

SUBSIDIARY COMPANIES

Russell Credit Limited	2
Greenacre Holdings Limited	11
Wimco Limited	17
Wimco Boards Limited	35
Wimco Seedlings Limited	42
Prag Agro Farm Limited	51
Pavan Poplar Limited	58
Srinivasa Resorts Limited	65
Fortune Park Hotels Limited	73
Bay Islands Hotels Limited	80
ITC Infotech India Limited	86
ITC Infotech Limited	97
ITC Infotech (USA), Inc.	104
Wills Corporation Limited	108
Gold Flake Corporation Limited	114
Landbase India Limited	121
BFIL Finance Limited	130
MRR Trading & Investment Company Limited	138
Surya Nepal Private Limited	142

REPORT OF THE DIRECTORS FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2006

1. The Directors hereby submit their Report and Accounts for the financial year ended 31st March, 2006.

2. COMPANY PERFORMANCE

The overall performance of the Company has been good, despite increase in volatility in the interest rates. The Company continues to pursue its conservative risk management policy, and there was no change in the Company's strategic direction during the year under review.

The financial results, summarised, are as under :

	Rs.
a. Profit Before Tax	33,21,87,884
b. Less : Income Tax (Including Fringe Benefit Tax)	6,13,70,836
c. Profit After Tax	27,08,17,048
d. Add : Profit brought forward from previous year	25,77,06,959
e. Surplus available for Appropriation	52,85,24,007
f. Less : Transferred to Special Reserve under Section 45-IC of the Reserve Bank of India Act, 1934	5,41,63,409
g. Balance carried forward	47,43,60,598

3. INVESTMENT IN WIMCO LIMITED

During the year the Company acquired majority shareholding in Wimco Limited (Wimco). The said acquisition of majority shareholding is in line with the objective of the Company to primarily make long term investments in areas of strategic thrust to the ITC Group. Upon such acquisition, Wimco and its subsidiaries namely Wimco Boards Limited, Wimco Seedlings Limited, Pavan Poplar Limited and Prag Agro Farm Limited have become the Company's subsidiaries.

Pursuant to such acquisition of shareholding, the Company made an offer to acquire the remaining public shareholding of equity shares of Wimco through the book-building process under the Securities and Exchange Board of India (Delisting of Securities) Guidelines, 2003 ("Guidelines"). The said book-building process was successfully conducted and a price of Rs. 53/-, established as the Exit Price, was paid by the Company to acquire the equity shares tendered by the shareholders of Wimco under the said book-building process. Following the aforesaid acquisition, the Company applied for delisting of Wimco equity shares from National Stock Exchange (NSE) and the Bombay Stock Exchange (BSE). Both NSE and BSE have approved the delisting of the equity shares of Wimco with effect from 14th December, 2005. In accordance with the Guidelines, the Company is required to purchase, at the Exit Price of Rs. 53/-, all equity shares that may be tendered by the remaining shareholders of Wimco till 13th June, 2006. The shareholding of the Company in Wimco stands at 93.67% as on 15th May, 2006.

4. DIRECTORS

In accordance with the provisions of Article 143 of the Articles of Association of the Company, Messrs. Pradipto Banerjee and Rajiv Tandon will retire by rotation at the ensuing Annual General Meeting, and being eligible, offer themselves for re-election. Your Board of Directors has recommended their re-election.

5. APPOINTMENT OF MANAGER UNDER SECTION 269 OF THE COMPANIES ACT, 1956

Mr. Sharad Jain was appointed by your Board of Directors as Manager of the Company for a period of two years with effect from 1st July, 2005, subject to the approval of the Members at the next General Meeting. Appropriate resolution seeking your approval to such appointment as Manager is appearing in the Notice convening the ensuing Annual General Meeting of the Company.

6. DIRECTORS' RESPONSIBILITY STATEMENT

As required under the provisions of Section 217 (2AA) of the Companies Act, 1956, the Directors confirm having :-

- followed in the preparation of the Annual Accounts, the applicable Accounting Standards and there are no material departures;
- selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year, and of the profit of the Company for that period;
- taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- prepared the Annual Accounts on a going concern basis.

7. INVESTMENT IN VST INDUSTRIES LIMITED

As stated in the Report of the Directors of the previous years, a petition was filed by an individual in the High Court at Calcutta, seeking an injunction against the Company's Counter Offer to the shareholders of VST Industries Limited, made in accordance with the Securities and Exchange Board of India (Substantial Acquisition of Shares & Takeovers) Regulations, 1997, as a competitive bid, pursuant to a Public Offer made by an Acquirer, which closed on 13th June, 2001. The High Court at Calcutta while, refusing to grant such an injunction, instructed that the acquisition of shares pursuant to the Counter Offer by the Company and the other Acquirer, would be subject to the final Order of the High Court, which is still awaited. Similar petitions filed by an individual and two shareholders, in the High Court of Delhi at New Delhi and High Court of Judicature of Andhra Pradesh at Hyderabad, had earlier been dismissed by the respective High Courts.

8. NON-BANKING FINANCIAL COMPANIES PRUDENTIAL NORMS (RESERVE BANK) DIRECTIONS, 1998 ('NBFC REGULATIONS')

In terms of paragraph 9BB of the NBFC Regulations, the particulars as applicable to the Company, are appended to the Balance Sheet.

9. SUBSIDIARIES

Particulars as required under Section 212 of the Companies Act, 1956, in respect of the Company's subsidiaries namely Greenacre Holdings Limited, Wimco Limited, Wimco Boards Limited, Wimco Seedlings Limited, Pavan Poplar Limited and Prag Agro Farm Limited have been annexed to the accounts of the Company.

10. PARTICULARS OF EMPLOYEES

None of the employees are covered by the provisions contained in Section 217 (2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975.

11. AUDITORS

The Auditors, Messrs. S. B. Billimoria & Co., Chartered Accountants, retire at the ensuing Annual General Meeting of the Company and, being eligible, offer themselves for re-appointment.

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

Considering the nature of business of the Company, no comment is required on conservation of energy and technology absorption.

During the year under review, there has been no foreign exchange earnings. The utilisation of foreign exchange was Rs. 48,09,162/- (previous year Rs. 8,39,371/-).

Virginia House
37, J. L. Nehru Road
Kolkata - 700 071
15th May, 2006

On behalf of the Board

R. Tandon *Director*
S. Dutta *Director*

AUDITORS' REPORT TO THE MEMBERS OF RUSSELL CREDIT LIMITED

1. We have audited the attached Balance Sheet of **Russell Credit Limited** as at 31st March, 2006, the Profit and Loss Account and the Cash Flow Statement of the Company for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that :

- 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;
- in our opinion, proper books of account as required by law have been kept by the Company, so far as it appears from our examination of those books;
- the balance sheet, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account;

iv) in our opinion, the balance sheet, profit and loss account and cash flow statement dealt with by this report are in compliance with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;

v) on the basis of written explanations received from the Directors as on 31st March, 2006 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2006 from being appointed as a Director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;

vi) in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India :

- in the case of the balance sheet, of the state of affairs of the Company as at 31st March, 2006;
- in the case of the profit and loss account, of the profit for the year ended on that date; and
- in the case of the cash flow statement, of the cash flows for the year ended on that date.

For S. B. Billimoria & Co.
Chartered Accountants

K. Rajasekhar
Partner

Kolkata
15th May, 2006

Membership No.: 23341

ANNEXURE TO THE AUDITORS' REPORT TO THE MEMBERS OF RUSSELL CREDIT LIMITED

(Referred to in paragraph 3 thereof)

The nature of the company's business / activities during the year ended 31st March, 2006 was such that the provisions of paragraphs 4(ii), (vi), (viii), (xi), (xii), (xiii), (xv), (xvi), (xviii), (xix) and (xx) of the Companies (Auditor's Report) Order 2003 are not applicable.

(i) In respect of its fixed assets :

- (a) The company is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) As explained to us, a majority of the fixed assets was physically verified during the year by the management in accordance with a program of verification which, in our opinion, provides for physical verification of all fixed assets at reasonable intervals.
- (c) None of the fixed assets was disposed off during the year.

(ii) (a) The company has not granted any loans, secured or unsecured, to companies, firms or other parties listed in the Register maintained under Section 301 of the Companies Act, 1956. As the company has not granted any loans, secured or unsecured, to parties listed in the Register maintained under Section 301 of the Companies Act, 1956, paragraphs (iii)(b), (c) and (d) of the Order are not applicable.

- (b) The company has not taken any loans, secured or unsecured, from companies, firms or other parties listed in the Register maintained under Section 301 of the Companies Act, 1956. As the Company has not taken any loans, secured or unsecured, from parties listed in the Register maintained under Section 301 of the Companies Act, 1956, paragraphs (iii)(f) and (g) of the Order, are not applicable.

(iii) In our opinion and according to the information and explanations given to us, there are adequate internal control systems commensurate with the size of the company and the nature of its business for the purchase of fixed assets. Further, on the basis of our examination and according to the information and explanations given to us, we have neither come across nor have we been informed of any instance of major weaknesses in the aforesaid internal control system.

(iv) (a) In our opinion and according to the information and explanations given to us, there are no contracts or arrangements that need to be entered into the Register maintained under Section 301 of the Companies Act, 1956.

- (b) In our opinion and according to the information and explanations given to us, as there are no contracts or arrangements that need to be entered into the Register maintained under Section 301 of the Companies Act, 1956, paragraph (v)(b) of the Order is not applicable.

(v) In our opinion the company has an internal audit system commensurate with the size and nature of its business.

(vi) In respect of statutory dues :

- (a) In our opinion and according to the information and explanations given to us, the company is regular in depositing with appropriate authorities undisputed statutory dues, including income tax, sales tax, custom duty, cess and any other material statutory dues applicable to it.

(b) According to the information and explanations given to us, no undisputed amounts payable in respect of income tax, sales tax, custom duty and cess were in arrears as at 31st March, 2006 for a period of more than six months from the date they became payable.

(c) As at 31st March, 2006, according to the records of the company and the information and the explanations given to us, the following are the particulars of dues on account of income tax, sales tax, custom duty and cess that have not been deposited on account of any dispute :

Name of the statute	Nature of the dues	Amount (Rs.)	Period to which the amount relates	Forum where pending
Tamil Nadu General Sales Tax Act & Central Sales Tax Act	Sales Tax	3,96,900	2003-04	Appellate Assistant Commissioner
The Central Sales Tax Act	Sales Tax	10,53,273	2005-06	Directorate of Commercial Taxes

(vii) The company does not have accumulated losses as at 31st March, 2006 and has not incurred cash losses during the financial year covered by our audit or the immediately preceding financial year.

(viii) Based on our examination of the records and evaluation of the related internal controls, the company has maintained proper records of transactions and contracts in respect of its dealing in shares and other investments and timely entries have been made therein. The aforesaid securities have been held by the company in its own name, except to the extent of the exemption granted under Section 49 of the Companies Act, 1956.

(ix) According to the information and explanations given to us and on an overall examination of the balance sheet of the company, in our opinion, there are no funds raised on short term basis which have been used for long term investment.

(x) The company has not raised any money by public issue during the year.

(xi) According to the information and explanations given to us, during the year, no fraud on or by the company was noticed or reported.

For S. B. Billimoria & Co.
Chartered Accountants

K. Rajasekhara
Partner

Membership No.: 23341

Kolkata
15th May, 2006

BALANCE SHEET AS AT 31ST MARCH, 2006

	Schedule	(Rs.)	31st March, 2006 (Rs.)	(Rs.)	31st March, 2005 (Rs.)
I. SOURCES OF FUNDS					
1. Shareholders' Funds					
(a) Share Capital	1	6,46,47,87,370		6,46,47,87,370	
(b) Reserves and Surplus	2	70,64,23,660	7,17,12,11,030	43,56,06,612	6,90,03,93,982
2. Unsecured Loans	3		—		1,03,62,157
3. Deferred Tax Liability			21,19,214		17,54,978
Total			7,17,33,30,244		6,91,25,11,117
II. APPLICATION OF FUNDS					
1. Fixed Assets	4				
a) Gross Block		5,67,10,026		4,96,25,493	
b) Less : Depreciation		2,67,20,755	2,99,89,271	2,45,70,251	2,50,55,242
2. Investments	5		2,70,49,07,600		2,09,09,00,245
3. Current Assets, Loans & Advances	6				
a) Current Assets		4,41,72,72,579		4,77,91,22,486	
b) Loans and Advances		2,70,85,628		2,66,48,550	
		4,44,43,58,207		4,80,57,71,036	
4. Less : Current Liabilities and Provisions	7	59,24,834		92,15,406	
Net Current Assets			4,43,84,33,373		4,79,65,55,630
Total			7,17,33,30,244		6,91,25,11,117

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The Schedules referred to above form an integral part of the Balance Sheet.

As per our Report of even date attached.

For S. B. Billimoria & Co.
Chartered Accountants

K. Rajasekhara
Partner

Kolkata, 15th May, 2006

On behalf of the Board

R. Tandon Director
S. Dutta Director
S. Jain Secretary
Kolkata, 15th May, 2006

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2006

	Schedule	For the year ended 31st March, 2006 (Rs.)	For the year ended 31st March, 2005 (Rs.)
I. INCOME			
Interest		12,14,13,625	3,40,86,809
Dividend		15,08,61,773	4,53,25,089
Brokerage		5,61,93,421	5,23,43,924
Profit on Sale of Long Term Investments		—	21,095
Profit on Sale of Stock-in-Trade (Net)	8	—	4,22,19,422
Lease and Other Rentals		55,14,600	50,93,158
Others	9	39,77,290	27,27,917
		<u>33,79,60,709</u>	<u>18,18,17,414</u>
II. EXPENDITURE			
Payments to and Provisions for Employees	10	16,78,533	18,72,851
Financial Charges and Operating Expenses	11	1,85,641	11,48,142
Establishment and Other Expenses	12	6,78,023	20,86,994
Loss on Sale of Stock-in-Trade (Net)	8	8,94,971	—
Auditors' Remuneration –Audit Fees (Including Service Tax)		1,12,240	1,10,200
–Other Services (Including Service Tax)		68,324	43,479
–Reimbursement of Out of Pocket Exp.		4,589	2,145
Depreciation	4	21,50,504	17,01,736
		<u>57,72,825</u>	<u>69,65,547</u>
III. PROFIT			
Profit before Taxation		33,21,87,884	17,48,51,867
Provision for Taxation			
— Current Tax		6,10,00,000	4,55,00,000
— Deferred Tax		3,64,236	7,81,071
Provision for Fringe Benefit Tax		6,600	—
Profit after Taxation		27,08,17,048	12,85,70,796
Profit brought forward		25,77,06,959	41,58,71,496
Available for appropriations		<u>52,85,24,007</u>	<u>54,44,42,292</u>
IV. APPROPRIATIONS			
Special Reserve u/s 45-IC of the RBI Act, 1934 (Refer to Note 11 of Schedule 14)		5,41,63,409	11,71,32,208
Interim Dividend		—	15,00,00,000
Income Tax on Interim Dividend		—	1,96,03,125
Profit carried forward		47,43,60,598	25,77,06,959
		<u>52,85,24,007</u>	<u>54,44,42,292</u>
Earnings Per Share (Face Value Rs. 10.00 each) (Basic & Diluted)	14(9)	0.42	0.20

Notes to the Accounts

Significant Accounting Policies

The Schedules referred to above form an integral part of the Profit and Loss Account.

As per our Report of even date attached.

For S. B. Billimoria & Co.

Chartered Accountants

K. Rajasekhar

Partner

Kolkata, 15th May, 2006

On behalf of the Board

R. Tandon Director

S. Dutta Director

S. Jain Secretary

Kolkata, 15th May, 2006

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2006

	For the year ended 31st March, 2006 (Rs.)	For the year ended 31st March, 2005 (Rs.)	For the year ended 31st March, 2006 (Rs.)	For the year ended 31st March, 2005 (Rs.)
A. NET PROFIT BEFORE TAX	33,21,87,884	17,48,51,867		
Adjustments for :				
Depreciation	21,50,504	17,01,736		
Operating Profit Before Working Capital Changes	33,43,38,388	17,65,53,603		
Adjustments for :				
Trade and Other Receivables	(63,49,708)	38,45,391		
Stock-in-Trade	87,09,07,280	(3,46,20,44,745)		
Trade payables	(37,52,672)	34,30,948		
Cash Generated from Operations	1,19,51,43,288	(3,27,82,14,803)		
Income Tax Paid (Including Fringe Benefit Tax)	(6,14,08,337)	(6,19,73,089)		
Net Cash From Operating Activities	1,13,37,34,951	(3,34,01,87,892)		
B. CASH FLOW FROM INVESTING ACTIVITIES :				
Purchase of Fixed Assets	(66,38,333)	(11,41,666)		
Purchase of Long Term Investments	(61,39,91,455)	(50,861)		
Sale of Long Term Investments	—	3,50,00,57,785		
Net Cash used in Investing Activities	(62,06,29,788)	3,49,88,65,258		
C. CASH FLOW FROM FINANCING ACTIVITIES :				
Net Increase / (Decrease) in Short Term Loans	(1,03,62,157)	1,03,62,157		
Inter-corporate Loans Received	—	1,12,00,00,000		
Inter-corporate Loans Repaid	—	(1,12,00,00,000)		
Inter-corporate Loans given to Associates	(1,92,36,00,000)	(1,94,52,00,000)		
Inter-corporate Loans Repaid by Associates	1,92,36,00,000	1,94,52,00,000		
Dividend Paid	—	(15,00,00,000)		
Income Tax on Dividend Paid	—	(1,96,03,125)		
Net Cash Flow used in Financing Activities	(1,03,62,157)	(15,92,40,968)		
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	50,27,43,006	(5,63,602)		
OPENING CASH AND CASH EQUIVALENTS	4,42,993	10,06,595		
CLOSING CASH AND CASH EQUIVALENTS	50,31,85,999	4,42,993		

As per our Report of even date attached.

For S. B. Billimoria & Co.

Chartered Accountants

K. Rajasekhar

Partner

Kolkata, 15th May, 2006

On behalf of the Board

R. Tandon Director

S. Dutta Director

S. Jain Secretary

Kolkata, 15th May, 2006

SCHEDULES TO THE ACCOUNTS

SCHEDULE 1 - SHARE CAPITAL

	As at 31st March, 2006 (Rs.)	As at 31st March, 2005 (Rs.)
Authorised :		
70,00,00,000 Equity Shares of Rs. 10/- each	<u>7,00,00,00,000</u>	<u>7,00,00,00,000</u>
	<u>7,00,00,00,000</u>	<u>7,00,00,00,000</u>
Issued, Subscribed and Paid up :		
59,74,54,177 Equity Shares of Rs. 10/- each, fully paid up (of the above 59,74,04,170 Equity Shares allotted for consideration other than cash pursuant to a Scheme of Amalgamation)	<u>5,97,45,41,770</u>	<u>5,97,45,41,770</u>
7,54,22,400 Equity Shares of Rs. 10/- each, Rs. 6.50 per share paid up (Equity Shares allotted for consideration other than cash pursuant to a Scheme of Amalgamation)	<u>49,02,45,600</u>	<u>49,02,45,600</u>
	<u>6,46,47,87,370</u>	<u>6,46,47,87,370</u>

(All the shares are held by the Holding Company, ITC Limited)

SCHEDULE 2 - RESERVES AND SURPLUS

	As at 31st March, 2006 (Rs.)	As at 31st March, 2005 (Rs.)
Special Reserve u/s 45-IC of the RBI Act, 1934		
At the Commencement of the year	<u>14,91,32,208</u>	<u>3,20,00,000</u>
Add: Transferred from Profit and Loss Account	<u>5,41,63,409</u>	<u>11,71,32,208</u>
	<u>20,32,95,617</u>	<u>14,91,32,208</u>
Capital Reserve	<u>2,87,67,445</u>	<u>2,87,67,445</u>
Profit and Loss Account	<u>47,43,60,598</u>	<u>25,77,06,959</u>
	<u>70,64,23,660</u>	<u>43,56,06,612</u>

SCHEDULE 3 - UNSECURED LOANS

	As at 31st March, 2006 (Rs.)	As at 31st March, 2005 (Rs.)
Temporary Overdraft in Current Account	<u>—</u>	<u>1,03,62,157</u>
	<u>—</u>	<u>1,03,62,157</u>

SCHEDULE 4 - FIXED ASSETS

Particulars	Original Cost			Depreciation			Net Book Value
	As at 31st March, 2005 (Rs.)	Additions during the year (Rs.)	As at 31st March, 2006 (Rs.)	Up to 31st March, 2005 (Rs.)	For the year (Rs.)	Up to 31st March, 2006 (Rs.)	As at 31st March, 2006 (Rs.)
Plant & Machinery*	4,96,25,493	70,84,533	5,67,10,026	2,45,70,251	21,50,504	2,67,20,755	2,99,89,271
TOTAL	4,96,25,493	70,84,533	5,67,10,026	2,45,70,251	21,50,504	2,67,20,755	2,99,89,271
Previous Year	4,84,83,828	1,09,78,965	4,96,25,493	2,28,68,515	17,01,736	2,45,70,251	2,50,55,242

* Includes assets given on operating leases, which are not non-cancellable and are usually renewable by mutual consent on mutually agreeable terms. The Gross Value of such assets is Rs. 3,45,55,332/- (2005 - Rs. 2,74,70,799/-) and Accumulated Depreciation Rs. 45,66,061/- (2005 - Rs. 24,15,557/-). Depreciation for the year charged to Profit and Loss Account is Rs. 21,50,504/- (2005 - Rs. 17,01,736/-). The aggregate lease rental of Rs. 40,26,600/- (2005 - Rs. 35,90,000/-) is included in Lease and Other Rentals in the Profit and Loss Account.

