERY INTERNATIONAL (ASIA PACIFIC) PTE LTD.

(Incorporated in the Republic of Singapore)

DIRECTORS' REPORT

The Directors submit their report together with the audited accounts of the Company for the year ended 30 June 1999.

1. **DIRECTORS**
   The names of the Directors in office at the date of this report are :—
   XERXES DESAI - Chairman
   PATRICK R. McGOLDRICK
   K. F. KAPADIA
   BHASKAR BHAT

2. **PRINCIPAL ACTIVITIES**
   The principal activities of the Company are that of importers and exporters, traders in watches and jewellery items.
   There have been no significant changes in the nature of these activities during the year.

3. **SUBSIDIARIES**
   During the financial year, the Company did not acquire or dispose of any subsidiary companies.

4. **ACCOUNTS**
   Net profit for the year after taxation: S$26,568

5. **RESERVES OR PROVISIONS**
   There were no material transfers to or from provisions and reserves during the year.

6. **ISSUE OF SHARES**
   There were no shares or debentures issued during the year.

7. **ARRANGEMENT FOR DIRECTORS TO ACQUIRE BENEFITS**
   Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangements, to which the Company is a party, whereby Directors might acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

8. **DIRECTORS' INTEREST IN SHARES**
   None of the Directors of the Company who held office at the end of the financial year had, according to the register required to be kept under Section 164 of the Companies Act, Cap. 50, any interest in shares of the Company.

9. **DIVIDENDS**
   No dividend has been paid or proposed since the end of the Company's last financial year.

10. **BAD AND DOUBTFUL DEBTS**
    Before the Profit and Loss Account and Balance Sheet were made out, the Directors took reasonable steps to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that there were no known bad debts and that no provision for doubtful debts was necessary. At the date of this report, the Directors are not aware of any circumstances which would render it necessary to write off any debts or make a provision for doubtful debts in respect of these accounts.

11. **CURRENT ASSETS**
    Before the Profit and Loss Account and Balance Sheet were made out, the Directors took reasonable steps to ascertain that current assets of the Company which were unlikely to realise in the ordinary course of business their book values have been written down to their estimated realisable values. At the date of this report, the Directors are not aware of any circumstances which would render the values attributable to current assets in these accounts misleading.

12. **CHARGES ON ASSETS AND CONTINGENT LIABILITIES**
    As at the date of this report:—
    (i) there are no charges on the assets of the Company which have arisen since the end of the financial year to secure the liabilities of any other person.
    (ii) there are no contingent liabilities which have arisen since the end of the financial year.

13. CONTINGENT OR OTHER LIABILITIES ENFORCEABLE AFTER YEAR END

No contingent liability or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may affect the ability of the Company to meet its obligations as and when they fall due.

14. OTHER CIRCUMSTANCES

At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in the report or accounts which would render any amount stated in the accounts misleading.

15. UNUSUAL ITEMS

In the opinion of the Directors, the results of the operations during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature.

16. SUBSEQUENT EVENTS

In the opinion of the Directors, no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Company for the financial year in which this report is made.

17. DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director has received or has become entitled to receive a benefit by reason of a contract made by the Company with the Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

18. SHARE OPTIONS GRANTED

No options were granted during the year to take up unissued shares of the Company.

19. SHARE OPTIONS EXERCISED

During the year, there were no shares issued by virtue of the exercise of options to take up unissued shares of the Company.

20. UNISSUED SHARES UNDER OPTION

There were no unissued shares under option as at the end of the financial year.

21. AUDITORS

The auditors, Messrs. H. Wee & Co., certified Public Accountants, Singapore, have expressed their willingness to accept re-appointment.

ON BEHALF OF THE BOARD

Xerxes Desai — Chairman

Patrick R. McGoldrick
K. F. Kapadia
Bhaskar Bhat
} Directors

Date : 29 July 1999

STATEMENT BY DIRECTORS

In the opinion of the Directors, the accompanying Balance Sheet, Profit and Loss Account together with the notes thereon are drawn up so as to give a true and fair view of the state of affairs of the Company as at 30 June 1999 and of the results of the business of the Company for the year then ended and at the date of this statement there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

ON BEHALF OF THE BOARD

Xerxes Desai — Chairman

Patrick R. McGoldrick
K. F. Kapadia
Bhaskar Bhat
} Directors

Date : 29 July 1999

BALANCE SHEET

as at 30 June 1999

	Note	1999 S$	1998 S$
SHARE CAPITAL			
Authorised			
1,000,000 ordinary shares of S$1 each ...		**1,000,000**	1,000,000
Issued and fully paid up 100,000 ordinary shares of S$l each		**100,000**	100,000
Accumulated (Losses)		**(59,816)**	(86,384)
		40,184	13,616
Represented by:—			
FIXED ASSETS	3	**2,974**	2,785
DEFERRED EXPENDITURE	4	**-**	22,419
DEFERRED TRADEMARK ROYALTY EXPENDITURE	5	**838,360**	-
CURRENT ASSETS			
Stocks		**526,928**	791,375
Trade debtors		**676,103**	192,858
Other debtors	6	**17,475**	51,724
Fixed deposit	7	**16,000**	15,000
Cash at bank		**57,025**	108,189
Cash in hand		**2,805**	-
		1,296,336	1,159,146
Less : CURRENT LIABILITIES			
Trade creditors and accruals	8	**1,243,139**	1,170,634
Amount due to related company	9	**854,347**	-
Provision for taxation		**-**	100
		2,097,486	1,170,734
NET CURRENT (LIABILITIES)		**(801,150)**	(11,588)
		40,184	13,616