SCHEDULE 5 - INVESTMENTS

LONG TERM	As at 31st March, 2006		As at 31st March, 2005	
	Number	Value (Rs.)	Number	Value (Rs.)
A. UNQUOTED				
SUBSIDIARY COMPANIES				
Equity Shares of Rs. 10/- each, of Greenacre Holdings Limited, fully paid up	3,30,60,166	33,10,33,674	3,30,60,166	33,10,33,674
Equity Shares of Re. 1/- each, of Wimco Limited, fully paid up	4,86,10,226	50,15,07,355	—	—
0.05% Redeemable Cumulative Preference Shares of Rs. 100/- each of Wimco Limited, fully paid up	52,00,000	8,75,00,000	—	—
0.05% Redeemable Cumulative Preference Shares of Rs. 100/- each of Wimco Boards Limited, fully paid up	41,00,000	2,50,00,000	—	—
OTHERS				
Equity Shares of Rs. 10/- each, of Newdeal Finance and Investment Limited, fully paid up	28,81,200	2,88,13,440	28,81,200	2,88,13,440
Equity Shares of Rs. 10/- each, of Megatop Financial Services and Leasing Limited, fully paid up	31,16,400	3,11,65,440	31,16,400	3,11,65,440
Equity Shares of Rs. 10/- each, of Peninsular Investments Limited, fully paid up	40,64,875	4,06,51,738	40,64,875	4,06,51,738
Equity Shares of Rs. 10/- each, of Russell Investments Limited, fully paid up	42,75,435	4,27,56,850	42,75,435	4,27,56,850
Equity Shares of Rs. 10/- each, of Minota Aquatech Limited, fully paid up	14,80,000	14,80,000	14,80,000	14,80,000
Class 'G' Shares of Rs. 48,000/- each, of Lotus Court Pvt. Ltd., fully paid up	2	2,34,00,000	2	2,34,00,000
Equity Shares of Rs. 100/- each, of Adyar Property Holding Co. Ltd., Rs. 65/- per share, paid up	311	43,86,50,000	311	43,86,50,000
Equity Shares of Rs. 10/- each, of Classic Infrastructure & Development Limited, fully paid up	37,50,000	3,76,88,280	37,50,000	3,76,88,280
		<u>1,58,96,46,777</u>		<u>97,56,39,422</u>
B. QUOTED				
Equity Shares of Rs. 10/- each, of Agro Tech Foods Limited, fully paid up	40,85,800	53,72,82,700	40,85,800	53,72,82,700
Equity Shares of Rs. 10/- each, of International Travel House Limited, fully paid up	36,26,633	21,21,58,031	36,26,633	21,21,58,031
Equity Shares of Rs. 10/- each, of VST Industries Limited, fully paid up	22,02,417	36,58,20,092	22,02,417	36,58,20,092
		<u>1,11,52,60,823</u>		<u>1,11,52,60,823</u>
Total (A+B)		<u>2,70,49,07,600</u>		<u>2,09,09,00,245</u>

Market Value of Quoted Investments : Rs. 2,10,84,23,484/- (2005 - Rs. 1,04,65,07,521/-)

SCHEDULES TO THE ACCOUNTS (Contd.)

SCHEDULE 6 - CURRENT ASSETS, LOANS AND ADVANCES

	As at 31st March, 2006 (Rs.)	As at 31st March, 2005 (Rs.)
A. CURRENT ASSETS		
Stock-in-Trade (Schedule – 13)	3,90,07,97,035	4,77,17,04,315
Sundry Debtors (Unsecured - Considered Good)		
— Others	1,17,80,191	66,75,072
Cash and Bank Balances		
Balance with Scheduled Banks		
— On Current Accounts	29,05,032	3,80,723
— On Deposit Account	50,00,00,000	—
Cheques on hand	2,80,967	—
Other Current Assets		
(Unsecured – Considered Good)		
Deposits	23,500	23,500
Interest Receivable	11,71,233	—
Other Assets	3,14,621	2,76,606
Total	4,41,72,72,579	4,77,91,22,486
B. LOANS AND ADVANCES		
(Unsecured, Considered Good)		
Advance Payment of Income Tax (Net of Provision of Rs. 32,18,99,083/-, (2005 - Rs. 26,08,99,083/-)	2,70,35,153	2,66,36,905
Advance Payment of Fringe Benefit Tax (Net of Provision of Rs. 6,600/-)	3,489	—
Staff Advance	46,986	11,645
Total	2,70,85,628	2,66,48,550

SCHEDULE 7 - CURRENT LIABILITIES AND PROVISIONS

	As at 31st March, 2006 (Rs.)	As at 31st March, 2005 (Rs.)
CURRENT LIABILITIES		
Sundry Creditors	8,37,968	5,41,762
Others	45,29,736	80,80,370
	53,67,704	86,22,132
PROVISIONS		
Provision for Retirement Benefits	5,57,130	5,93,274
	5,57,130	5,93,274
	59,24,834	92,15,406

SCHEDULE 8 - PROFIT/ (LOSS) ON SALE OF STOCK-IN-TRADE (NET)

	For the year ended 31st March, 2006 (Rs.)	For the year ended 31st March, 2005 (Rs.)
Sales	29,59,58,59,623	5,22,43,25,324
Less : Purchases	28,72,58,47,314	8,64,41,50,647
	87,00,12,309	(3,41,98,25,323)
Add/Less: Increase/(Decrease) in Closing Stock-in-Trade	(87,09,07,280)	3,46,20,44,745
Profit/(Loss) on Sale of Stock-in-Trade	(8,94,971)	4,22,19,422

SCHEDULE 9 - OTHER INCOME

	For the year ended 31st March, 2006 (Rs.)	For the year ended 31st March, 2005 (Rs.)
Provisions no longer required written back	—	2,08,726
Miscellaneous Income	39,77,290	25,19,191
	39,77,290	27,27,917

SCHEDULE 10 - PAYMENTS TO AND PROVISIONS FOR EMPLOYEES

	For the year ended 31st March, 2006 (Rs.)	For the year ended 31st March, 2005 (Rs.)
Salaries and Wages	13,82,956	18,09,790
Provision for Retirement Benefits	2,67,868	—
Staff Welfare Expenses	27,709	63,061
	16,78,533	18,72,851

SCHEDULE 11 - FINANCIAL CHARGES AND OPERATING EXPENSES

	For the year ended 31st March, 2006 (Rs.)	For the year ended 31st March, 2005 (Rs.)
Interest - Others	824	4,39,111
Bank, Custodial and Depository Charges	36,735	3,63,931
Professional and Legal Fees	1,48,082	3,45,100
	1,85,641	11,48,142

SCHEDULE 12 - ESTABLISHMENT AND OTHER EXPENSES

	For the year ended 31st March, 2006 (Rs.)	For the year ended 31st March, 2005 (Rs.)
Rent, Repairs and Maintenance	4,47,335	4,76,747
Travelling and Conveyance	6,400	4,27,537
Rates and Taxes	13,840	4,98,155
Communication Expenses	21,552	63,463
Printing, Stationery and Periodicals	57,852	29,376
Miscellaneous Expenses	1,31,044	5,91,716
	6,78,023	20,86,994

SCHEDULES TO THE ACCOUNTS (Contd.)

SCHEDULE 13 - STOCK-IN-TRADE (at lower of cost and fair value)

Particulars	As at 31st March, 2006		As at 31st March, 2005	
	Quantity	Value (Rs.)	Quantity	Value (Rs.)
Equity Shares of Rs. 10/- each, fully paid up				
Mark Auto Limited	40,000	1	40,000	1
Patheja Brothers Forgings and Stampings Limited	50,000	1	50,000	1
Jind Textiles Limited	5,00,000	1	5,00,000	1
Taib Capital Corporation Limited	2,45,000	1	2,45,000	1
Sub - Total		4		4
Units of Rs.10/- each, fully paid up				
Principal Cash Management Fund – Liquid Option – Institutional Plan – Daily Dividend Option	—	—	2,00,03,760	20,00,49,598
JM High Liquidity Fund – Daily Dividend Option	—	—	1,99,72,924	20,00,46,813
Prudential ICICI Floating Rate Plan C – Daily Dividend	—	—	2,00,02,153	20,00,47,531
Alliance Cash Manager – IP – Daily Dividend	—	—	2,00,05,000	20,00,50,003
Principal Floating Rate Fund SMP – Inst Option – Div. Reinvestment – Daily	—	—	1,80,03,761	18,00,50,214
Birla Cash Plus Institutional Premium Plan – Dividend Reinvestment	—	—	1,99,64,773	20,00,51,020
Birla Income Plus Plan A – Dividend Reinvestment	—	—	3,14,93,109	31,90,00,000
Can Bank – NLFID Canliquid Fund – Institutional Daily Div. Reinvestment	—	—	1,64,97,904	16,56,55,455
DSP Merrill Lynch Bond Fund Retail Monthly Dividend	—	—	2,43,85,010	25,00,00,000
DSP Merrill Lynch Short Term Fund Retail Weekly Dividend	—	—	2,45,99,762	25,00,00,000
GFCF Grindlays Floating Rate – ST – Super Inst Plan C – Daily Dividend	—	—	2,00,05,217	20,00,52,169
HDFC Income – Daily Dividend Option	—	—	4,88,36,710	50,00,00,000
HSBC Floating Rate Short Term Inst Option	—	—	1,99,78,436	20,00,48,077
ING Vysya Liquid – Daily Dividend Option	—	—	2,99,93,474	30,01,53,696
JM High Floater Short Term Plan – Dividend Option	—	—	4,97,24,526	50,00,00,000
Kotak Liquid Inst – Daily Dividend	—	—	45,93,991	5,61,75,778
Kotak Floater Short Term – Weekly Dividend	—	—	2,99,93,199	30,00,87,945
Kotak Liquid (Institutional Premium) – Daily Dividend	—	—	2,86,38,163	35,01,90,319
Birla Bond Plus - Inst Fortnightly - Dividend - Reinvestment	1,91,16,986	20,00,00,000	—	—
Can Floating Rates Short Term Weekly Dividend	80,30,762	8,22,80,059	—	—
DSP Merrill Lynch Liquidity Fund - Institutional - Daily Dividend	2,56,898	25,69,49,480	—	—
DSP Merrill Lynch Fixed Term Plan Series 1C Dividend	2,50,000	25,00,00,000	—	—
GSSIF - ST - Plan C - Monthly Dividend	1,99,80,020	20,00,00,000	—	—
HSBC Floating Rate Fund - Long Term - Institutional Option	2,41,72,139	24,22,00,000	—	—
HSBC Cash Fund - Institutional Plus - Daily Dividend	4,52,94,664	45,32,00,291	—	—
Kotak Bond (Short Term) Monthly Dividend	1,98,32,613	20,00,00,000	—	—
LICMF Liquid Fund - Dividend Plan	3,55,14,559	35,80,15,495	—	—
Principal Income Fund - Short Term Plan - Inst Plan - Dividend Reinvestment - Weekly	1,82,91,568	20,00,00,000	—	—
Principal PNB Fixed Maturity Plan - 91 days - Series III	2,50,00,000	25,00,00,000	—	—
Prudential ICICI Long Term Floating Rate Plan - B - Dividend	4,55,55,379	46,00,00,000	—	—
Prudential ICICI Floating Rate Plan D - Daily Dividend	4,98,15,171	49,81,51,706	—	—
Tata Short Term Bond Fund - Dividend	2,29,36,201	25,00,00,000	—	—
Sub - Total		3,90,07,97,031		4,57,16,58,618
Units of Rs. 1000/- each, fully paid up				
Templeton India Treasury Management Account – Daily Dividend Option	—	—	2,00,044	20,00,45,693
Sub - Total		—		20,00,45,693
TOTAL		3,90,07,97,035		4,77,17,04,315

SCHEDULE 14 - NOTES FORMING PART OF THE ACCOUNTS

- Uncalled liability on partly paid up shares : Rs. 10,885/- (2005 – Rs. 10,885/-).
- Dividend income includes Rs. 3,47,83,489/- (2005 – Rs. 1,86,90,131/-) from Long Term Investments.
- Income from Interest is stated gross. The amount of income tax deducted thereon is Rs. 2,67,75,215/- (2005 – Rs. 78,71,774 /-).
- Claims against the Company not acknowledged as debts Rs. 7,22,731/- (2005 - Nil).
- Guarantees and Counter Guarantees outstanding Rs. 7,27,422/- (2005 - Nil).
- Loans and Advances include :
 - Interest bearing loans to Associates. Balance as at the year end is Nil (2005 - Nil). The maximum indebtedness during the year :
 - Newdeal Finance and Investment Limited - Rs. 47,25,00,000/- (2005 - Rs. 46,10,00,000/-).
 - Megatop Financial Services and Leasing Limited - Rs. 49,70,00,000/- (2005 - Rs. 49,22,00,000/-).
 - Peninsular Investments Limited - Rs. 45,81,00,000/- (2005 - Rs. 46,33,00,000/-).
 - Russell Investments Limited - Rs. 40,70,95,307/- (2005 - Rs. 39,67,00,000/-).
 - Loan to the Manager of the Company Rs. 46,986/- (2005 - Rs. Nil). The maximum indebtedness during the year was Rs. 55,333/- (2005 - Rs. Nil.).
- C.I.F. Value of Imports on account of purchase of Capital Goods is Rs. 48,36,263/- (2005 – Rs. Nil).
- Expenditure in Foreign Currency (on payment basis) during the year on account of other matters is Rs. Nil (2005 – Rs. 8,39,371/-).

SCHEDULES TO THE ACCOUNTS (Contd.)

	For the year ended 31st March, 2006	For the year ended 31st March, 2005
9. Earnings per Share		
Profit after Taxation (Rs.)	27,08,17,048	12,85,70,796
Weighted average number of equity shares outstanding	64,64,78,737	64,64,78,737
Basic and diluted earnings per share in Rupees (Face Value - Rs.10/- per share).	0.42	0.20
	As at 31st March, 2006 (Rs.)	As at 31st March, 2005 (Rs.)
10. Deferred Tax - Net		
Deferred Tax Asset	1,87,530	1,11,598
Deferred Tax Liability		
– Difference between Book Value and Tax WDV	23,06,744	18,66,576
Deferred Tax Liability [Net]	21,19,214	17,54,978
11. Transfer to Special Reserve of Rs. 5,41,63,409/- (2005 - Rs. 11,71,32,208/-) has been made in accordance with the provisions of Section 45-IC of the Reserve Bank of India Act, 1934.		
12. Managerial Remuneration :		
Salaries - Rs. 2,71,440/- (2005 – Rs. 8,71,023/-)		
Other Benefits - Rs. 29,000/- (2005 – Rs. 1,33,925/-)		
13. The status of the petition filed by an individual in the High Court at Calcutta, seeking an injunction against the Company's Counter Offer to the shareholders of VST Industries Limited, is outlined in the current year's Report of the Directors.		
14. During the year, majority shareholding was acquired in Wimco Limited. As a consequence, Wimco Limited and its subsidiaries became the Company's subsidiaries, with effect from 1st July, 2005. Pursuant to such acquisition, an offer was made to acquire the remaining shareholding, through the Book Building process, under the Securities and Exchange Board of India (Delisting of Securities) Guidelines, 2003. Further details of the above are outlined in the current year's Report of the Directors.		
15. Segment Reporting - The Company operates in a single business and geographical segment.		
16. Related Party Disclosures :		
a) Relationships :		
Holding Company	ITC Limited	
Subsidiary Companies	Greenacre Holdings Limited Wimco Limited Wimco Boards Limited Pavan Poplar Limited Prag Agro Farm Limited Wimco Seedlings Limited	
Other Related Parties with whom the Company had transactions :		
Associate Companies	International Travel House Limited Newdeal Finance and Investment Limited Megatop Financial Services and Leasing Limited Peninsular Investments Limited Russell Investments Limited	
Key Management Personnel		
Mr. K. Vaidyanath	Non-Executive Chairman	
Mr. P. Banerjee	Non-Executive Director	
Mr. B. B. Chatterjee	Non-Executive Director	
Mr. R. Tandon	Non-Executive Director	
Mr. S. Dutta	Non-Executive Director	
Mr. J. Singh	Non-Executive Director	
Mr. S. Jain	Manager & Secretary	

b) Disclosure of transactions between the Company and related parties and the status of outstanding balances :

Particulars	For the year ended 31st March, 2006 Rs.	For the year ended 31st March, 2005 Rs.
Holding Company		
Sale of Investments, at cost	Nil	3,50,00,00,000
Purchase of Investments	Nil	650
Lease Rentals	14,88,000	14,88,000
Miscellaneous Income	8,86,200	5,39,323
Rent, Repairs & Maintenance	4,47,335	4,76,747
Travelling	6,050	6,750
Miscellaneous Expenses	1,96,706	2,89,195
Interim Dividend Paid	Nil	15,00,00,000
Loans Received during the year	Nil	1,12,00,00,000
Loans Repaid during the year	Nil	1,12,00,00,000
Balances as at	31st March, 2006	31st March, 2005
Holding Company	Rs.	Rs.
Security Deposits Received	12,00,000	12,00,000
Others	6,050	Nil
	For the year ended 31st March, 2006	For the year ended 31st March, 2005
Associates		
Interest Income		
Newdeal Finance and Investment Limited	4,10,01,378	1,35,41,005
Megatop Financial Services and Leasing Limited	2,90,52,477	Nil
Peninsular Investments Limited	2,64,09,584	1,32,90,896
Russell Investments Limited	2,37,78,954	72,09,386
Inter-corporate Loans Given		
Newdeal Finance and Investment Limited	50,88,00,000	46,75,00,000
Megatop Financial Services and Leasing Limited	51,89,00,000	50,45,00,000
Peninsular Investments Limited	47,99,00,000	47,12,00,000
Russell Investments Limited	41,60,00,000	50,20,00,000
Inter-corporate Loans Repaid		
Newdeal Finance and Investment Limited	50,88,00,000	46,75,00,000
Megatop Financial Services and Leasing Limited	51,89,00,000	50,45,00,000
Peninsular Investments Limited	47,99,00,000	47,12,00,000
Russell Investments Limited	41,60,00,000	50,20,00,000
Sale of Investments		
Russell Investments Limited	Nil	650
Dividend Income		
International Travel House Limited	72,53,276	54,39,957
Travelling		
International Travel House Limited	Nil	2,42,348
Miscellaneous		
International Travel House Limited	Nil	16,533

17. Figures for the previous year have been regrouped / re-arranged wherever necessary.

SCHEDULES TO THE ACCOUNTS (Contd.)

SCHEDULE 15 - SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Financial Statements are prepared on accrual basis under the historical cost convention.

Fixed Assets

Fixed Assets are stated at cost including any incidental acquisition expenses.

Depreciation

Depreciation is provided on "Straight Line" basis at the rates prescribed in Schedule XIV to the Companies Act, 1956.

Investments

Long Term Investments are stated at cost. However, suitable provisions are considered for permanent diminution, if any, in value of Long Term Investments. Income from Investments is included together with the related tax credit, if any, in the Profit and Loss Account.

Stock-in-Trade

Stock-in-Trade has been valued at cost or at available market quotation or their fair values, whichever is lower, scrip wise, in compliance with the Prudential Norms prescribed by the Reserve Bank of India for Non-Banking Financial Companies.

Foreign Currency Liabilities

Foreign Currency Liabilities are restated at the rates ruling at the year end and all exchange gains / losses arising therefrom are adjusted in the Profit and Loss Account except for those covered by forward contract rates where the gains / losses arising from such restatement are recognised over the period of such contracts.

Borrowing Costs

Borrowing Costs that are directly attributable to the acquisition or construction of qualifying assets are capitalised as part of cost of such assets. All other borrowing costs are charged to revenue.

Taxes on Income

Current Tax is determined as the amount of tax payable in respect of taxable income for the period.

Deferred Tax is recognised, subject to the consideration of prudence, on timing differences, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred Tax Assets are not recognised unless there is virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax assets can be realised.

Retirement Benefits

Liability for Gratuity benefits payable to employees is determined in accordance with Income Tax Rules and provided for. Liability for Leave Encashment is provided for at the year end on actual basis.

Lease Rentals

Lease Rentals are accounted for on an accrual basis except in case of lessees in default where accrual is guided by Prudential Norms prescribed by the Reserve Bank of India for Non-Banking Financial Companies.

On behalf of the Board

R. Tandon Director

S. Dutta Director

S. Jain Secretary

Kolkata, 15th May, 2006

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE
(As per Schedule VI, Part IV of the Companies Act, 1956)

I. Registration Details

Registration No. of 1994 State Code
Balance Sheet Date
Date Month Year

II. Capital raised during the year (Amount in Rs. Thousands)

Public Issue
Rights Issue
Bonus Issue
Private Placement

III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)

Total Liabilities
Total Assets

Sources of Funds

Paid-up Capital #
Reserves & Surplus

Includes 59,74,04,170 Equity Shares of Rs. 10/- each, fully paid up, and 7,54,22,400 Equity Shares of Rs. 10/- each, partly paid up, issued on Amalgamation.

Secured Loans
Unsecured Loans
Deferred Tax Liability

Application of Funds

Net Fixed Assets
Investments
Net Current Assets
Misc. Expenditure
Accumulated Losses

IV. Performance of Company (Amount in Rs. Thousands)

Turnover (Net)*
Total Expenditure

* Includes Other Income

+ - Profit/Loss Before Tax
+ - Profit/Loss After Tax
(Please tick appropriate box + for profit, - for loss)

Earning Per Share in Rs.
Dividend Rate %

V. Generic Names of Three Principal Services of Company

Item Code No. - Not Applicable
Service Description - Investments
- Lending
- Asset Financing

SCHEDULE TO THE BALANCE SHEET AS AT 31ST MARCH, 2006

[as required in terms of Paragraph 9BB of Non-Banking Financial Companies Prudential Norms (Reserve Bank) Directions, 1998]

(Rs. in Lakhs)			(Rs. in Lakhs)		
Particulars	Amount Outstanding	Amount Due	Assets Side :	Amount Outstanding	
Liabilities Side:					
(1) Loans and advances availed by the NBFCs inclusive of interest accrued thereon but not paid	Nil	Nil	(ii) Debentures and Bonds	Nil	
(2) Break-up of outstanding public deposits inclusive of interest accrued thereon but not paid	Nil	Nil	(iii) Units of Mutual Funds	3,90,08	
			(iv) Government Securities	Nil	
			(v) Others (please specify)	Nil	
Assets Side :	Amount Outstanding		Long Term Investments		
(3) Break-up of Loans and Advances including bills receivables [other than those included in (4) below]	Nil		1. Quoted :		
(4) Break-up of Leased Assets and stock on hire and hypothecation loans counting towards EL/HP activities			(i) Shares : (a) Equity	1,11,53	
(i) Lease Assets including lease rentals under sundry debtors			(b) Preference	Nil	
(a) Financial lease	Nil		(ii) Debentures and Bonds	Nil	
(b) Operating lease	351		(iii) Units of Mutual Funds	Nil	
(ii) Stock on hire including hire charges under sundry debtors	Nil		(iv) Government Securities	Nil	
(iii) Hypothecation loans counting towards EL/HP activities	Nil		(v) Others (please specify)	Nil	
(5) Break-up of Investments :			2. Unquoted :		
Current Investments			(i) Shares : (a) Equity	1,47,71	
1. Quoted :			(b) Preference	11,25	
(i) Shares : (a) Equity	Nil		(ii) Debentures and Bonds	Nil	
(b) Preference	Nil		(iii) Units of Mutual Funds	Nil	
(ii) Debentures and Bonds	Nil		(iv) Government Securities	Nil	
(iii) Units of Mutual Funds	Nil		(v) Others (please specify)	Nil	
(iv) Government Securities	Nil		(6) Borrower group-wise classification of all leased assets, stock-on-hire and loans and advances	Nil	
(v) Others (please specify)	Nil		(7) Investor group-wise classification of all investments (current and long term) in shares and securities (both quoted and unquoted) :		
2. Unquoted :			Category	Market Value/ Break-up or fair value or NAV	Book Value (Net of Provisions)
(i) Shares : (a) Equity	Nil		1. Related Parties		
(b) Preference	Nil		(a) Subsidiaries	94,50	94,50
(ii) Debentures and Bonds	Nil		(b) Companies in the same group	Nil	Nil
(iii) Units of Mutual Funds	Nil		(c) Other related parties	73,96	39,47
(iv) Government Securities	Nil		2. Other than related parties	2,01,35	1,36,52
(v) Others (please specify)	Nil		Total	3,69,81	2,70,49
			(8) Other Information		
			Particulars		Amount
			(i) Gross Non-Performing Assets		Nil
			(ii) Net Non-Performing Assets		Nil
			(iii) Assets acquired in satisfaction of debt		Nil

STATEMENT REGARDING SUBSIDIARY COMPANIES

Pursuant to Section 212(1) and (3) of the Companies Act, 1956

Sl No.	Name of the Subsidiary Company	Number of Shares held by the Company	Extent of Holding	Net aggregate amount of subsidiary's profit/(losses) not dealt with in the Holding Company's Accounts		Net aggregate amount of subsidiary's profit/(losses) dealt with in the Holding Company's Accounts	
				For the Subsidiary's financial year ended 31st March, 2006	Upto the Subsidiary's financial years ended 31st March, 2005	For the Subsidiary's financial year ended 31st March, 2006	Upto the Subsidiary's financial years ended 31st March, 2005
1.	Greenacre Holdings Limited	3,30,60,166	100%	78,88,803	5,45,50,054	Nil	Nil
2.	Wimco Limited	4,86,10,226	93.48%	(7,17,16,415)	Nil	Nil	Nil
3.	Wimco Boards Limited	1,67,67,062	93.48%	(13,10,082)	Nil	Nil	Nil
4.	Wimco Seedlings Limited	78,48,231	93.48%	67,21,648	Nil	Nil	Nil
5.	Pavan Poplar Limited	51,50,752	93.48%	(1,15,681)	Nil	Nil	Nil
6.	Prag Agro Farm Limited	35,52,259	93.48%	(18,79,005)	Nil	Nil	Nil

Notes :

- Wimco Limited alongwith its subsidiaries became subsidiaries of the Company with effect from 1st July, 2005.
- Wimco Limited held 100% of the total subscribed and paid up share capital of Wimco Boards Limited and Wimco Seedlings Limited.
- Wimco Seedlings Limited a subsidiary of Wimco Limited held 100% of the total subscribed and paid up share capital of Pavan Poplar Limited and Prag Agro Farm Limited.

On behalf of the Board
R. Tandon *Director*
S. Dutta *Director*
S. Jain *Secretary*

Kolkata, 15th May, 2006

REPORT OF THE DIRECTORS FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2006

1. The Directors hereby submit their Report and Accounts for the financial year ended 31st March, 2006.

2. PERFORMANCE OF THE COMPANY

The overall performance of the Company was satisfactory. The Company continues to provide maintenance services for real estate assets such as office building and there was no change in the business activities of the Company during the year under review.

The net profit for the financial year ended 31st March, 2006, after deducting all charges and expenses and providing for taxation amounts to Rs. 78,88,803/- to which profit brought forward from last year is added Rs. 4,05,50,054/- making a balance of Rs. 4,84,38,857/- which the Directors recommend be carried forward.

3. DIRECTORS

In accordance with the provisions of Article 143 of the Articles of Association of the Company, Messrs. Rajiv Tandon and Balraj Nath Malhotra will retire by rotation at the ensuing Annual General Meeting, and being eligible, offer themselves for re-election. Your Board of Directors have recommended their re-election.

4. RE-APPOINTMENT OF MANAGER UNDER SECTION 269 OF THE COMPANIES ACT, 1956

Ms. Anjali Prasad was re-appointed by your Board as Manager of the Company for a period of five years with effect from 12th October, 2005, subject to the approval of the Members of the Company at the next General Meeting. Appropriate resolution seeking your approval to such appointment as Manager is appearing in the Notice convening the ensuing Annual General Meeting of the Company.

5. DIRECTORS' RESPONSIBILITY STATEMENT

As required under the provisions of Section 217 (2AA) of the Companies Act, 1956, your Directors confirm having :-

- (i) followed in the preparation of the Annual Accounts, the applicable Accounting Standards and there are no material departures;
- (ii) selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that period;
- (iii) taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- (iv) prepared the Annual Accounts on a going concern basis.

6. PARTICULARS OF EMPLOYEES

None of the employees are covered under the provisions of Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975.

7. AUDITORS

The Auditors of the Company Messrs. S. B. Billimoria & Co., Chartered Accountants, retire at the ensuing Annual General Meeting, and being eligible offer themselves for re-appointment.

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

Considering the nature of business of the Company, no comment is required on conservation of energy and technology absorption. There has been no foreign exchange earnings or outflow during the year under review.

ITC Centre
37, J. L. Nehru Road
Kolkata 700 071
20th April, 2006

On behalf of the Board
R. Tandon *Director*
S. Dutta *Director*

AUDITORS' REPORT TO THE MEMBERS OF GREENACRE HOLDINGS LIMITED

1. We have audited the attached Balance Sheet of **Greenacre Holdings Limited** as at 31st March 2006, the Profit and Loss Account and the Cash Flow Statement for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003, issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order to the extent applicable.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that :
 - (i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - (ii) in our opinion, proper books of account as required by law have been kept by the Company, so far as it appears from our examination of those books;

- (iii) the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
- (iv) in our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in compliance with the Accounting Standards referred to in sub-section(3C) of Section 211 of the Companies Act, 1956;
- (v) on the basis of written explanations received from the Directors as on 31st March 2006 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March 2006 from being appointed as a Director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;
- (vi) in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March 2006;
 - (b) in the case of the Profit and Loss Account, of the Profit for the year ended on that date; and
 - (c) in the case of the Cash Flow Statement, of the Cash Flows for the year ended on that date.

Jamshedpur
20th April, 2006

For S. B. Billimoria & Co.
Chartered Accountants
K. Rajasekhar
Partner
Membership No. : 23341

ANNEXURE TO THE AUDITORS' REPORT TO THE MEMBERS OF GREENACRE HOLDINGS LIMITED

(Referred to in paragraph 3 thereof)

The nature of the Company's business/activities during the year ended 31st March 2006 was such that the provisions of paragraphs 4(ii), (vi), (viii), (xi), (xii), (xiii), (xiv), (xv), (xvi), (xviii), (xix) and (xx) of the Companies (Auditor's Report) Order, 2003, are not applicable.

- (i) In respect of its fixed assets :
- The Company is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets.
 - As explained to us, a majority of the fixed assets was physically verified during the year by the management in accordance with a program of verification which, in our opinion, provides for physical verification of all fixed assets at reasonable intervals.
 - None of the fixed assets was disposed off during the year.
- (ii) (a) The Company has not granted any loans, secured or unsecured, to companies, firms or other parties listed in the Register maintained under Section 301 of the Companies Act, 1956. As the Company has not granted any loans, secured or unsecured, to parties listed in Register maintained under Section 301 of the Companies Act, 1956, paragraphs (iii) (b), (c) and (d) of the Order, are not applicable.
- (b) The Company has not taken any loans, secured or unsecured, from companies, firms or other parties listed in the Register maintained under Section 301 of the Companies Act, 1956. As the Company has not taken any loans, secured or unsecured, from parties listed in the Register maintained under Section 301 of the Companies Act, 1956, paragraphs (iii)(f) and (g) of the Order, are not applicable.
- (iii) In our opinion and according to the information and explanations given to us, there are adequate internal control systems commensurate with the size of the Company and the nature of its business for the purchase of fixed assets and for the sale of services. Further, on the basis of our examination and according to the information and explanations given to us, we have neither come across nor have we been informed of any instance of major weaknesses in the aforesaid internal control system.
- (iv) (a) In our opinion and according to the information and explanations given to us, there are no contracts or arrangements that need to be entered into the Register maintained under Section 301 of the Companies Act, 1956.

- (iv) (b) In our opinion and according to the information and explanations given to us, as there are no contracts or arrangements that need to be entered into the Register maintained under Section 301 of the Companies Act, 1956, paragraph(v)(b)of the Order is not applicable.
- (v) In our opinion the Company has an internal audit system commensurate with the size and nature of its business.
- (vi) In respect of statutory dues :
- In our opinion and according to the information and the explanations given to us, the Company is regular in depositing with appropriate authorities, undisputed statutory dues, including provident fund, employees state insurance, income tax, service tax, cess and any other material statutory dues applicable to it.
 - According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, employees state insurance, income tax, service tax and cess were in arrears as at 31st March 2006 for a period of more than six months from the date they became payable.
 - As at 31st March 2006, according to the information and the explanations given to us, there were no dues on account of income tax, service tax and cess which have not been deposited on account of any dispute.
- (vii) The Company does not have accumulated losses as at 31st March 2006 and has not incurred cash losses during the financial year covered by our audit or the immediately preceding financial year.
- (viii) According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, in our opinion, there are no funds raised on short term basis which have been used for long term investment.
- (ix) The Company has not raised any money by public issue during the year.
- (x) According to the information and explanations given to us, during the year, no fraud on or by the Company was noticed or reported.

For S. B. Billimoria & Co.
Chartered Accountants
K. Rajasekhar
Partner
Membership No.: 23341

Jamshedpur
20th April, 2006

BALANCE SHEET AS AT 31ST MARCH, 2006

	Schedule	(Rs.)	31st March, 2006 (Rs.)	(Rs.)	31st March, 2005 (Rs.)
I. SOURCES OF FUNDS					
1. Shareholders' Funds					
(a) Share Capital	1	33,06,01,660		33,06,01,660	
(b) Reserves and Surplus	2	6,24,38,857	39,30,40,517	5,45,50,054	38,51,51,714
			<u>39,30,40,517</u>		<u>38,51,51,714</u>
II. APPLICATION OF FUNDS					
1. Fixed Assets	3				
(a) Gross Block		29,32,41,830		29,32,41,830	
(b) Less: Depreciation		16,97,311	29,15,44,519	15,15,477	29,17,26,353
2. Investments	4		12,58,07,791		11,79,29,840
3. Deferred Tax Asset (Net)			3,34,208		2,14,915
4. Current Assets, Loans and Advances	5	1,71,18,523		1,67,70,950	
5. Less : Current Liabilities and Provisions	6	4,17,64,524		4,14,90,344	
6. Net Current Liabilities			(2,46,46,001)		(2,47,19,394)
			<u>39,30,40,517</u>		<u>38,51,51,714</u>

Notes to the Accounts 11

Significant Accounting Policies 12

The Schedules referred to above form an integral part of the Balance Sheet.

As per our Report of even date attached.

For S. B. Billimoria & Co.
Chartered Accountants
K. Rajasekhar
Partner

Jamshedpur, 20th April, 2006

On behalf of the Board

R. Tandon Director
S. Dutta Director
A. Prasad Secretary

Kolkata, 20th April, 2006

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2006

	Schedule	For the year ended 31st March, 2006 (Rs.)	For the year ended 31st March, 2005 (Rs.)
I. INCOME			
Service Income		1,97,61,483	1,89,01,915
Other Income	7	40,37,387	35,83,258
		<u>2,37,98,870</u>	<u>2,24,85,173</u>
II. EXPENDITURE			
Personnel	8	74,05,535	65,66,626
Project Expenses	9	—	—
Management and Other Expenses	10	3,84,046	2,99,553
Maintenance and Service Expenses		49,39,786	36,70,407
Auditors' Remuneration:			
Audit Fees (including Service Tax)		72,956	71,630
Reimbursement of Expenses		4,073	1,742
Depreciation	3	1,81,834	1,89,610
		<u>1,29,88,230</u>	<u>1,07,99,568</u>
III. PROFIT			
Profit before Taxation		1,08,10,640	1,16,85,605
Provision for Taxation			
– Current Tax		30,00,000	38,00,000
– Deferred Tax		(1,19,293)	(1,24,202)
Provision for Fringe Benefit Tax		41,130	—
Profit after Taxation		78,88,803	80,09,807
Profit Brought Forward		4,05,50,054	3,25,40,247
Profit Available for Appropriation		<u>4,84,38,857</u>	<u>4,05,50,054</u>
IV. APPROPRIATIONS			
Profit carried forward		4,84,38,857	4,05,50,054
		<u>4,84,38,857</u>	<u>4,05,50,054</u>
Earnings Per Share (Face Value Rs. 10/- each)	11(3)	0.24	0.24
Notes to the Accounts	11		
Significant Accounting Policies	12		
The Schedules referred to above form an integral part of the Profit and Loss Account.			
As per our Report of even date attached.			

For S. B. Billimoria & Co.
Chartered Accountants
K. Rajasekhar
Partner
Jamshedpur, 20th April, 2006

On behalf of the Board
R. Tandon Director
S. Dutta Director
A. Prasad Secretary
Kolkata, 20th April, 2006

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2006

Particulars	For the year ended 31st March, 2006 (Rs.)	For the year ended 31st March, 2005 (Rs.)
A. NET PROFIT BEFORE TAX	1,08,10,640	1,16,85,605
ADJUSTMENTS FOR :		
Depreciation	1,81,834	1,89,610
Dividend from Current Investments	(25,10,653)	(18,19,730)
Profit on sale of Current Investments	(34,734)	(69,829)
Excess of cost over fair value of Investments	9,006	23,042
Profit on sale of fixed assets	—	(2,01,699)
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	84,56,093	98,06,999
ADJUSTMENTS FOR :		
Trade and Other Receivables	(6,82,156)	2,97,302
Trade Payables	6,78,729	8,44,598
Stock in Trade	—	(61,589)
CASH GENERATED FROM OPERATIONS	84,52,666	1,08,87,310
Income Tax Paid (including Fringe Benefit Tax)	(35,09,123)	(36,47,584)
NET CASH FROM OPERATING ACTIVITIES	49,43,543	72,39,726
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Long Term Investments	—	(650)
Sale of Long Term Investments	—	650
Purchase of Current Investments	(71,01,60,088)	(10,89,01,006)
Sale of Current Investments	70,48,18,519	10,19,77,126
Purchase of Fixed Asset	—	(7,778)
Sale of Fixed Asset	—	2,01,710
NET CASH USED IN INVESTING ACTIVITIES	(53,41,569)	(67,29,948)
C. CASH FLOW FROM FINANCING ACTIVITIES		
NET CASH FLOW FROM FINANCING ACTIVITIES	—	—
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(3,98,026)	5,09,778
OPENING CASH AND CASH EQUIVALENTS	6,40,637	1,30,859
CLOSING CASH AND CASH EQUIVALENTS	2,42,611	6,40,637

As per our Report of even date attached

For S. B. Billimoria & Co.
Chartered Accountants
K. Rajasekhar
Partner
Jamshedpur, 20th April, 2006

On behalf of the Board
R. Tandon Director
S. Dutta Director
A. Prasad Secretary
Kolkata, 20th April, 2006

SCHEDULES TO THE ACCOUNTS

1. SHARE CAPITAL

	As at 31st March, 2006 (Rs.)	As at 31st March, 2005 (Rs.)
Authorised :		
4,00,00,000 Equity Shares of Rs. 10/- each	40,00,00,000	40,00,00,000
	<u>40,00,00,000</u>	<u>40,00,00,000</u>
Issued, Subscribed and Paid up :		
3,30,60,166 Equity Shares of Rs. 10/- each, fully paid up	33,06,01,660	33,06,01,660
	<u>33,06,01,660</u>	<u>33,06,01,660</u>

All shares are held by the Holding Company, Russell Credit Limited.
The ultimate Holding Company is ITC Limited.