PROFIT AND LOSS ACCOUNT

for the year ended 30 June 1999

	Note	1999 S$	1998 S$
Turnover	2	**3,078,281**	1,544,308
NET PROFIT/(LOSS) FOR THE YEAR		**26,515**	(114,081)
After charging/(crediting):—			
Auditors' remuneration - statutory		**3,500**	3,000
- non-statutory		**440**	-
Depreciation	3	**10,343**	1,512
Foreign exchange fluctuation		**(5,607)**	107,612
Preliminary expenses written off		**-**	1,748
Amortisation of deferred trademark royalty		**11,640**	-
TAXATION	10	**53**	21
NET PROFIT/(LOSS) FOR THE YEAR after taxation		**26,568**	(114,060)
Accumulated (LOSSES)/RETAINED earnings brought forward		**(86,384)**	27,676
Accumulated (Losses) carried forward		**(59,816)**	(86,384)

The attached notes to the Accounts form an integral part of the accounts.

NOTES TO THE ACCOUNTS — 30 JUNE 1999

1. **SIGNIFICANT ACCOUNTING POLICIES**

A. **Basis of Accounting**

The accounts expressed in Singapore dollars are prepared in accordance with the historical cost convention.

B. **Depreciation**

Depreciation is calculated on the straight line method to write off the cost of the assets over their estimated useful lives. The rates used are :—

	Per Annum
Computer hardware	33-1/3%
Computer software	100%
Furniture and fittings	100%
Telephone	33-1/3%

C. **Deferred Trademark Royalty Expenditure**

This is a lump sum payment in lieu of reduction of trademark royalty from 3% to 2% for a period of 25 years commencing from 1 July 1998. It is amortised in proportion to the forcasted sales over the 25 years period.

D. **Stocks**

Stocks are stated at the lower of cost (cost being determined on a first-in-first-out basis) and net realisable value.

E. **Income Tax**

The tax expense is determined on the basis of tax effect accounting, using the liability method and is applied to all significant timing differences. Deferred tax benefits are not recognised unless there is reasonable expectation of their realisation.

F. **Deferred Expenditure**

These were travelling expenses incurred in exploring new markets to establish its brand of products and are being amortised over a three-year period in which income would be derived.

G. **Foreign Currencies Transactions**

Transactions in foreign currencies are measured and recorded in Singapore dollars using the exchange rate in effect at the date of transaction. At each balance sheet date, recorded monetary balances that are denominated in a foreign currency are adjusted to reflect the rate at the balance sheet date. All exchange adjustments are taken to the profit and loss account.

2. **GENERAL**

The principal activities of the Company are that of importers and exporters, traders in watches and jewellery items.

Turnover represents invoiced trading sales.

3. **FIXED ASSETS**

Cost	**As @ 1.7.98** S$	**Addition** S$	**Disposal** S$	**As @ 30.6.99** **S$**	Depreciation 1998 S$
Computer hardware	4,298	508	–	**4,806**	
Computer software	990	–	–	**990**	
Furniture & fittings	1,050	8,155	–	**9,205**	
Telephone	238	1,869	568	**1,539**	
	6,576	10,532	568	**16,540**	
Accumulated Depreciation					
Computer hardware	1,672	1,461	–	**3,133**	1,433
Computer software	990	–	–	**990**	–
Furniture & fittings	1,050	8,155	–	**9,205**	–
Telephone	79	727	568	**238**	79
	3,791	10,343	568	**13,566**	1,512
Net Book Value	2,785			**2,974**	

4. **DEFERRED EXPENDITURE**

	1999 **S$**	1998 S$
Cost	**67,259**	67,259
Amount amortised	**(67,259)**	(44,840)
Balance carried forward	–	22,419

5. DEFERRED TRADEMARK ROYALTY EXPENDITURE

	1999 S$	1998 S$
Lump sum payment	850,000	–
Amount amortised	(11,640)	–
Balance carried forward	838,360	–

6. OTHER DEBTORS

	1999 S$	1998 S$
Advance payment of car lease rental	7,320	–
Advance payment of royalty	4,347	–
Amount due from immediate holding company	3,808	441
Staff advance	2,000	1,800
Prepayments	–	49,483
	17,475	51,724

7. FIXED DEPOSIT

This is pledged to a bank against a banker's guarantee in favour of Comptroller of Income Tax.

8. TRADE CREDITORS AND ACCRUALS

	1999 S$	1998 S$
These include amounts due to the following:-		
Amount due to ultimate holding company	1,147,527	1,135,110
Amount due to related party	5,664	5,664

9. AMOUNT DUE TO RELATED COMPANY

This is non-trade in nature, unsecured, interest free and has no fixed term of repayment.

AUDITORS' REPORT

TO THE MEMBERS OF TITAN WATCHES & JEWELLERY INTERNATIONAL (ASIA PACIFIC) PTE LTD.

We have audited the accompanying balance sheet of **Titan Watches & Jewellery International (Asia Pacific) PTE Ltd.** as at 30 June 1999, and the profit and loss account for the year then ended. These financial statements are the responsibility of the Company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Singapore Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:—

(a) the financial statements are properly drawn up in accordance with the provisions of the Companies Act and Statements of Accounting Standard and so as to give a true and fair view of:—

  (i) the state of affairs of the Company as at 30 June 1999 and of the results of the Company for the year then ended on that date; and

  (ii) the other matters required by section 201 of the Act to be dealt with in the accounts;

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

H. Wee & Co.
Certified Public Accountants,
Singapore

Date : 29 July 1999