2. RESERVES AND SURPLUS

	As at 31st March, 2006 (Rs.)	As at 31st March, 2005 (Rs.)
General Reserve	1,40,00,000	1,40,00,000
Profit and Loss Account	4,84,38,857	4,05,50,054
	<u>6,24,38,857</u>	<u>5,45,50,054</u>

3. FIXED ASSETS

PARTICULARS	GROSS BLOCK				DEPRECIATION			NET BLOCK	
	As at 31st March, 2005 (Rs.)	Additions (Rs.)	Deletions (Rs.)	As at 31st March, 2006 (Rs.)	Upto 31st March, 2005 (Rs.)	For the year (Rs.)	Upto 31st March, 2006 (Rs.)	As at 31st March, 2006 (Rs.)	As at 31st March, 2005 (Rs.)
Freehold Land*	28,21,78,478	—	—	28,21,78,478	—	—	—	28,21,78,478	28,21,78,478
Buildings*	1,10,04,119	—	—	1,10,04,119	14,94,229	1,79,367	16,73,596	93,30,523	95,09,890
Plant & Machinery	57,783	—	—	57,783	20,614	2,375	22,989	34,794	37,169
Furniture & Fixtures	1,450	—	—	1,450	634	92	726	724	816
	29,32,41,830	—	—	29,32,41,830	15,15,477	1,81,834	16,97,311	29,15,44,519	29,17,26,353
Previous Year	31,34,05,228	7,778	2,01,71,176	29,32,41,830	66,62,718	1,89,610	15,15,477	29,17,26,353	29,19,08,196

* Includes assets given on operating leases, which are not non-cancellable and are usually renewable by mutual consent on mutually agreeable terms.

The Gross Value of such assets is Rs.29,31,82,597/- (2005 - Rs. 29,31,82,597/-) and Accumulated Depreciation Rs. 16,73,596/- (2005 - Rs.14,94,229/-). Depreciation for the year charged to Profit & Loss Account is Rs.1,79,367/- (2005 - Rs. 1,79,367/-). The aggregate lease rental is included in Other Income (Schedule 7).

4. INVESTMENTS

	As at 31st March, 2006 (Rs.)	As at 31st March, 2005 (Rs.)
UNQUOTED		
Long Term		
Other Investments		
Classic Infrastructure & Development Limited		
16,50,000 (2005 - 16,50,000) Equity Shares of Rs.10/- each, fully paid up	6,63,26,700	6,63,26,700
Sub Total	<u>6,63,26,700</u>	<u>6,63,26,700</u>
Current		
Other Investments		
Can Liquid - Inst Daily Div Reinvestment	—	57,05,911
Nil (2005-5,68,261.28) Units of Rs. 10/- each (Sold during the year)		
Kotak Floater Short Term Weekly Dividend	—	4,58,97,229
Nil (2005 - 45,86,145.68) Units of Rs. 10/- each (Sold during the year)		
Kotak FMP Series 23 & 25	4,00,00,000	—
40,00,000 (2005 - Nil) Units of Rs.10/- each (Purchased during the year)		
Can Floating Rate Short Term Weekly Dividend	1,94,81,091	—
18,98,741.85 (2005 - Nil) Units of Rs.10/- each (Purchased during the year)		
Sub Total	<u>5,94,81,091</u>	<u>5,16,03,140</u>
Total	<u>12,58,07,791</u>	<u>11,79,29,840</u>

5. CURRENT ASSETS, LOANS AND ADVANCES

	As at 31st March, 2006 (Rs.)	As at 31st March, 2005 (Rs.)
A. CURRENT ASSETS		
Work-in-progress (at lower of cost and net realisable value)	1,23,71,911	1,23,71,911
Sundry Debtors (Unsecured, considered good)		
Other Debts	6,66,260	2,602
Cash and Bank Balances		
Balance with Scheduled Banks		
-On Current Accounts	2,23,200	1,94,083
Cash and Cheques on Hand	19,411	4,46,554
Other Current Assets (Unsecured, considered good)		
Deposit with Others	1,55,000	1,55,000
B. LOANS AND ADVANCES		
(Unsecured, considered good)		
Project Advances	11,90,278	11,90,278
Other Advances	21,25,520	23,33,472
Advance Payment of Income Tax (Net of Provision - Rs.4,56,67,602/-)	63,030	—
Advance Payment of Fringe Benefit Tax (Net of Provision - Rs. 41,130/-)	413	—
Staff Advances	3,03,500	77,050
	<u>1,71,18,523</u>	<u>36,00,800</u>
		<u>1,67,70,950</u>

SCHEDULES TO THE ACCOUNTS (Contd.)

6. CURRENT LIABILITIES AND PROVISIONS

	As at 31st March, 2006 Rs.	As at 31st March, 2005 Rs.
1. CURRENT LIABILITIES		
Sundry Creditors for Supplies and Expenses		
-Total Outstanding dues of Creditors other than Small Scale Industrial Undertaking(s)	17,70,579	13,11,436
Progress payments and advances against projects	1,00,00,000	1,00,00,000
Other liabilities	2,90,01,051	2,90,26,368
	<u>4,07,71,630</u>	<u>4,03,37,804</u>
2. PROVISIONS		
Provision for Taxation (Net of Advance Tax - Rs. 4,22,63,053)	—	4,04,549
Provision for Leave Encashment	9,92,894	7,47,991
	<u>4,17,64,524</u>	<u>4,14,90,344</u>

7. OTHER INCOME

	For the year ended 31st March, 2006 (Rs.)	For the year ended 31st March, 2005 (Rs.)
Lease Rentals	14,92,000	14,92,000
Dividend from Current Investments	25,10,653	18,19,730
Profit on Sale of Current Investments (Net)	34,734	69,829
Profit on Sale of Fixed Assets	—	2,01,699
	<u>40,37,387</u>	<u>35,83,258</u>

8. PERSONNEL

	For the year ended 31st March, 2006 (Rs.)	For the year ended 31st March, 2005 (Rs.)
Salaries, Wages and Bonus	64,87,452	58,00,484
Contribution to Provident and Other Funds	6,79,242	5,14,772
Staff Welfare Expenses	2,38,841	2,51,370
	<u>74,05,535</u>	<u>65,66,626</u>

9. PROJECT EXPENSES

	For the year ended 31st March, 2006 (Rs.)	For the year ended 31st March, 2005 (Rs.)
Opening Work-in-progress	1,23,71,911	1,23,10,321
Add: Expenditure incurred on Projects during the year	—	61,590
	<u>1,23,71,911</u>	<u>1,23,71,911</u>
Less: Closing Work-in-progress	1,23,71,911	1,23,71,911
	<u>—</u>	<u>—</u>

10. MANAGEMENT AND OTHER EXPENSES

	For the year ended 31st March, 2006 (Rs.)	For the year ended 31st March, 2005 (Rs.)
Rent, Rates and Taxes	43,178	40,778
Insurance	4,975	4,416
Travelling	81,676	38,718
Repairs and Maintenance	—	3,600
Legal and Consultancy Charges	1,29,685	67,569
Interest – Others	—	18,710
Excess of cost over fair value of Current Investments	9,006	23,042
Miscellaneous Expenses	1,15,526	1,02,720
	<u>3,84,046</u>	<u>2,99,553</u>

11. NOTES FORMING PART OF THE ACCOUNTS

- Loans And Advances include advance to the Manager of the Company Rs. Nil (2005 - Rs. 1,800/-). The maximum indebtedness during the year was Rs. 1,800/- (2005 - Rs. 4,200/-).
- During the year, the following Current Investments were purchased and sold:
 - 1,49,792.45 units of Can Liquid Fund - Dividend Reinvestment at a cost of Rs. 15,04,066/-.
 - 1,16,71,119.20 units of Can Liquid Fund – Institutional Dividend Reinvestment at a cost of Rs. 11,71,89,707/-.
 - 39,71,027.33 units of Can Floating Rate Short Term Weekly Dividend at a cost of Rs. 4,07,61,593/-.
 - 5,124.07 units of Tata Liquid Fund High Investment - Daily Dividend at a cost of Rs. 57,09,806/-.
 - 51,60,696.83 units of HDFC Floating Rate Income Fund – Short Term Plan - Dividend Reinvestment at a cost of Rs. 5,18,38,161/-.
 - 57,48,029.44 units of HDFC Cash Management Fund – Savings Plus Plan - Dividend at a cost of Rs. 5,75,86,706/-.
 - 51,77,873.36 units of Grindlays Floating Rate - Long Term Institutional Plan B Monthly Dividend at a cost of Rs. 5,20,24,594/-.
 - 52,47,641.78 units of Grindlays Floating Rate - Long Term Institutional Plan B Weekly Dividend at a cost of Rs. 5,24,94,104/-.
 - 52,12,116.04 units of Grindlays Floating Rate - Short Term Institutional Plan B Daily Dividend at a cost of Rs. 5,24,87,572/-.
 - 57,90,584.974 units of Chola Liquid Institutional - Dividend Reinvestment Plan at a cost of Rs. 5,80,24,352/-.
 - 1,50,115.50 units of Alliance Cash Manager - Weekly Dividend at a cost of Rs. 15,01,155/-.
 - 54,03,475.56 units of HSBC Floating Rate Fund - Short Term Institutional Plan at a cost of Rs. 5,41,06,082/-.
 - 55,71,047.69 units of HSBC Floating Rate Fund - Long Term Institutional Plan at a cost of Rs. 5,58,25,085/-.
 - 52,08,659.58 units of Kotak Floater Short Term - Weekly Dividend at a cost of Rs. 5,21,27,660/-.

3. Earnings per Share

	For the year ended 31st March, 2006	For the year ended 31st March, 2005
Profit after Taxation (Rs)	78,88,803/-	80,09,807/-
Weighted average number of Equity Shares outstanding	3,30,60,166	3,30,60,166
Basic and diluted earnings per share in Rupees (Face Value - Rs. 10/- per share)	0.24	0.24

- Remuneration of Manager :-
Salaries : Rs. 9,32,400/- (2005 - Rs. 6,43,200/-)
Other Benefits : Rs. 1,29,947/- (2005 - Rs. 1,21,087/-)
- Deferred Tax Asset is attributable to provision for unencashed leave.
- Segment Reporting – The Company operates in a single business and geographical segment.
- Related Party Disclosures :

a) Relationships :

Holding Company	– Russell Credit Limited
Ultimate Holding Company	– ITC Limited

Employee's Benefit Plans where there is significant influence:

- Greenacre Holdings Limited Provident Fund
- Greenacre Holdings Limited Gratuity Fund

Key Management Personnel

Mr. K. Vaidyanath	– Non-Executive Chairman
Mr. A. Nayak	– Non-Executive Director
Mr. B. N. Malhotra	– Non-Executive Director
Mr. R. Tandon	– Non-Executive Director
Mr. S. Dutta	– Non-Executive Director
Ms. A. Prasad	– Manager & Secretary

DIRECTORS' REPORT**TO THE MEMBERS OF WIMCO LIMITED**

Your Directors present their report for the financial year ended 31st March, 2006.

Company Performance

During the year, the Company has recorded a turnover of Rs. 142.65 crores (previous year – Rs. 135.08 crores) and incurred a net loss of Rs. 13.14 crores (previous year – Rs. 4.27 crores). The increase in loss is mainly on account of substantial decrease in service income and change in policy relating to amortization of voluntary retirement expenses.

The income from Match business has increased to Rs. 132.19 crores from Rs. 118.79 crores as a result of increase in volume by 14%. The income from Engineering business increased by 6% to Rs. 6.70 crores as compared to Rs.6.30 crores last year.

In view of the emerging market opportunities in the Match and Engineering segments, the Company is engaged in sharpening its focus on these businesses.

During the year, the Company has streamlined its selling and marketing activities to achieve overall efficiencies, the benefits of which are evident in the last quarter of the financial year under review. With the progressive realisation of synergies in sales, distribution and operations, the Company is poised for an improved performance.

Dividend

In view of accumulated losses, your Directors are unable to recommend a dividend.

Delisting of Shares and Exit Offer

During the year the Russell Credit Ltd (Russell), a wholly owned subsidiary of ITC Limited, acquired majority shareholding in the Company.

Following the aforesaid acquisition, Russell made an offer to acquire the remaining public shareholding of the Company through the book-building process under the Securities and Exchange Board of India (Delisting of Securities) Guidelines, 2003 ("Guidelines") at the Exit Price of Rs. 53 per equity share. In accordance with the Guidelines, Russell is required to purchase, at the Exit Price of Rs. 53, all equity shares that may be tendered by the remaining shareholders of the Company till 13th June, 2006.

Pursuant to the approval of the Members at the Extraordinary General Meeting of the Company held on 1st August, 2005 and following the aforesaid acquisition, the equity shares of the Company were delisted from Bombay Stock Exchange Limited (BSE) and National Stock Exchange of India Limited (NSE) with effect from 14th December, 2005. The shareholding of Russell in the Company presently stands at 93.57 % of Paid Up Equity Share Capital.

Directors

Dr. H. N. Sethna and Mr. S. Mathur, retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-election.

Responsibility Statement

Pursuant to Section 217(2AA) of the Companies Act, 1956, your Directors state that -

- (i) in the preparation of the annual accounts, the applicable accounting standards have been followed, with proper explanations relating to material departures, if any;
- (ii) appropriate accounting policies have been applied consistently and judgements and estimates made that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at March 31, 2006 and of the loss for that period;
- (iii) proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) the annual accounts have been prepared on a going concern basis.

Auditors

M/s BSR & Co., Auditors of the Company hold office until the conclusion of the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

Subsidiaries

Particulars as required under Section 212 of the Companies Act, 1956, in respect of Company's Subsidiaries viz. Wimco Boards Limited and Wimco Seedlings Limited and its subsidiaries, Pavan Poplar Limited and Prag Agro Farm Limited, have been annexed to the Accounts of the Company.

Public Deposits

The Company has not accepted any deposits from the public during the year.

Information under Section 217 of the Companies Act, 1956

Information required to be disclosed under Section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the

Report of the Board of Directors) Rules, 1988 with respect to Energy Conservation, Technology Absorption and Foreign Exchange Earnings and Outgo is given in Annexure I and forms part of this Report.

The information required under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 is given in Annexure II and forms part of this Report.

Employees

Industrial relations across the Company during the year under review were cordial except for a strike by the workmen of Kolkata factory from 19th November 2005 to 10th December 2005.

Acknowledgement

The Board acknowledges the understanding and support of the investors, banks, distributors, customers, suppliers and business associates and the dedication and hard work of the employees.

For and on behalf of the Board

H. N. Sethna
Chairman

Mumbai, 2nd May, 2006

ANNEXURE I TO DIRECTORS' REPORT**A) CONSERVATION OF ENERGY**

The Company has been working continuously on conservation of energy and reduction of non-renewable sources of energy. The kaborised splints dried with such drying or hot air generators are procured for Ambarnath and Chennai factory. Energy consumption and cost is minimized by maintaining maximum efficiency of splints dryers. The sun drying of splints is continued at Chennai and Kolkata factory resulting in further conservation of energy.

A thorough energy audit has been conducted at Kolkata factory and implementation process for energy conservation is in progress. Bareilly, Ambarnath and Chennai factory will also have energy audit in the year 2006 and thereafter energy conservation projects will be taken up.

A backpressure steam turbine installed at Bareilly factory is working satisfactorily to generate electricity through steam and to save on purchased power.

The generation of electricity through 4 windmills with capacity of 250 KW each in the District Nellore, Kattabomman, Tamil Nadu, feeding the electric grid in Tamil Nadu and receiving credit for this towards consumption of electricity by the Chennai factory continues. This reduces the energy cost by harnessing non-conventional energy.

In Kolkata factory treated water from Effluent Treatment Plant is being utilized in the process to reduce energy cost as well as save natural resources.

The particulars in Form A regarding consumption of energy are not provided as the activity of the Company does not fall under the list of industries specified in the Schedule annexed to the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988.

B) TECHNOLOGY ABSORPTION

The Match manufacturing and skillet printing technology have been fully absorbed by the Company. The Chemistry of Match manufacturing and various recipe and formulations are fully in-house. The manufacturing operation, maintenance of machines and the procurement of raw materials are also fully indigenised. There has been a continuous improvement in all the above areas through in-house effort. The Kolkata factory machine/man productivity has been improved by 10% through in-house effort. There has been a substantial improvement in splint manufacturing activity with the introduction of improved splints chopping machines at Bareilly and Kolkata.

During the year, the Company's expenditure on Research and Development was Nil.

C) FOREIGN EXCHANGE EARNINGS AND OUTGO

Foreign Exchange Earned Rs. 43.71 lacs and Used Rs. 224.71 lacs.

ANNEXURE II TO DIRECTORS' REPORT

Particulars of employees as required under Section 217 (2A) of the Companies Act, 1956 and Rules made thereunder

Name	Mr. Subratra Dutta (Employed for part of the year)
Age	43
Designation	Vice President – Sales & Marketing
Gross Remuneration	Rs. 17,73,579
Qualification	B. Tech, PGDM
Experience (Yrs)	17
Date of Joining	20.11.2002
Previous Employment	Elbee Services Ltd.

AUDITORS' REPORT TO THE MEMBERS OF WIMCO LIMITED

We have audited the attached Balance Sheet of Wimco Limited ("the Company"), as at 31st March, 2006 and also the Profit and Loss Account and the Cash Flow Statement for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

1. As required by the Companies (Auditor's Report) Order, 2003 ('the Order') issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, ('the Act') we enclose in the Annexure 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 above, we report that:
 - (i) we have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - (ii) in our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;

- (iii) the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
- (iv) in our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Act;
- (v) on the basis of written representations received from the Directors as on 31 March 2006 and taken on record by the Board of Directors, we report that none of the Directors are disqualified as on 31 March 2006 from being appointed as a Director in terms of clause (g) of sub-section (1) of Section 274 of the Act;
- (vi) in our opinion, and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - a. in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2006;
 - b. in the case of the Profit and Loss account, of the loss of the Company for the year ended on that date;
 - c. in the case of the Cash Flow Statements, of the cash flows for the year ended on that date.

For BSR & Co.
Chartered Accountants

Sanjay Aggarwal
Partner

Membership No: 40780

Mumbai
May 2, 2006

ANNEXURE TO AUDITORS' REPORT

With reference to the Annexure referred to in paragraph 1 of the Auditors' Report to the members of Wimco Limited on the financial statements for the year ended 31st March, 2006, we report that:

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) The Company has a regular programme of physical verification of its fixed assets by which all fixed assets are verified in a phased manner over a period of three years. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.
- (c) Fixed assets disposed of during the year were not substantial, and therefore, do not affect the going concern assumption.
- (ii) (a) The inventory, except goods-in-transit and stocks lying with third parties, has been physically verified by the management during the year. In our opinion, the frequency of such verification is reasonable. For stocks lying with third parties at the year-end, written confirmations have been obtained.
- (b) The procedures for the physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) The Company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material.
- (iii) According to the information and explanations given to us, we are of the opinion that there are no companies, firms or other parties covered in the Register required under Section 301 of the Companies Act, 1956. Accordingly, paragraph 4(iii) of the Order is not applicable.
- (iv) In our opinion and according to the information and explanation given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchase of inventory and fixed assets and with regard to the sale of goods and services. Further, on the basis of our examination, and according to the information and explanations given to us, we have neither come across nor have we been informed of any instance of major weaknesses in the aforesaid internal control systems.
- (v) In our opinion, and according to the information and explanations given to us, there are no contracts and arrangements the particulars of which need to be entered into the Register maintained under Section 301 of the Companies Act, 1956.
- (vi) The Company has not accepted any deposits from the public.
- (vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- (viii) We have broadly reviewed the books of account maintained by the Company pursuant to the rules prescribed by the Central Government for maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956 in respect of generation of electricity from wind power and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. However, we have not made a detailed examination of the records.

- (ix) (a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted/accrued in the books of account in respect of undisputed statutory dues including Provident Fund, Employees' State Insurance, Income-tax, Sales-tax, Wealth tax, Service tax, Customs duty, Excise duty and other material statutory dues have been regularly deposited during the year by the Company with the appropriate authorities. As explained to us, the Company did not have any dues on account of Investor Education and Protection Fund.

Further, since the Central Government has till date not prescribed the amount of cess payable under Section 441A of the Companies Act, 1956, we are not in a position to comment upon the regularity or otherwise of the Company in depositing the same.

According to the information and explanations given to us, no undisputed amounts payable in respect of Provident Fund, Employees' State Insurance, Income tax, Sales tax, Wealth tax, Service tax, Customs duty, Excise duty, Cess and other material statutory dues were in arrears as at 31st March, 2006 for a period of more than six months from the date they became payable.

- (b) According to the information and explanations given to us, the following dues of Income tax/Sales tax/Customs duty/Excise duty/Cess (as appropriate) have not been deposited by the Company on account of disputes.

Sr. No.	Name of the Statute	Nature of the Dues	Amount (Rs. in lacs)	Period to which the amount relates	Forum where dispute is pending
1.	The Central Excise Act, 1944	Excise duty on sale of cardboard scrap and paper	83.86	1995-1999	Supreme Court of India
		Excise duty on sale of cardboard scrap and paper	15.00	2000-2006	Commissioner of Central Excise Meerut II
		Excise duty on Inner match box	626.58	July 1996 to February 2001	Commissioner Central Excise Kolkata III
		Excise duty on unused excise stamp	6.27	2004-2005	Superintendent of Central Excise A-4 Range Chennai
		Excise duty on sale of cardboard scrap	11.01	1996-1999	Customs, Excise & Service Tax Appellate Tribunal, Western Zonal Branch

Sr. No.	Name of Statute	Nature of the Dues	Amount (Rs. in lacs)	Period to which the amount relates	Forum where dispute is pending
2.	Central Sales Tax Act, 1956	Sales tax on stock transfer to states outside Uttar Pradesh	0.81	1985-1986	Trade Tax Tribunal Bareilly
		Additional Tax on enhancement of turnover by Assessing Authority	0.50	2003-04	Joint Commissioner Appeals, Trade Tax Bareilly
3.	Uttar Pradesh Sales Tax Act, 1948	Additional sales tax on account of enhancement of taxable turnover by the Assessing Authority	1.09	1976-1977 1978-1979	Trade Tax Tribunal, Bareilly
		Sales tax on sale of wood for which purchase tax was already paid.	1.07	1977-1978	Trade Tax Tribunal, Bareilly
	Uttar Pradesh Sales Tax Act, 1948	Additional Sales tax on enhancement of turnover by Assessing Authority	1.56	1985-86	Trade Tax Tribunal Bareilly
		Sales tax imposed on free issues of matches to distributors who have sold the same for consideration	1.43	1990-1991	High Court, Allahabad
		Sales tax imposed on free issues of matches to distributors who have sold the same for consideration	0.51	1991-1992	High Court, Allahabad
		Sales tax imposed on free issues of matches to distributors who have sold the same for consideration	1.30	1992-1003	High Court, Allahabad
		Additional Tax on enhancement of Turnover by Assessing Authority	1.50	2003-04	Joint Commissioner Appeals, Trade Tax Bareilly.

- (x) The Company does not have any accumulated losses exceeding fifty percent of its net worth at the end of the current financial year. *The Company has incurred cash losses in the current financial year and in the immediately preceding financial year.*

- (xi) In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to its bankers. The Company did not have any outstanding debentures or any outstanding loans from any financial institution during the year.
- (xii) The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion and according to the information and explanations given to us, the Company is not a chit fund or a nidhi/mutual benefit fund/society.
- (xiv) In our opinion and according to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments.
- (xv) In our opinion and according to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
- (xvi) In our opinion and according to the information and explanations given to us, the term loans taken by the Company have been applied for the purpose for which they were raised.
- (xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we are of the opinion that the funds raised on short-term basis have not been used for long-term investment.
- (xviii) As stated in paragraph (iii) above, there are no companies/ firms/parties covered in the Register required to be maintained under Section 301 of the Act.
- (xix) The Company did not have any outstanding debentures during the year.
- (xx) The Company has not raised any money by public issues.
- (xxi) In our opinion and according to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the course of our audit.

For BSR & Co.
Chartered Accountants

Sanjay Aggarwal
Partner

Membership No. : 40780

Mumbai, 2nd May, 2006

BALANCE SHEET AS AT 31ST MARCH, 2006

	Schedule	31st March, 2006 (Rs. in Lacs)	As at 31st March, 2005 (Rs. in Lacs)
SOURCES OF FUNDS :			
Shareholders' Funds			
Share Capital	1	5,720.00	5,720.00
Reserves & Surplus	2	7,577.22	6,886.76
Loan Funds	3		
Secured Loans		2,588.75	2,662.01
Unsecured Loans		450.00	450.00
TOTAL		16,335.97	15,718.77
APPLICATION OF FUNDS :			
Fixed Assets	4		
Gross Block		19,400.16	19,230.26
Less : Accumulated Depreciation / Impairment		9,801.42	10,285.82
Net Block		9,598.74	8,944.44
Capital Work-In-Progress		74.76	135.98
Investments	5	0.02	42.37
Deferred Tax Asset (Net)	6	—	—
Assets in Pakistan (Net)	7	—	—
Current Assets, Loans & Advances :			
Inventories	8	2,696.58	2,900.31
Sundry Debtors	9	1,027.74	785.84
Cash and Bank Balances	10	87.28	686.05
Loans and Advances	11	3,631.11	4,039.39
		7,442.71	8,411.59
Less : Current Liabilities and Provisions :	12		
Current Liabilities		2,709.90	2,791.95
Provisions		382.46	480.49
		3,092.36	3,272.44
Net Current Assets		4,350.35	5,139.15
Miscellaneous Expenditure	13	—	459.19
(to the extent not written off or adjusted)			
Profit and Loss Account	14	2,312.10	997.64
TOTAL		16,335.97	15,718.77
Notes to the Accounts	21		
Segment Information	22		
Related Party Disclosure	23		
Significant Accounting Policies	24		

The Schedules referred to above and the annexed notes form an integral part of the Accounts. This is the Balance Sheet referred to in our Report of even date.

For BSR & Co.
Chartered Accountants
Sanjay Aggarwal
Partner
Membership Number : 40780
Mumbai, 2nd May, 2006

For and on behalf of the Board

H.N. Sethna
Rajeev Gopal
Vikram Jain

Chairman
Managing Director
Manager - Legal & Company Secretary
Mumbai, 2nd May, 2006

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2006

	Schedule	For the year ended 31st March, 2006 (Rs. in Lacs)	For the year ended 31st March, 2005 (Rs. in Lacs)
INCOME			
Sales and Services	15	14,036.84	13,192.69
Other Income	16	228.20	315.52
		<u>14,265.04</u>	<u>13,508.21</u>
EXPENDITURE			
Cost of Trading Products		354.12	840.22
Raw Materials Consumed		6,836.64	6,328.81
(Increase) / Decrease in Stocks	17	521.54	(329.85)
Employee Costs	18	3,409.72	3,122.32
Other Costs	19	4,067.94	4,119.50
Interest	20	219.64	236.28
Depreciation		235.02	209.61
		<u>15,644.62</u>	<u>14,526.89</u>
Less : Debited to Capital and Other Accounts		126.29	87.37
		<u>15,518.33</u>	<u>14,439.52</u>
(LOSS) BEFORE EXCEPTIONAL ITEMS AND TAXATION		(1,253.29)	(931.31)
EXCEPTIONAL ITEMS :			
Sale of Land and Buildings		—	883.72
Provision For Diminution in Value of Investments		—	(365.17)
(LOSS) BEFORE TAXATION		(1,253.29)	(412.76)
Income Tax Expenses :			
Current Taxation		13.80	13.75
Fringe Benefit Tax		47.37	—
		<u>61.17</u>	<u>13.75</u>
(LOSS) AFTER TAXATION		(1,314.46)	(426.51)
Profit and Loss Account Deficit Brought Forward		(1,070.28)	(5,323.77)
Less : Adjustment on Capital reduction		—	4,680.00
		<u>(1,070.28)</u>	<u>(643.77)</u>
Balance Carried Over (Refer Schedule 14)		<u>(2,384.74)</u>	<u>(1,070.28)</u>
Earnings per share (Rs.) - Basic and Diluted (See Note 15 of Schedule 21)		(2.53)	(0.83)
Face Value (Rs.)		1.00	1.00
Notes to the Accounts	21		
Segment Information	22		
Related Party Disclosure	23		
Significant Accounting Policy	24		

The Schedules referred to above and the annexed notes form an integral part of the Accounts.

This is the Profit and Loss Account referred to in our Report of even date.

For BSR & Co.
Chartered Accountants
Sanjay Aggarwal
Partner
Membership Number : 40780
Mumbai, 2nd May, 2006

For and on behalf of the Board
H.N. Sethna
Rajeev Gopal
Vikram Jain
Chairman
Managing Director
Manager - Legal & Company Secretary
Mumbai, 2nd May, 2006

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2006

	For the year ended 31st March, 2006 (Rs. in Lacs)		For the year ended 31st March, 2005 (Rs. in Lacs)	
A. CASH FLOW FROM OPERATING ACTIVITIES :				
Profit/(Loss) before Exceptional Items and Taxation		(1,253.29)		(931.31)
Adjustments for :				
Depreciation	235.02		209.61	
Amortisation of Expenses under Voluntary Retirement Schemes	459.19		147.65	
Interest Expenses	221.86		240.01	
Interest Income	(2.22)		(3.73)	
(Gain) / Loss on Sale of Investments	7.35		—	
Provisions Written Back	(48.74)		(79.29)	
(Profit) / Loss on Fixed Assets Disposed / Scrapped (Net)	(8.39)		(51.38)	
Provision / Write off of Doubtful / Bad Debts, Advances,				
Deposits (Net) & spares	485.31	1,349.38	76.49	539.36
Operating Profit / (Loss) Before Working Capital Changes		96.08		(391.95)
Adjustments for :				
Inventories	100.20		(527.90)	
Sundry Debtors	(473.14)		772.05	
Loans and Advances	282.90		3.95	
Current Liabilities and Provisions	(120.92)	(210.97)	192.13	440.23
Direct Taxes Paid		(86.31)		(17.41)
NET CASH FLOW FROM / (USED IN) OPERATING ACTIVITIES		(201.19)		30.87
B. CASH FLOW FROM INVESTING ACTIVITIES :				
Purchase of Fixed Assets	(142.64)		(278.44)	
Sale of Fixed Assets (including exceptional items)	13.39		781.80	
Rs. Nil, 2004-05 - Rs. 695.67 lacs)				
Sale Proceeds of Investments	35.00		5.00	
Interest Received	2.22		3.73	
NET CASH FLOW FROM / (USED IN) INVESTING ACTIVITIES		(92.03)		512.09
C. CASH FLOW FROM FINANCING ACTIVITIES :				
Proceeds from Borrowings :				
Cash Credit / Working Capital Demand Loan	(73.26)		(235.05)	
Loan from a Subsidiary Co.	—		90.00	
Unclaimed Dividend Paid	—		(4.72)	
Interest Paid (Net)	(232.29)		(245.20)	
NET CASH FLOW FROM / (USED IN) FINANCING ACTIVITIES		(305.55)		(394.97)
D. NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS :				
(A + B + C)		(598.77)		147.99
E. RECONCILIATION :				
CASH AND CASH EQUIVALENTS - AT BEGINNING OF THE YEAR (Refer Schedule 10)		686.05		538.06
CASH AND CASH EQUIVALENTS - AT THE ENED OF THE YEAR (Refer Schedule 10)		87.28		686.05
		(598.77)		147.99

Notes :

- The Cash Flow Statement has been prepared under the "Indirect Method" as set out in Accounting Standard -3 on Cash Flow Statement issued by The Institute of Chartered Accountants of India.
- The following have been considered under financing activities :
– Cash credit/working capital demand loan and other borrowings being source of finance.
- Proceeds from borrowings are shown net of repayments.
- Purchase of fixed assets are shown inclusive of movements in capital work-in-progress.
- Cash and cash equivalents represent cash and bank balances only.
- Previous year's figures have been regrouped wherever necessary.

This is the Cash Flow Statement referred to in our Report of even date.

For BSR & Co.
Chartered Accountants
Sanjay Aggarwal
Partner
Membership Number : 40780
Mumbai, 2nd May, 2006

For and on behalf of the Board
H.N. Sethna
Rajeev Gopal
Vikram Jain
Chairman
Managing Director
Manager - Legal & Company Secretary
Mumbai, 2nd May, 2006

SCHEDULES TO THE ACCOUNTS

1. SHARE CAPITAL

	As at 31st March, 2006 (Rs. in Lacs)	As at 31st March, 2005 (Rs. in Lacs)
Authorised :		
55,00,00,000 (2004-05 : 55,00,00,000) Equity Shares of Re. 1 (2004-05 : Re. 1) each (Refer Note (a) below)	5,500.00	5,500.00
93,00,000 (2004-05 : 93,00,000) Redeemable Preference Shares of Rs. 100 each	9,300.00	9,300.00
	<u>14,800.00</u>	<u>14,800.00</u>
Issued and Subscribed and Paid up :		
5,20,00,000 (2004-05 : 5,20,00,000) Equity Shares of Re. 1 (2004-05 : Re. 1) each fully paid up (Refer Note (a) below)	520.00	520.00
52,00,000 (2004-05 : 52,00,000) 0.05% Redeemable Cumulative Preference Shares of Rs. 100 each fully paid up	5,200.00	5,200.00
	<u>5,720.00</u>	<u>5,720.00</u>

Notes :

Of the above :

- (a) Pursuant to the provisions of Section 100 of the Companies Act, 1956, Article 8 of the Articles of Association of the Company and High Court Order dated February 11, 2005, the Issued, Subscribed and Paid up Capital of the Company has been reduced from Rs. 10,400 lacs to Rs. 5,720.00 lacs by reducing the paid up value of Equity Shares by Rs. 9 per Equity Share and the amount so cancelled has been utilised for reducing the accumulated losses as at March 31, 2004 to the extent of Rs. 4,680.00 lacs. To give effect to the above, the composition of the Authorised Capital has been modified from 55,00,00,000 equity Shares of Rs 10 each to 55,00,00,000 Equity Shares of Re. 1 each.
- (b) 16,78,340 equity shares have been allotted as fully paid up pursuant to contracts for consideration other than cash. Out of these equity shares :-
- (i) 12,50,000 equity shares have been allotted pursuant to the scheme of amalgamation of the Assam Match Company Limited with the Company.
- (ii) 1,20,000 and 80,000 equity shares have been allotted pursuant to the agreement with ICICI Bank Limited and trustee of debentureholders respectively.
- (c) 42,50,000 equity shares have been allotted as full paid by way of bonus shares by capitalisation of reserves.
- (d) 4,86,10,226 equity shares of Re. 1 each and 52,00,000 , 0.05% redeemable cumulative preference shares of Rs. 100 each are held by Russel Credit Limited, the holding company. In the previous year 2,40,15,545 equity shares, 30,83,936 equity shares and 1,13,82,800 equity shares were held by Haravon Investments Pte. Limited, Seed Trading Pte. Limited and Swedish Match Singapore Pte Ltd. respectively, and 52,00,000 0.05% Redeemable Cumulative Preference Shares of Rs. 100 each were held by Svenska tandsticksbolaget forsaljningsaktiebolag, the ultimate holding company of these companies being Swedish Match AB, Sweden.
- (e) The preference shares were redeemable at par upon the expiry of five years from the date of their allotment i.e. March 30, 2001 -45,00,000 and July 31, 2001 - 7,00,000. The Company has obtained the consent of the preference shareholders and the date of redemption has been extended by one year from the due date.

2. RESERVES AND SURPLUS

	As at 31st March, 2006 (Rs. in Lacs)	As at 31st March, 2005 (Rs. in Lacs)
Capital Reserve	29.96	29.96
Capital subsidy	14.93	14.93
Share Premium Account	0.26	0.26
Revaluation Reserve		
Balance at the beginning of the year	6,841.61	9,654.92
Less : Provision for Impairment of Land	—	354.86
	<u>6,841.61</u>	<u>9,300.06</u>
Less : Adjustment on account of –		
Fixed Assets sold during the year	—	1,651.24
Assets held for sale	—	807.21
Add : Re-instatement of value of assets held earlier for sale (See Note (c) of schedule 4 and 4 of Schedule 21)	690.46	—
Balance at the end of the year	7,532.07	6,841.61
General reserve as per last Balance sheet	72.64	72.64
Debit Balance in Profit and Loss Account (as per contra - Schedule 14)	72.64	72.64
	<u>7,577.22</u>	<u>6,886.76</u>

SCHEDULES TO THE ACCOUNTS

3. LOAN FUNDS

	As at 31st March, 2006 (Rs. in Lacs)	As at 31st March, 2005 (Rs. in Lacs)
Secured :		
Cash Credit (including working capital demand loan) with Banks (secured by a hypothecation of all stock in trade present and future of the Company including raw materials, finished goods, trading products and stock-in-process and present and future book debts, outstanding receivables, claims and bills)	2,588.75	2,662.01
	<u>2,588.75</u>	<u>2,662.01</u>
Unsecured :		
Loan from a Subsidiary Company [due within on year Rs. 450.00 lacs, (2004-05 : Rs. 450.00 lacs)]	450.00	450.00
	<u>450.00</u>	<u>450.00</u>
	<u>3,038.75</u>	<u>3,112.01</u>

4. FIXED ASSETS

(Rs. in lacs)

GROSS BLOCK					ACCUMULATED DEPRECIATION / IMPAIRMENT					NET BLOCK		
Description	Cost/Valuation as at April 1, 2005	Additions	Deductions/ Adjustments	Cost/Valuation as at March 31, 2006	Accumulated as at April 1, 2005	Charge on account of			On Deductions/ Adjustments	As at March 31, 2006	As at March 31, 2006	As at March 31, 2005
						Depreciation for the year	Impairment	Held for Sale (See Note (c) below)				
Intangible Assets												
Leasehold Land	187.79	—	—	187.79	187.79	—	—	—	—	187.79	—	—
Tangible Assets												
Freehold Land (See Notes (c) below)	7,886.51	—	—	7,886.51	974.94	—	—	(690.46)	—	284.48	7,602.03	6,911.57
Buildings (See Notes (c) below)	6,107.96	6.06	17.10	6,096.92	5,811.47	13.31	—	—	16.98	5,807.80	289.12	296.49
Plant	476.82	16.44	0.36	492.90	271.13	23.03	—	—	0.34	293.82	199.08	205.69
Machinery	3,587.70	150.74	2.70	3,735.74	2,410.55	145.69	—	—	0.14	2,556.10	1,179.64	1,177.15
Factory Equipment	291.67	11.47	—	303.14	187.07	12.13	—	—	—	199.20	103.94	104.60
Railway Sidings	—	—	—	—	—	—	—	—	—	—	—	—
Furniture and fittings/ Computers/ Office Equipment	574.89	19.15	5.48	588.56	374.87	33.26	—	—	4.68	403.45	185.11	200.02
Motor Cars, Lorries, Tractors and Launches	116.92	—	8.32	108.60	68.00	7.60	—	—	6.82	68.78	39.82	48.92
	19,230.26	203.86	33.96	19,400.16	10,285.82	235.02	—	(690.46)	28.96	9,801.42	9,598.74	8,944.44
Previous Year	21,560.70	342.23	2,672.67	19,230.26	9,470.87	209.61	354.86	807.21	556.73	10,285.82		
Capital Work in Progress (including advances Rs. 5.80 lacs (2004-05 : Rs. Nil))											74.76	135.98
											<u>9,673.50</u>	<u>9,080.42</u>

NOTES :

- (a) An indenture of lease has been entered into by the Company with Wimco Boards Limited, a subsidiary company, dated December 27, 1996 to grant a term lease of thirty years of land admeasuring 32000 square metres owned by the Company at Ambarnath in District Thane, Maharashtra for setting up paper board plant.
- (b) During the financial year 2004-05, the Company has accounted for sale of land and building at Ambarnath on receipt of advance towards sale consideration and on handing over the possession of the land and building to the buyer. The legal formalities that were pending regarding the registration of the sale as of March 31, 2005 have since been completed.
- (c) During the previous year, in accordance with AS - 10 the Company had provided for impairment in respect of land & buildings held for sale (cost Rs. 3163.21 lacs & net realisable value Rs. 2356.00 lacs) and recognised impairment of Rs. 807.21 lacs representing the difference between cost & net realisable value. Of the above, assets having a cost of Rs. 2411.46 lacs are no longer held for sale and accordingly, the impairment recognised in the earlier year on such assets amounting to Rs. 690.46 lacs (cost Rs. 2411.46 lacs less net realisable value Rs. 1721.00 lacs) has been reinstated with a corresponding increase in the revaluation reserve.
- (d) Additions to machinery is net of foreign exchange gain Rs. 13.14 lacs (2004-05 : Rs. Nil).
- (e) Sale of Land and Building shown as exceptional items in the year 2004-05 is made up as follows :

Revalued Carrying Amount	Rs. 1,757.52 lacs
Less : Sale Value	Rs. 990.00 lacs
Net Total	Rs. 767.52 lacs
Less : Amount added on revaluation debited to revaluation reserve	Rs. 1,651.24 lacs
Balance in revaluation reserve transferred to Profit and Loss account	Rs. 883.72 lacs

SCHEDULES TO THE ACCOUNTS

5. INVESTMENTS

5. INVESTMENTS	As at 31st March, 2006 (Rs. in Lacs)		As at 31st March, 2005 (Rs. in Lacs)	
LONG TERM INVESTMENTS				
Investments in subsidiary companies				
Unquoted :				
Wimco Boards Limited 1,79,36,463 Equity Shares of Rs. 10 each fully paid	1,793.65		1,793.65	
Wimco Seedlings Limited 83,95,603 Equity Shares of Rs. 10 each fully paid	765.40		765.40	
93,80,589 1% Redeemable Cumulative Preference Shares of Rs. 10 each fully paid	938.06	3,497.11	938.06	3,497.11
Less : Provision for Diminution		3,497.11		3,497.11
Trade Investments				
Quoted :				
TCM Limited Nil (2004-05 : 12,44,942 Equity Shares of Rs. 10 each fully paid) (see note 10 of Schedule 21) (Market Value Rs. Nil, 2004-05 : Rs. 74.70 lacs)	—		148.27	
Less : Provision for Diminution	—		110.92	
37.35				
Other Investments				
Unquoted :				
Woodlands Hospital & Medical Research Centre Ltd. (Formerly Known as 'The East India Clinic Ltd.) 22, 1/2% Debentures of Rs. 100 each fully paid	0.02		0.02	
Wimco Foods Limited Nil (2004-05 : 1 Equity Share of Rs. 10 fully paid)	—		*	
Nil (2004-05 : 50,000, 0.01% Redeemable Preference Shares of Rs. 10 each fully paid) (See note 10 of Schedule 21)	—		5.00	
Mirage Advertising and Marketing Limited 12,488 Equity Shares of Rs. 10 each fully paid	1.25		1.25	
Swedish Match Consumer Products Limited (formerly known as Tirven Consumer Products Limited) Nil (2004-05 : 25,45,095 Equity Shares of Rs. 10 each fully paid) (see note 10 of Schedule 21)	—	1.27	265.17	271.44
Less : Provision for Diminution		1.25		266.42
		0.02		5.02
*Less than Rs. 1,000		0.02		42.37
Aggregate of Unquoted Investments - At Book value	0.02			5.02
Aggregate of Quoted Investments - At Book Value	—			37.35
- At Market Value	—			74.70

6. DEFERRED TAX ASSET (NET)

Deferred Tax Liability - Difference between book depreciation and depreciation under the Income Tax Act, 1961.	328.75	432.33
Less : Deferred Tax Assets - On Unabsorbed depreciation as per Income Tax Act, 1961*	328.75	432.33
	—	—

* Deferred tax asset which is on account of Unabsorbed depreciation has been recognised only to the extent of the deferred tax liabilities as this amount is considered to be virtually certain of realisation.

7. ASSETS IN PAKISTAN (NET)

Investments :-		
Bonds of Pakistan Government	—	0.07
Fixed Deposit with Habib Bank Limited, Lahore	—	5.00
Balance with Grindlays Bank p.l.c. Karachi, transferred in 1965 to the Custodian of Enemy Property of West Pakistan	—	12.70
	—	17.77
Less : Sundry Creditors in Pakistan	—	0.03
		17.74
Less : Ad-hoc interim relief in the form of ex-gratia payment granted by the Office of Custodian of Enemy Property in respect of which the Company has executed an indemnity bond in favour of the Government of India	—	4.39
	—	13.35
Less : Written Off during the year / Writedown (Refer Note 2 below)	—	13.35
* Less than Rs. 1,000	—	—

Notes :

- No account has been taken of the effect of fluctuation in currency rates.
- The Office of the Custodian of Enemy Property for India has informed vide their letter No. EG/918/21 dated April 05, 2004 that the Company is not entitled to any further payment under the said Scheme. Accordingly, the net assets have been written off.

SCHEDULES TO THE ACCOUNTS

	As at 31st March, 2006 (Rs. in Lacs)	As at 31st March, 2005 (Rs. in Lacs)
8. INVENTORIES		
(See note 3 of Schedule 21)		
Stores and Spares (Net of obsolescence)	379.79	357.92
Raw Materials	1,498.09	1,202.15
Semi-finished Products	45.58	64.19
Finished Products	746.94	1,055.91
Trading Products	26.18	220.14
	<u>2,696.58</u>	<u>2,900.31</u>
9. SUNDRY DEBTORS		
(Secured to the extent of deposits received from customers)		
Considered Good (including debtors over six months old Rs. 69.70 lacs - 2004-05 : Rs. 93.01 lacs)		
– Due from ultimate holding company	929.76	—
– Due from others	97.98	785.84
	<u>1,027.74</u>	<u>785.84</u>
Considered Doubtful (over six months old)	493.20	495.23
Less : Provision For Doubtful Debts	493.20	495.23
	<u>—</u>	<u>—</u>
	<u>1,027.74</u>	<u>785.84</u>
10. CASH AND BANK BALANCES		
Cash in Hand :		
[including remittances in transit Rs. 4.99 lacs (2004-05 : Rs. 547.00 lacs)]	21.26	564.32
Cash in hand	7.44	—
	<u>28.70</u>	<u>564.32</u>
Balances with Scheduled Banks on:		
Current Account	58.50	121.50
Deposit Account	0.08	0.23
	<u>58.58</u>	<u>121.73</u>
	<u>87.28</u>	<u>686.05</u>
11. LOANS AND ADVANCES		
(Unsecured and considered good - Unless otherwise stated)		
Loans to Subsidiary Companies (See Note 5 (i) (a) (b) and (c) of Schedule 21)		
– Considered Good	608.36	754.88
– Considered Doubtful	136.20	—
	<u>744.56</u>	<u>754.88</u>
Other Loans		
– Considered Good	—	4.74
– Considered Doubtful	—	426.33
	<u>744.56</u>	<u>1,185.95</u>
Less : Provision For Doubtful Loans	136.20	426.33
	<u>608.36</u>	<u>759.62</u>
Sundry Advances and Claims Recoverable - Subsidiary Companies (See Note 5 (ii) (a) and (b) of Schedule 21)	1,506.98	1,941.90
Other (See Note 9 (b) of Schedule 21)		
– Considered Good	526.29	437.13
– Considered Doubtful	35.54	122.57
	<u>2,068.81</u>	<u>2,501.60</u>
Less : Provision for Doubtful Advances	35.54	122.57
	<u>2,033.27</u>	<u>2,379.03</u>
Prepaid Expenses	120.87	170.04
Balance with Customs, Port Trust, Excise Authorities, etc. (Includes Rs. 5.99 lacs (2004-05 : Rs. 17.75 lacs) receivable against Cenvat Credit)	116.87	65.34
Deposits		
– Considered Good*	584.12	523.88
– Considered Doubtful	10.90	16.20
	<u>595.02</u>	<u>540.08</u>
Less : Provision for Doubtful Deposits	10.90	16.20
	<u>584.12</u>	<u>523.88</u>
Advance Tax and Tax Deducted at Source (Net of Provision for Taxation Rs. 254.74 lacs - 2004-05 : Rs. 945.75 lacs)	166.62	141.48
Advance Fringe Benefits Tax (Net of Provision for Taxation Rs. 47.37 lacs - 2004-05 : Rs. Nil)	1.00	—
	<u>3,631.11</u>	<u>4,039.39</u>

*Includes unquoted investments in national savings certificates Rs. Nil (2004-05 : Rs. 0.95 lacs) lodged as security deposits.

SCHEDULES TO THE ACCOUNTS

12. CURRENT LIABILITIES AND PROVISIONS

	As at 31st March, 2006 (Rs. in Lacs)	As at 31st March, 2005 (Rs. in Lacs)
Current Liabilities :		
Acceptances	—	26.99
Advances Received from Customers	71.03	76.99
Sundry Creditors [includes dues to small scale industrial undertakings Rs. 1.37 lacs (2004-05 : Rs. 90.05 lacs)] (See Note 7 of schedule 21)	2,451.11	2,471.28
[Due to ultimate holding company Rs. 374.14 lacs, (2004-05 : Nil)]		
Dealers' Deposits	183.27	201.77
Interest Accrued but not Due	4.49	14.92
	<u>2,709.90</u>	<u>2,791.95</u>
Provisions :		
Leave Encashment	93.95	130.30
Diminution in value of machinery	7.94	7.94
Gratuity	280.57	342.25
	<u>382.46</u>	<u>480.49</u>
	<u>3,092.36</u>	<u>3,272.44</u>

13. MISCELLANEOUS EXPENDITURE

(to the extent not written off or adjusted)
(See Note 11 of Schedule 21)

Compensation paid to Employees under the Voluntary Retirement Schemes	459.19	606.84
Less : Written off during the year	459.19	147.65
	<u>—</u>	<u>459.19</u>

14. PROFIT AND LOSS ACCOUNT

Debit Balance in Profit and Loss Account	2,384.74	1,070.28
Less : As per Contra in General Reserve (Schedule 2)	72.64	72.64
	<u>2,312.10</u>	<u>997.64</u>

15. SALES AND SERVICES

	For the year ended 31st March, 2006 (Rs. in Lacs)	For the year ended 31st March, 2005 (Rs. in Lacs)
Sales (Net of sales Tax)	15,603.64	14,542.93
Less : Excise Duty	<u>1,614.84</u>	<u>1,590.47</u>
Technical Fees, Service Charges etc. – Gross (tax deducted at source Rs. 2.24 lacs (2004-05 : Rs. 13.20 lacs))	46.24	235.12
Lease Income - Gross [tax deducted at source Rs. 0.40 lacs (2004-05 : Rs. 1.06 lacs)]	1.80	5.11
	<u>14,036.84</u>	<u>13,192.69</u>

16. OTHER INCOME

Provisions/Liabilities Written Back as no longer Required (Net)	48.74	79.29
Insurance Claims	0.54	9.99
Sales Tax/Octroi Duty Refund	0.71	10.18
Income from Sale of Energy	36.78	63.60
Exchange Gain (Net)	—	3.20
Gain on Sale of Assets (Net)	8.39	51.38
Miscellaneous Receipts (including sale of scrap and empties Rs. 61.01 lacs - 2004-05 : Rs. 59.25 lacs)	133.04	97.88
	<u>228.20</u>	<u>315.52</u>

17. (INCREASE)/DECREASE IN STOCKS

Semi-finished Products :		
Opening Stock	64.19	101.11
Closing Stock	<u>45.58</u>	<u>64.19</u>
Finished and Trading Products :		
Opening Stock	1,276.05	909.28
Closing Stock	<u>773.12</u>	<u>1,276.05</u>
	<u>502.93</u>	<u>(366.77)</u>
	<u>521.54</u>	<u>(329.85)</u>

SCHEDULES TO THE ACCOUNTS

	For the year ended 31st March, 2006 (Rs. in Lacs)	For the year ended 31st March, 2005 (Rs. in Lacs)
18. EMPLOYEE COSTS		
Salaries, Wages and Bonus	2,347.18	2,310.25
Contribution to Provident and Other Funds	444.69	463.85
Staff and Workers' Welfare Expenses	158.66	171.50
Compensation paid to Employees under the Voluntary Retirement Schemes (See Note 11 of Schedule 21)	459.19	176.72
	<u>3,409.72</u>	<u>3,122.32</u>
19. OTHER COSTS		
Stores and Spares Consumed (Including provision made for obsolete spares)	392.03	326.70
Power and Fuel	804.51	719.10
Rent (See Note 16 of Schedule 21)	36.09	39.03
Rates and Taxes	30.20	57.94
Repairs and Maintenance :		
Machinery	84.68	61.06
Buildings	70.41	72.55
Other Assets	39.02	38.31
Insurance	84.10	83.55
Directors' Sitting Fees	1.75	1.45
Freight and Transport	688.76	698.92
CFA's / Stockists Costs	431.90	467.71
Provision/Write off of Doubtful / Bad Debts, Advances and Deposits (Net)	410.21	60.31
Travelling and Conveyance	318.39	375.06
Processing and Supervision Charges	—	16.59
Advertisement	13.02	20.94
Sales Promotion	93.44	408.12
Donations	5.66	0.09
Exchange Loss	0.83	—
Loss on Sale of Investments (see Note 10 of Schedule 21)	7.35	—
Other Expenses	555.59	672.07
	<u>4,067.94</u>	<u>4,119.50</u>
20. INTEREST		
Cash Credit (Including Working Capital Demand Loan)	176.91	202.18
Others	<u>44.95</u>	<u>37.83</u>
Less : Interest Income		
Interest on Bank and Other Deposits – Gross	0.35	1.32
[tax deducted at source Rs. 0.14 lacs (2004-05 : Rs. 0.27 lacs)]		
Other Interest [tax deducted at source Rs. 0.22 lac (2004-05 : 0.23 lacs)]	<u>1.87</u>	<u>2.41</u>
	<u>219.64</u>	<u>236.28</u>

SCHEDULES TO THE ACCOUNTS

21. NOTES TO THE ACCOUNTS

1. Commitments

(a) Estimated amounts of contracts (net of advances) remaining to be executed on capital account and not provided for is Rs. 13.64 lacs (2004-05 Rs. 0.27 lacs).

(b) The Company has issued letters of financial support to two of its subsidiary companies viz Wimco Seedlings Limited and Prag Agro Farm Limited.

2. Contingencies :

(a) Claims against the Company not acknowledged as debts Rs. 2,777.52 lacs (2004-05 : Rs. 1,486.73 lacs). These comprise:

- Excise Duty, Sales Taxes and Indirect Taxes claims disputed by the Company relating to issues of applicability and classification aggregating Rs. 769.88 lacs (2004-05 : Rs. 768.58 lacs).
- Local authority Taxes/Cess/Royalty on property, utilities, etc. claims disputed by the Company relating to issues of applicability and determination aggregating Rs. 156.16 lacs (2004-05 : Rs. 4.64 lacs).
- Third party claims arising from disputes relating to contracts aggregating to Rs. 1,611.99 lacs (2004-05 : Rs. 467.48 lacs)
- Other matters Rs. 239.49 lacs (2004-05 : Rs. 246.03 lacs) [includes Income Tax Rs. 199.21 lacs (2004-05 : Rs. 199.21 lacs)].

The above does not include provident fund contribution on leave encashment relating to the period prior to May 1, 2005, the matter being kept in abeyance by the concerned authorities. (Estimated amount Rs. 25.00 lacs).

(b) Test bonds / special valuation bonds aggregating Rs. 241 lacs (2004-05 : Rs. 241 lacs) equivalent to CIF value of imports of certain raw materials in respect of which additional liability of customs duty is not likely to exceed the above amount.

(c) Claims have been filed by farmers in respect of disputes under the WIMCO NABARD Poplar Scheme amounting to Rs. 31.64 lacs. (2004-05 : Rs. 19.80 lacs).

(d) The Company had issued 'Legal Agreement – Undertaking' in favour of the President of India acting through the Director General of Foreign Trade, Ministry of Commerce aggregating Rs. 2,219.27 lacs (2004-05 : Rs. 2,219.27 lacs) and given declarations under the amended procedures of the Export Import Policy 1992-1997 and issued bonds to the President of India acting through the Assistant Commissioner of Customs, Mumbai aggregating Rs. 336.59 lacs (2004-05 : Rs. 336.59 lacs), where necessary formalities and entries have not been completed. Subsequent to the year end 'Legal Agreement – Undertaking' valued at Rs. 65.53 lacs and bonds valued at Rs. 63.14 lacs have been cancelled.

(e) Arrears of dividend on redeemable cumulative preference shares aggregate Rs. 12.89 lacs (2004-05 : Rs. 10.29 lacs) excluding dividend tax.

(f) The Office of the Special Director of Enforcement, (Foreign Exchange Regulation Act, 1973) Mumbai had levied a penalty of Rs. 30.00 lacs in the financial year 1995-96 on the Company for non-realisation of certain export proceeds in respect of exports made during the years 1982-89 and thereafter granted relief to the extent of Rs. 15.00 lacs in the financial year 1998-99. For the balance Rs. 15.00 lacs the Company had filed an appeal against the Order of the Special Director of Enforcement. During the year the Company has deposited a sum of Rs. 15 lacs with the office of the Special Directorate of Enforcement towards pre-deposit for the hearing. This has not been charged to the profit and loss account in these financial statements.

3. In pursuance of Accounting Standard - ("AS 28") issued by the ICAI becoming mandatory to the Company with effect from April 1, 2004, the Company had made provision of Rs. 354.86 lacs in respect of impairment of assets in the books in the last year which had been adjusted against the opening balance of revaluation reserve. The recoverable amount of the asset had been considered as the net selling price as the value in use of the assets was not readily determinable. In the current year in the absence of any impairment, no further provision is considered necessary.

The Company had suspended operations in its unit at Dhubri, Assam from April 1997. Further, during the year, a technical evaluation has been carried out by the Company of the fixed assets (excluding land) aggregating Rs. 51.65 lacs (2004-05 : Rs. 55.64 lacs) and inventories of stores & spares aggregating Rs. 36.50 lacs (2004-05: Rs. 36.50 lacs) at Dhubri, based on which all these assets are considered to be in good condition and usable.

4. During the previous year, in accordance with AS-10, the Company had provided for impairment in respect of land & buildings held for sale (cost Rs. 3163.21 lacs and net realisable value Rs. 2356.00 lacs) and recognised impairment of Rs. 807.21 lacs representing the difference between cost and net realisable value. Of the above, assets having a cost of Rs. 2411.46 lacs are no longer held for sale and accordingly the impairment recognised in the earlier year on such assets amounting to Rs. 690.46 lacs (cost Rs. 2411.46 lacs less net realisable value Rs. 1721.00 lacs) has been reinstated with a corresponding increase in the revaluation reserve.

5. "Loans and Advances" include the following amounts due from subsidiary companies :

(i) Interest free loans where no repayment schedule has been specified represents amounts advanced from time to time in previous years and current year to provide financial support to the subsidiary companies :

- (a) Wimco Seedlings Limited Rs. 567.51 lacs (2004-05 Rs. 618.68 lacs) [maximum amount due at any time during the year Rs. 752.69 lacs (2004-05 : Rs. 669.15 lacs)].
- (b) Pavan Poplar Limited Rs. 156.40 lacs (2004-05 : Rs. 136.20 lacs) [maximum amount due at any time during the year Rs. 161.40 lacs (2004-05 : Rs. 136.22 lacs)].
- (c) Prag Agro Farm Limited Rs. 20.65 lacs (2004-05 : Nil) [maximum amount due at any time during the year Rs. 20.65 lacs (2004-05 : Nil)].

(ii) Sundry advances include balances due from

- (a) Wimco Seedlings Limited Rs. 1506.98 lacs (2004-05 : Rs. 1941.53 lacs) being advance paid in a prior year to be adjusted against supply of wood of the Poplar trees grown by the Subsidiary Company [maximum amount due at any time during the year Rs. 1941.53 lacs (2004-05 : Rs. 2252.09 lacs)]
- (b) Wimco Boards Limited Rs. Nil (2004-05 : Rs. 0.37 lacs) for services rendered during the year [maximum amount due at any time during the year Rs. 0.87 lacs (2004-05 : Rs. 1.81 lacs)].

6. The Order passed by the District Magistrate authorizing the State authorities to take possession of the land leased to Pavan Poplar Limited and Prag Agro Farm Limited, subsidiaries of the Company, has been stayed by the Order of the High Court.

7. Dues to small - scale industrial undertakings Rs. 1.37 lacs (2004-05 : Rs. 90.05 lacs) include the following dues which are outstanding for more than 30 days *as at March 31, 2006.

Vendor Name	Rs. in Lacs
Bharat Silica Sand	0.05
Saibal Engineering Company	0.32
Aes Engineers	0.58
Siddharth Chemicals	0.42
	<u>1.37</u>

* As per the terms of contract, the credit period generally varies between 45 to 90 days.

The above information and that given in Schedule 12 – "Current Liabilities and Provisions – Sundry Creditors" as at March 31, 2006 regarding small scale industrial undertakings has been determined to the extent such parties have been identified on the basis of information available with the Company.

8. Remuneration to Auditors

	2005-06 (Rs. in lacs)	2004-05 (Rs. in lacs)
Audit Fees	17.55	17.95
Out of Pocket expenses	1.43	0.65

9. (a) Salaries, wages & bonus include remuneration to Directors (including the erstwhile Managing Director upto July 1, 2005) amounting to Rs. 6.91 lacs (2004-05 : Rs. 20.17 lacs) and is inclusive of estimated money value of benefits of Rs. 1.18 lacs (2004-05 : Rs. 4.39 lacs). No remuneration is paid to the present Managing Director in accordance with the terms of his appointment as approved by the shareholders at the extra ordinary general meeting held on August 1, 2005.

Computation of net profit/(loss) in accordance with Section 309(5) of the Companies Act, 1956 has not been disclosed in view of accumulated losses.

SCHEDULES TO THE ACCOUNTS

21. NOTES TO THE ACCOUNTS (contd.)

- (b) Sundry advances & claims recoverable - others, include an amount of Rs. 5.99 lacs (2004-05 : Rs. 5.99 lacs) recoverable from a former Managing Director on account of excess remuneration charged to the respective years' accounts from 1980 to 1988-89. This amount has been provided for in 2000-01.

10. During the year the Company has sold its investments in certain associates and the provision made in earlier years for the diminution in the value of investments has been adjusted against the loss on sale of these investments.

11. Pursuant to Accounting Standard 26 - Intangible Assets, compensation paid to employees aggregating Rs. 686.17 lacs under the Voluntary Retirement Schemes in previous years was amortised in accordance with the Company's policy of expensing such amounts over a period of sixty months. During the year the Company has changed its policy and decided to charge the compensation paid to employees during the year in the profit and loss account of the same year. Consequently the balance of Rs. 459.19 lacs disclosed under 'Miscellaneous Expenditure' in the Balance Sheet as on March 31, 2005 has been charged to the profit and loss account during the year. Had the previous method been followed the loss for the year would have been lower by Rs. 317.67 lacs.

12. (a) ANNUAL LICENSED CAPACITY

	Unit	2005-06	2004-05
Matches	Million boxes	5,000	5,000

(b) ANNUAL INSTALLED CAPACITY (As certified by the Management)

	Unit	2005-06	2004-05
Matches (on 3 shift basis 300 working days)	Million boxes	5,000	5,000

(c) OPENING STOCK *

	Unit	01.04.2005		01.04.2004	
		Quantity	(Rs. in lacs)	Quantity	(Rs. in lacs)
Own Production					
Matches	Million boxes	286	1,055.91	190	651.58
Machines	Numbers	3	—	3	—
Trading					
Matches	Million boxes	23	90.39	21	79.44
Homelites Mosquito Coils	Thousand Nos.	2,520	23.29	2,907	23.50
Shampoos	Thousand Litres	32	20.84	108	81.35
Talc	Kgs	8,323	9.63	6,891	8.85
Cough Syrups	Thousand Litres	1	0.90	14	16.32
Cough Drops	Kgs	14,886	8.70	45,540	45.93
Blended Spices	Kgs	1,448	—	852	2.31
Himalaya Throat Drops	Thousand Nos.	34,095	61.00	Nil	Nil
Lighters	Thousand Nos.	114	5.39	Nil	Nil
Total			1276.05		909.28

* Includes adjustments for shortage/excess and the effects of reduction of stock items to realisable value.

(d) ACTUAL PRODUCTION

	Unit	2005-06	2004-05
Matches	Million boxes	3,319	3,197
Machines	Numbers	60	48

(e) COST OF TRADING PRODUCTS

	Unit	2005-2006		2004-2005	
		Quantity	(Rs. in lacs)	Quantity	(Rs. in lacs)
Matches	Million boxes	97	332.01	124	420.94
Machines	Numbers	1	5.50	—	—
Homelites Mosquito Coils	Thousand Nos.	5,427	50.26	25,534	219.15
Shampoos	Thousand Litres	0	0	13	9.93
Talc	Kgs	0	0	2,400	2.44
Lighters	Thousand Nos.	0	0	220	9.96
Blended Spices	Kgs.	0	0	1,158	0
Himalaya Throat Drops	Thousand Nos.			72,923	177.80
Sub total			387.77		840.22
Less : Purchase return : Himalaya Throat Drops	Thousand Nos.	— 18,203	— 33.65		—
			354.12		840.22

SCHEDULES TO THE ACCOUNTS

21. NOTES TO THE ACCOUNTS (contd.)

(f) DETAILS OF SALES

		2005-06		2004-05	
	Unit	Quantity*	(Rs. in lacs)	Quantity*	(Rs. in lacs)
Own Production					
Matches	Million boxes	3,406	14,277.40	3,101	12,678.47
Machines	Numbers	60	600.27	48	670.78
Trading					
Matches	Million boxes	110	467.73	122	502.09
Machines	Numbers	1	7.70	—	—
Homelites Mosquito Coils	Thousand Nos.	5,615	56.51	25,921	278.67
Shampoos	Thousand Litres	24	2.88	89	53.52
Talc	Kgs	7,227	0.54	968	0.95
Cough Syrups	Thousand Litres	0	0.34	13	16.02
Cough Drops	Kgs	14,521	0.34	30,654	20.17
Blended Spices	Kgs	1,448	—	562	2.32
Himalaya Throat Drops	Thousand Nos.	14,034	48.24	38,828	122.30
Lighters	Thousand Nos.	63	4.97	106	6.92
Others			136.72		190.72
			15,603.63		14,542.95

* Includes free issues and damages and is net of sales returns

(g) CLOSING STOCK *

		31.03.2006		31.03.2005	
	Unit	Quantity	(Rs. in lacs)	Quantity	(Rs. in lacs)
Own Production					
Matches	Million boxes	199	746.94	286	1,055.91
Machines	Numbers	3	—	3	—
Trading					
Matches	Million boxes	10	26.18	23	90.39
Homelites Mosquito Coils	Thousand Nos.	2,332	—	2,520	23.29
Shampoos	Thousand Litres	8	—	32	20.84
Talc	Kgs	1,096	—	8,323	9.63
Cough Syrups	Thousand Litres	1	—	1	0.90
Cough Drops	Kgs	365	—	14,886	8.70
Blended Spices	Kgs	0	—	1,448	—
Himalaya Throat Drops	Thousand Nos.	1,858	—	34,095	61.00
Lighters	Thousand Nos.	51	—	114	5.39
Total			773.12		1,276.05

* Includes adjustments for shortage/excess and the effects of reduction of stock items to realisable value.

13. Details of Raw Materials and Components consumed.*

	Unit	2005-2006		2004-2005	
		Quantity	(Rs. in lacs)	Quantity	(Rs. in lacs)
Wood	CMHub	21,014	811.46	17,240	512.70
Splints and Veneers	Million	1,03,025	947.64	1,14,529	1,013.59
Cardboard and Paper	Tonnes	12,452	2,703.43	12,497	2,686.67
Chemicals	Tonnes	5,369	1,634.40	5,131	1,539.37
Others			739.71		576.48
			<u>6,836.64</u>		<u>6,328.81</u>
		%		%	
Imported		3	230.33	2	105.64
Indigenous		97	6,606.31	98	6,223.17
			<u>6,836.64</u>		<u>6,328.81</u>

* Notes :

- (1) The value of consumption of raw materials and components has been arrived at on the basis of opening stock plus purchases less closing stock. The consumption, therefore, includes adjustments for shortage/excess and the effects of reduction of stock items to realisable value.
- (2) Components referred to in paragraph 4D(a) and 4D(c) of Part II of Schedule VI to the Act are assumed to be those incorporated in the goods produced and not those used for maintenance of plant and machinery.

	2005-2006 (Rs. in lacs)	2004-2005 (Rs. in lacs)
14. (a) Value of Imports calculated on C.I.F. basis		
Raw Materials, and Spare Parts	252.28	200.12
Capital Goods	—	93.82
(b) Expenditure in Foreign Currency :		
Travelling	0.28	1.90
(c) Earnings in Foreign Exchange :		
Exports of goods calculated on F.O.B. basis	43.71	82.68
[Export earnings in Indian Rupees amounting to Rs. 2.81 lacs (2004-05 : Rs. 9.43 lacs) have been excluded]		

SCHEDULES TO THE ACCOUNTS

21. NOTES TO THE ACCOUNTS (contd.)

	2005-2006 (Rs. in lacs)	2004-2005 (Rs. in lacs)
15. Earnings Per Share		
(Loss) after taxation (Rs. in lacs)	(1314.46)	(426.51)
Arrears of preference dividend including Preference dividend tax (Rs. in lacs)	2.96	2.94
(Loss) attributable to equity shareholders (Rs. in lacs)	(1317.42)	(429.45)
Number of equity shares	5,20,00,000	5,20,00,000
Earnings per share (Rs.) – Basic and Diluted	(2.53)	(0.83)
Nominal value of an equity share (Rs.)	1	1

16. Leases : Where the Company is a lessee/licensee

- (i) The Company has taken various residential, office and godown premises under operating lease or leave and license agreements. These are not non-cancellable and range between 11 months and 3 years under leave and license or longer for other leases and are renewable by mutual consent on mutually agreeable terms.

- (ii) Lease payments are recognised in the statement of Profit and Loss Account under 'Rent' in Schedule 19.

17. During the year the Company has discontinued its trading operations in Mosquito Coils, Shampoos, Talc, Cough Syrups, Cough Drops, Blended Spices, Himalaya Throat Drops and Lighters which had an aggregate turnover of Rs. 150 lacs (2004-05 : Rs. 561 lacs)

22. SEGMENT INFORMATION

Segment Information for the year ended March 31, 2006

(I) Information about Primary Business Segments :

Rs. in Lacs

	Match		Engineering		Services		Other businesses		Unallocated		Total	
	2005-06	2004-05	2005-06	2004-05	2005-06	2004-05	2005-06	2004-05	2005-06	2004-05	2005-06	2004-05
Revenue												
External	14,755.01	13,374.61	744.89	685.89	—	160.00	149.98	560.86	1.80	1.80	15,651.68	14,783.16
Inter-Segment	4.66	44.53	—	—	—	—	—	—	—	—	4.66	44.53
Total Revenue	14,759.67	13,419.14	744.89	685.89	—	160.00	149.98	560.86	1.80	1.80	15,656.34	14,827.69
Less : Eliminations on account of Inter Segment Revenue	4.66	44.53	—	—	—	—	—	—	—	—	4.66	44.53
Total Revenue	14,755.01	13,374.61	744.89	685.89	—	160.00	149.98	560.86	1.80	1.80	15,651.68	14,783.16
Result												
Segment Result	(775.79)	(845.57)	154.22	120.71	(17.95)	149.58	(99.27)	6.63	—	—	(738.79)	(568.65)
Unallocated expenditure net of unallocated income	—	—	—	—	—	—	—	—	(294.86)	(126.38)	(294.86)	(126.38)
Operating Profit	(775.79)	(845.57)	154.22	120.71	(17.95)	149.58	(99.27)	6.63	(294.86)	(126.38)	(1,033.65)	(695.03)
Interest Expenses	—	—	—	—	—	—	—	—	(221.86)	(240.01)	(221.86)	(240.01)
Interest Income	—	—	—	—	—	—	—	—	2.22	3.73	2.22	3.73
Provision for taxation (Including Wealth Tax & Fringe Benefit Tax)	—	—	—	—	—	—	—	—	(61.17)	(13.75)	(61.17)	(13.75)
Profit / (Loss) from ordinary activities	(775.79)	(845.57)	154.22	120.71	(17.95)	149.58	(99.27)	6.63	(575.67)	(376.41)	(1,314.46)	(945.06)
Exceptional Items	—	883.72	—	—	—	—	—	—	—	(365.17)	—	518.55
Net Profit / (Loss)	(775.79)	38.15	154.22	120.71	(17.95)	149.58	(99.27)	6.63	(575.67)	(741.58)	(1,314.46)	(426.51)
Other Information												
Segment assets	14,707.39	15,094.01	335.90	424.81	—	20.00	91.51	297.06	1,981.42	2,103.62	17,116.23	17,939.50
Segment liabilities	2,792.85	2,855.78	149.74	136.68	—	—	135.48	259.48	3,053.04	3,078.44	6,131.11	6,330.38
Capital Expenditure	124.35	360.17	2.37	11.64	—	—	—	—	15.92	1.16	142.64	372.97
Depreciation	180.06	158.93	2.95	3.56	—	—	—	—	52.02	47.12	235.02	209.61
Non-cash expenses other than depreciation :												
Impairment of Land adjusted against revaluation reserve	—	354.86	—	—	—	—	—	—	—	—	—	354.86
Provision for diminution in value of investments	—	—	—	—	—	—	—	—	—	365.17	—	365.17
Provision for doubtful debts, advances & deposits	165.71	51.49	11.92	—	17.95	—	51.16	—	136.19	—	382.94	51.49
Amortisation of expenses under VRS	459.19	147.65	—	—	—	—	—	—	—	—	459.19	147.65

(II) Information about Secondary Business Segments :

Rs. in Lacs

	India		Outside India		Total	
	2005-06	2004-05	2005-06	2004-05	2005-06	2004-05
Revenue by Geographical Segments						
Sales & Services	15,605.16	14,691.05	46.52	92.11	15,651.68	14,783.16
Carrying Amount of Segment Assets	17,116.23	17,939.50	—	—	17,116.23	17,939.50
Capital Expenditure	142.64	372.97	—	—	142.64	372.97

Unallocated income and expenditure relate mainly to the Corporate Office as also the Unallocated assets and Liabilities which include investments made centrally at the Corporate Office.

Note to segment information :

- (i) The business segment has been considered as the primary segment. The Company is organised into four main business segments, Match, Engineering, Services and Other businesses.

The Segments have been identified and reported taking into account the nature of products and services, the differing risks and returns, the organisation structure and the internal financial reporting systems.

- (ii) Segment revenue in each of the above business segments primarily include sales and services in the respective segments.

- (iii) The segment revenues in the geographical segments considered for disclosure are as follows :

- (a) Revenue within India includes sales to customers located within India and earnings in India.
(b) Revenue outside India includes sales to customers located outside India and earnings outside India.

- (iv) Segment revenue, results, assets and liabilities include the respective amounts identifiable to each of the above segments and amounts allocated on a reasonable basis.

SCHEDULES TO THE ACCOUNTS**23. RELATED PARTY DISCLOSURES :**

a. Parties exercising control over Company :

Upto June 30, 2005 :	Relationship Ultimate Holding Company#
Related Party	
Swedish Match AB, Sweden	Held 46.18% of the equity share capital#
Haravon Investments Pte. Ltd.	Held 5.93% of the equity share capital#
Seed Trading Pte. Ltd.	Held 21.89% of the equity share capital#
Swedish Match Singapore Pte. Ltd.	
From July 1, 2005 :	Relationship Ultimate Holding Company
Related Party	
ITC Limited	Held 93.48% of the equity share capital#
Russell Credit Limited	
# No transactions during the year.	

b. Parties over whom Company exercises control :

Subsidiary Companies	(WSL)
Wimco Seedlings Limited	(PPL)
Pavan Poplar Limited	(PAFL)
Prag Agro Farm Limited	(WBL)
Wimco Boards Limited	
Other related Parties with whom the Company had transactions : Fellow subsidiaries	
Swedish Match Consumer Products Limited (SMPCL) # (upto June 30, 2005)	
Swedish Match Arenco AB # (upto June 30, 2005)	
Swedish Match India Limited (from July 1, 2005)	
ITC Infotech India Limited (from July 1, 2005)	
# No transactions during the year.	

d. Directors of the Company :

Whole Time Directors	John F. Doherty (Upto July 01, 2005)
Non-Executive Director	Rajeev Gopal (From July 01, 2005)
	H. N. Sethna (From July 01, 2005)
	C. R. Dua (From July 01, 2005)
	D. Dutta (From July 01, 2005)
	Graham Jones (upto August 01, 2005)
	Lars Lindqvist (upto August 01, 2005)
	R. L. Auddy (From July 01, 2005)
	R. K. Singhi (From July 01, 2005)
	R. Srinivasan (From July 01, 2005)
	Rajiv Tandon (From July 01, 2005)
	Suresh Mathur (upto August 01, 2005)
	Anish Ghoshal (Alternate to Lars Lindqvist)

e. Transaction with related parties

Rs. in Lacs

	ULTIMATE HOLDING COMPANY		Subsidiary Company				Fellow Subsidiaries				Total	
	2005-06	2004-05	WSL	PPL	PAFL	WBL	ITC Infotech India Ltd.	SMPCL	SWEDISH MATCH LIGHTERS BV	SWEDISH MATCH ARENCO AB	2005-06	2004-05
Sale of goods & Services	3,716.56	—	—	—	—	—	—	—	—	—	3,716.56	—
Purchase of raw materials and components	1,454.22	—	305.33	—	—	—	—	—	—	120.41	1,905.18	425.74
Purchase of Services	2.03	—	—	—	—	—	—	—	—	—	2.03	—
Cost of Trading Products	—	—	—	—	—	—	—	—	6.67	—	—	6.67
Lease Income	—	—	—	—	—	1.80	—	—	—	—	—	1.80
Expenses Reimbursed	—	—	164.80	—	—	—	—	—	—	—	164.80	4.83
Expenses Recovered	—	—	130.03	—	—	—	—	—	4.83	—	130.03	108.82
Interest Expenses	—	—	—	—	—	—	—	—	—	—	—	—
Purchase of Fixed Assets	—	—	—	—	—	—	14.91	—	—	94.53	14.91	94.53
Loans & Advances during the year	—	—	—	—	20.65	—	—	—	—	—	40.85	—
Outstanding Loans and Advances	—	—	—	20.20	—	—	—	—	—	—	2,251.53	2,696.79
Provision for Loans & Advances	—	—	2,074.48	136.40	20.65	—	—	—	—	—	136.20	—
Outstanding Receivables (Excluding TDs)	929.76	—	—	136.20	—	—	—	—	—	—	929.76	—
Outstanding Payable (Excluding TDs)	374.14	—	—	—	—	—	—	—	1.66	—	3,497.11	615.04
Investments	—	—	1,703.46	—	—	450.00	—	—	1.69	163.35	826.41	3,762.28
Provision for Investments	—	—	1,703.46	—	—	1,793.65	—	—	—	—	3,497.11	3,762.28

f. Details relating to persons referred to in "d" above

(Rs. in lacs)

Name of Persons	2005-06	2004-05
John F Doherty*	5.16	18.72
H. N. Sethna**	0.35	0.60
Suresh Mathur**	0.45	0.50
C. R. Dua**	0.30	0.25
Anish Ghoshal**	0.10	0.10
D. Dutta**	0.35	—
R. L. Auddy**	0.20	—

* Remuneration

** Sitting Fees

Professional Fees paid / payable to a partnership firm in which Directors are partners Rs. 0.36 lacs (2004-05 : Rs. 9.41 lacs)

SCHEDULES TO THE ACCOUNTS

24. SIGNIFICANT ACCOUNTING POLICIES

1. Basis for Preparation of Financial Statements

The accounts have been prepared under the historical cost convention and comply in all material aspects with applicable accounting principles in India, the Accounting Standards issued by the Institute of Chartered Accountants of India ("ICAI") and the relevant provisions of the Companies Act, 1956, of India ("the Act").

2. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities on the date of the financial statements. Actual results could differ from those estimates. Any revision to accounting estimates is recognised prospectively in current and future periods.

3. Fixed Assets / Depreciation / Impairment

Tangible Assets

Fixed assets are stated at cost less accumulated depreciation and impairment loss except in case of certain Freehold Land which is shown at revalued amounts and certain Buildings, which are shown at revalued amounts less accumulated depreciation.

Depreciation is computed on a straight-line basis at the following annual rates :

(i) Fixed assets capitalised prior to December 31, 1987

	Rates %
Building	1.63 to 3.34
Plant, machinery and factory equipment	3.39 to 11.88
Furniture and fittings/office equipment	3.34 to 11.88
Computers	16.21
Motor cars, lorries, tractors and launches	7.07 to 15.00

(ii) On additions since January, 1988, as per the rates prescribed under Schedule XIV of the Act, (except for motor cars which were depreciated at a rate of 15% per annum during the period ended March 31, 1989 and Computers which are being depreciated at a rate of 31.67% per annum with effect from April 1, 1999 with retrospective effect).

Assets identified as held for disposals are stated at lower of their book value and estimated net realisable value.

Intangible Assets

Leasehold Land is carried at cost less accumulated amortisation and impairment loss if any. Accordingly, expenditure incurred on leasehold land is amortised on a straight-line basis over the remaining period of the lease.

(iii) In accordance with AS 28, with effect from April 1, 2004, where there is an indication of impairment of the Company's asset and in respect of intangible assets being amortised over a period exceeding 10 years, the carrying amounts of the Company's assets are reviewed at each balance sheet date to determine whether there is any impairment. The recoverable amount of the assets is estimated, as the higher of its net selling price and its value in use. An impairment loss is recognized whenever the carrying amount of an asset or a cash-generating unit exceeds its recoverable amount. Impairment loss is recognized in the profit and loss account or against revaluation surplus where applicable.

4. Valuation of Investments

Long-term investments are stated at cost. A provision for diminution is made to recognise a decline, other than temporary, in the value of long-term investments.

5. Valuation of Inventories

Inventories are valued at the lower of cost and net realisable value.

Inventories of Raw Materials, Stores & Spares are valued on a weighted average cost basis.

Finished and Semi Finished products include cost of conversion and other costs incurred in bringing the inventories to their present location and condition.

6. Foreign Currency Translation

Foreign currency assets and liabilities are restated at rates ruling as at the year-end. Exchange differences relating to imported fixed assets are adjusted in the cost of the asset. Any other exchange differences are dealt with in the Profit and Loss Account.

7. Revenue Recognition

Revenue from sale of goods is recognised on transfer of all significant risks and rewards of ownership to the buyer. Sales are accounted for inclusive of excise duty but net of sales tax and discounts. Service Income is accrued, based on respective contractual terms.

8. Taxes on Income

Income tax expense comprises current tax (i.e. amount of tax for the period determined in accordance with the income tax law) and deferred tax charge or credit (reflecting the tax effects of timing differences between accounting income and taxable income for the period). The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in future; however, where there is unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognised only if there is virtual certainty of realisation of such assets. Deferred tax assets are reviewed as at each balance sheet date and written down or written up to reflect the amount that is reasonably/virtually certain (as the case may be) to be realized.

9. Employee Costs and Retirement Benefits

(a) Contributions to defined contribution schemes such as Provident Fund, Family Pension Fund and Superannuation Pension Scheme are charged to Profit and Loss Account as incurred.

Contributions to the Superannuation Pension Scheme applicable to certain employees is funded with the Life Insurance Corporation of India.

(b) Contributions for retirement gratuity are based on actuarial valuation by the Life Insurance Corporation of India and is funded with them on an annual basis and charged to the Profit and Loss Account of the year to which the contributions pertain.

(c) Leave-encashment liability provided by the Company is based on actuarial valuation by an independent actuary, as at the Balance Sheet date.

10. Borrowing Costs

Borrowing costs specifically relatable to the acquisition of qualifying fixed assets are capitalised as part of the cost of fixed assets. Other borrowing costs are charged to revenue.

11. Compensation under Voluntary Retirement Schemes / Separation Schemes

Compensation paid during the year under Voluntary Retirement Schemes/Separations Scheme is charged to the profit and loss account in the year of payment.

12. Provisions and Contingencies

A provision is created where there is a present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation.

A contingent liability is disclosed when there is a possible or a present obligation that may, but probably will not require an outflow of resources.

Signatures to the Schedules forming part of the Balance Sheet and Profit and Loss Account and to the above notes.

For and on behalf of the Board

H.N. Sethna

Rajeev Gopal

Vikram Jain

Chairman

Managing Director

Manager - Legal & Company Secretary

Mumbai, 2nd May, 2006

ANNEXURE

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE
(Additional Information pursuant to Part IV of Schedule VI to The Act)

I. Registration Details

Registration No. State Code

Balance Sheet Date
Date Month Year

II. Capital raised during the year (Amount in Rs. Thousands)

Public Issue

Rights Issue

Bonus Issue

Private Placement

III. Position of Mobilisation and Deployment of Funds
(Amount in Rs. Thousands)

Total Liabilities

Total Assets

Sources of Funds

Paid-up Capital

Reserves & Surplus

Secured Loans

Unsecured Loans

Application of Funds

Net Fixed Assets

Deferred Tax

Miscellaneous Expenditure

Investments

Net Current Assets

Accumulated Losses

IV. Performance of the Company (Amount in Rs. Thousands)

Turnover/Other Income

Total Expenditure

+ - Profit/Loss Before Tax + - Profit/loss After Tax

☒ (Please tick appropriate box + for profit, - for loss)

Earnings per Share in Rs. - Basic and Diluted Dividend rate (%)

☒ (Please tick appropriate box + for earnings, - for loss)

V. Generic Names of Three Principal Products / Services of the Company (as per monetary terms)

Item Code No. (ITC Code)

Product Description

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

1. Name of the Subsidiary Company	WIMCO BOARDS LIMITED	WIMCO SEEDLINGS LIMITED
2. Financial year of the Subsidiary Company ended	March 31, 2006	March 31, 2006
3. Number of Shares held in Subsidiary	Equity Shares - 1,79,36,523 Shares of Rs. 10 each (including 60 Equity Shares held by nominees of Wimco Limited)	Equity Shares - 83,95,626 Shares of Rs. 10 each (including 23 Equity Shares held by nominees of Wimco Limited) Preference Shares - 93,80,589 1% Redeemable Cumulative Shares of Rs. 10 each
4. Total issued Share Capital of the Subsidiary Company	Equity Shares - 1,79,36,523 Shares of Rs. 10 each Preference Shares - 41,00,000 0.05% Redeemable Cumulative Shares of Rs. 100 each	Equity Shares - 83,95,626 Shares of Rs. 10 each. Preference Shares - 93,80,589 1% Redeemable Cumulative Shares of Rs. 10 each
5. Percentage of Shares held in the subscribed capital of the Subsidiary (including Shares held by nominees)	Equity Shares - 100%	Equity Shares - 100% Preference Shares - 100%
6. The net aggregate amount so far as it concerns members of the Company and is not dealt with in the Company's accounts of Subsidiary (i) Profit/(Loss) for the financial year ended (Rs. in lacs) (ii) Profit/(Losses) for the previous financial years of the Subsidiary since it became the Company's Subsidiary (Rs. in lacs)	March 31, 2006 (Rs. 18.02) (Rs. 4,830.03)	March 31, 2006 Rs. 49.68 (Rs. 1,557.88)
7. The net aggregate amount so far as it concerns members of the Company and is dealt with in the Company's account of Subsidiary (i) Profit for the financial year ended (Rs. in lacs) (ii) Profits for the previous financial years of the Subsidiary since it became the Company's Subsidiary (Rs. in lacs)	March 31, 2006 Nil Nil	March 31, 2006 Nil Nil

Note : The above excludes Pavan Poplar Limited and Prag Agro Farms Limited wholly owned subsidiary Companies of Wimco Seedlings Limited.

For and on behalf of the Board

H.N. Sethna
Rajeev Gopal
Vikram Jain
Chairman
Managing Director
Manager - Legal & Company Secretary
Mumbai, 2nd May, 2006

Place : Mumbai
Date : 2nd May, 2006

REPORT OF THE DIRECTORS FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2006

Yours Directors hereby submit their Report and Accounts for the financial year ended 31st March, 2006.

Company Performance

During the year, the Company has incurred net loss of Rs. 18.02 lakhs as against net loss of Rs. 13.82 lakhs in the last year.

Directors

Mr. A. Saha is appointed as Additional Director of the Company with effect from 20th April 2006.

In accordance with the provisions of Section 260 of the Companies Act, 1965, Mr. A. Saha will vacate office at the forthcoming Annual General Meeting. Notice has been received from the member of the Company under Section 257 of the Companies Act, 1956 for his appointment as Director. Mr. A. Saha has given his consent to act as a Director, if appointed. Appropriate resolution seeking your approval to the appointment is included in the notice convening Annual General Meeting.

Mr. C. R. Sivaramakrishnan retires by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment.

Responsibility Statement

Pursuant to Section 217(2AA) of the Companies Act 1956, your Directors state that-

- (i) in the preparation of the annual accounts, the applicable Accounting Standards have been followed and no significant departures have been made from the same;
- (ii) appropriate accounting policies have been applied consistently and judgements and estimates made that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2006 and of the loss for that period;

- (iii) proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- (iv) the annual accounts have been prepared on a going concern basis.

Audit Committee

The Audit Committee comprises of Mr. C. George, Mr. C. R. Sivaramakrishnan and Mr. A. Saha.

Auditors

M/s BSR & Co., Auditors of the Company hold office until the conclusion of the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

Public Deposits

The Company has not accepted any deposits from the public.

Information pursuant to Section 217 of the Companies Act, 1956

Since the Company has not commenced operations, the Directors have nothing to report in terms of Section 217(1)(e) of the Companies Act, 1956.

There are no employees in respect of whom information as per Section 217(2A) of the Companies Act 1956 is required to be given.

There is no foreign exchange earning and outgo during the year.

For and on behalf of the Board

C.R. Sivaramakrishnan *Director*

A. Saha *Director*

Mumbai, 20th April, 2006

REPORT OF THE AUDITORS' TO THE MEMBERS OF WIMCO BOARDS LIMITED

We have audited the attached Balance Sheet of **Wimco Boards Limited** ("the Company") as at March 31, 2006, and also the Profit and Loss Account and Cash Flow Statement for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

1. As required by the Companies (Auditor's Report) Order, 2003 ('the Order') issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, ('the Act') we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
2. We draw attention to Note 1 of Schedule 10. The accumulated losses aggregate to Rs. 48,48,04,813 as at 31st March, 2006 which has substantially eroded its net worth and hence raises substantial doubt that the Company will be able to continue as a going concern.
3. Further to our comments in the Annexure referred to above, we report that:
 - (i) we have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - (ii) in our opinion, proper books of account as required by law have

been kept by the Company so far as it appears from our examination of those books;

- (iii) the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
- (iv) in our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Act;
- (v) on the basis of written representations received from the Directors as on 31st March, 2006 and taken on record by the Board of Directors, we report that none of the Directors are disqualified as on 31st March, 2006 from being appointed as a Director in terms of clause (g) of sub-section (1) of Section 274 of the Act; and
- (vi) in our opinion, and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - a. in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2006;
 - b. in the case of the Profit and Loss Account, of the loss of the Company for the year ended on that date;
 - c. in the case of the Cash Flow Statements, of the cash flows for the year ended on that date.

For BSR & Co.

Chartered Accountants

Sanjay Aggarwal

Partner

Mumbai, 28th April, 2006

Membership No. : 40780

ANNEXURE TO AUDITORS' REPORT

With reference to the Annexure referred to in paragraph 1 of the Auditors' Report to the members of Wimco Boards Limited ('the Company') on the financial statements for the year ended 31st March, 2006, we report that:

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) The Company has a regular programme of physical verification of its fixed assets by which all fixed assets are verified during the year. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.
- (c) The Company has not disposed off any fixed assets during the year.
- (ii) The Company does not hold inventories. Accordingly, paragraph 4(ii) of the Order is not applicable.

- (iii) According to the information and explanations given to us, we are of the opinion that there are no companies, firms or other parties covered in the Register required under Section 301 of the Companies Act, 1956. Accordingly, paragraph 4 (iii) of the Order is not applicable.
- (iv) The Company has not purchased any inventory and fixed assets or sold any goods or rendered any services during the year.
- (v) In our opinion, and according to the information and explanations given to us, there are no contracts and arrangements the particulars of which need to be entered into the Register maintained under Section 301 of the Companies Act, 1956.
- (vi) The Company has not accepted any deposits from the public.
- (vii) In our opinion, the Company has an internal audit systems commensurate with the size and nature of its business.

(viii) The Central Government has not prescribed the maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956 for any of the products manufactured/services rendered by the Company.

(ix) (a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted /accrued in the books of account in respect of undisputed statutory dues including Income-tax and other material statutory dues have been regularly deposited during the year by the Company with the appropriate authorities. As explained to us, the Company did not have any dues on account of Investor Education and Protection Fund, Provident Fund, Employees' State Insurance, Sales tax, Wealth tax, Service tax, Custom duty and Excise duty.

Further, since the Central Government has till date not prescribed the amount of cess payable under Section 441A of the Companies Act, 1956, we are not in a position to comment upon the regularity or otherwise of the Company in depositing the same.

According to the information and explanations given to us, no undisputed amounts payable in respect of Income tax and other material statutory dues were in arrears as at 31st March, 2006 for a period of more than six months from the date they became payable.

(b) According to the information and explanations given to us, there are no dues of Income tax, Sales tax, Wealth tax, Service tax, Customs duty and Excise duty which have not been deposited with the appropriate authorities on account of any dispute.

(x) The Company has accumulated losses at the end of the financial year in excess of fifty percent of its net worth. It has not incurred any cash losses in the current financial year; however it has incurred cash losses in the immediately preceding financial year.

(xi) The Company did not have any outstanding dues to any financial institution, banks or debentureholders during the year.

(xii) The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

(xiii) In our opinion and according to the information and explanations given to us, the Company is not a chit fund or a nidhi/mutual benefit fund/society.

(xiv) In our opinion, and according to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments.

(xv) In our opinion and according to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.

(xvi) The Company did not have any term loans outstanding during the year.

(xvii) According to the information and explanations given to us the Company has not raised any short term funds.

(xviii) As stated in paragraph (iii) above, there are no companies/firms/parties covered in the Register required to be maintained under Section 301 of the Act.

(xix) The Company did not have any outstanding debentures during the year.

(xx) The Company has not raised any money by public issues.

(xxi) In our opinion and according to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the course of our audit.

For BSR & Co.
Chartered Accountants

Sanjay Aggarwal
Partner

Membership No. : 40780

Mumbai, 28th April, 2006

BALANCE SHEET AS AT 31ST MARCH, 2006

	Schedule	As at 31st March, 2006 (Rs.)	As at 31st March, 2005 (Rs.)
SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	1	58,93,65,230	58,93,65,230
TOTAL		58,93,65,230	58,93,65,230
APPLICATION OF FUNDS			
Fixed Assets	2		
Gross Block	2A	8,59,49,280	2,59,49,280
Less : Accumulated Amortisation/Impairment/Depreciation		2,88,06,423	2,59,49,280
Net Block		5,71,42,857	—
Capital Work-in-Progress	2B	1,45,47,232	9,25,34,721
Less: Provision for Diminution in Value		1,45,47,232	3,25,34,721
		—	6,00,00,000
Incidental Expenditure Pending Capitalisation/Allocation	2C	14,40,98,320	14,40,98,320
Less: Provision for Diminution in Value		14,40,98,320	14,40,98,320
		—	—
Current Assets, Loans and Advances		5,71,42,857	6,00,00,000
Cash and Bank Balances	3	28,46,371	17,75,804
Loans and Advances	4	4,53,71,843	4,54,29,013
		4,82,18,214	4,72,04,817
Less: Current Liabilities and Provisions			
Current Liabilities	5	8,00,654	8,42,680
		8,00,654	8,42,680
Net Current Assets		4,74,17,560	4,63,62,137
Profit and Loss Account		48,48,04,813	48,30,03,093
TOTAL		58,93,65,230	58,93,65,230
Notes to the Accounts	8		
Related Party Disclosure	9		
Significant Accounting Policies	10		

The Schedules referred to above and the annexed notes form an integral part of the Accounts.

This is the Balance Sheet referred to in our Report of even date.

For BSR & Co.
Chartered Accountants
Sanjay Aggarwal
Partner
Membership Number : 40780
Mumbai, 28th April, 2006

For and on behalf of the Board
C.R. Sivaramakrishnan Director
C. George Director
R. N. Sawant Director
Mumbai, 20th April, 2006

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2006

	Schedule	For the year ended 31st March, 2006 (Rs.)	For the year ended 31st March, 2005 (Rs.)
INCOME			
Other Income	6	27,00,000	1,05,60,547
		<u>27,00,000</u>	<u>1,05,60,547</u>
EXPENDITURE			
Other Costs	7	7,35,757	10,78,740
Depreciation		28,57,143	—
Provision for Write down of Fixed Assets (Refer Note 2 of Schedule 8)		—	1,00,00,000
		<u>35,92,900</u>	<u>1,10,78,740</u>
Loss Before Taxation		(8,92,900)	(5,18,193)
Income Tax expenses:			
- Current Tax		9,08,820	8,63,783
Loss After Taxation		(18,01,720)	(13,81,976)
Profit and Loss Account Deficit Brought Forward		48,30,03,093	46,19,42,913
Add Provision for Impairment of Leasehold Land (Refer Note 2 to Schedule 8)		—	1,96,78,204
Profit and Loss Account Deficit Carried to Balance Sheet		48,48,04,813	48,30,03,093
Earnings Per Share - Basic and Diluted (Refer Note 6 to Schedule 8)		(0.11)	(0.09)
Notes to Accounts	8		
Related Party Disclosure	9		
Significant Accounting Policies	10		

The Schedules referred to above and the annexed notes form an integral part of the Accounts.
This is the Profit and Loss Account referred to in our Report of even date.

For BSR & Co.
Chartered Accountants
Sanjay Aggarwal
Partner
Membership Number : 40780
Mumbai, 28th April, 2006

For and on behalf of the Board
C.R. Sivaramakrishnan Director
C. George Director
R. N. Sawant Director
Mumbai, 20th April, 2006

CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH, 2006

	For the year ended 31st March, 2006 (Rs.)	For the year ended 31st March, 2005 (Rs.)
A. CASH FLOW FROM OPERATING ACTIVITIES :		
Loss before Exceptional Items and Taxation	(8,92,900)	(5,18,193)
Adjustments for :		
Depreciation	28,57,143	—
Provision for Write down of Fixed Assets	—	1,00,00,000
Provision for Doubtful debts written back	—	(82,00,000)
Interest Income	(27,00,000)	(23,60,547)
	<u>1,57,143</u>	<u>(5,60,547)</u>
Operating Loss Before Working Capital Changes	(7,35,757)	(10,78,740)
Adjustments for :		
Sundry Debtors	—	82,00,000
Loans and Advances	56,202	(85,80,215)
Current Liabilities and Provisions	(42,026)	(73,645)
	<u>14,176</u>	<u>(4,53,860)</u>
NET CASH FLOW USED IN OPERATING ACTIVITIES	(7,21,581)	(15,32,600)
B. CASH FLOW FROM INVESTING ACTIVITIES :		
Interest Received	27,00,000	23,60,547
Direct Taxes Paid	(9,07,852)	(8,64,089)
NET CASH FLOW FROM INVESTING ACTIVITIES	17,92,148	14,96,458
C. CASH FLOW FROM / (USED IN) FINANCING ACTIVITIES :	—	—
D. NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS : (A+B+C)	10,70,567	(36,142)
E. RECONCILIATION :		
CASH AND CASH EQUIVALENTS - AT BEGINNING OF THE YEAR	17,75,804	18,11,946
CASH AND CASH EQUIVALENTS - AT THE END OF THE YEAR	<u>28,46,371</u>	<u>17,75,804</u>
	<u>10,70,567</u>	<u>(36,142)</u>

Notes :

- The Cash Flow Statement has been prepared under the "Indirect Method" as set out in Accounting Standard - 3 on Cash Flow Statement issued by The Institute of Chartered Accountants of India.
- Cash and cash equivalents represent cash and bank balances only.
- Previous year's figures have been regrouped wherever necessary.

This is the Cash Flow Statement referred to in our Report of even date.

For BSR & Co.
Chartered Accountants
Sanjay Aggarwal
Partner
Membership Number : 40780
Mumbai, 28th April, 2006

For and on behalf of the Board
C.R. Sivaramakrishnan Director
C. George Director
R. N. Sawant Director
Mumbai, April 20, 2006

SCHEDULES TO THE ACCOUNTS

1. SHARE CAPITAL

Authorised:

2,50,00,000 (2004-05: 2,50,00,000) Equity Shares of Rs.10 each

41,00,000 (2004-05: 41,00,000) 0.05% Redeemable Preference Shares of Rs.100 each

Issued, Subscribed and Paid- Up:

1,79,36,523 (2004-05: 1,79,36,523) Equity Shares of Rs. 10 each fully paid- up.

41,00,000 (2004-05: 41,00,000) 0.05% Redeemable Cumulative Preference Shares of Rs. 100 each fully paid up

As at
31st March, 2006
(Rs.)As at
31st March, 2005
(Rs.)

25,00,00,000

25,00,00,000

41,00,00,000

41,00,00,000

66,00,00,000

66,00,00,000

17,93,65,230

17,93,65,230

41,00,00,000

41,00,00,000

58,93,65,230

58,93,65,230

Notes:

(a) All the above Equity Shares are held by Wimco Limited, the holding company, and its nominees.

(b) The preference shares were redeemable at par upon the expiry of five years from the date of allotment i.e. August 31, 2001. The Company has since obtain the consent of the preference shareholders for extension of the period of redemption of these shares by one year.

2. FIXED ASSETS

(Refer Notes 3 of Schedule 8)

(A)

Description	GROSS BLOCK			ACCUMULATED AMORTISATION/IMPAIRMENT				NET BLOCK	
	Cost/Valuation as at 1st April, 2005 (Rs.)	Additions (Rs.)	Cost/Valuation As at 31st March, 2006 (Rs.)	As at 1st April, 2005 (Rs.)	Amortisation / Depreciation for the year (Rs.)	Impairment** (Rs.)	As at 31st March, 2006 (Rs.)	As at 31st March, 2006 (Rs.)	As at 31st March, 2005 (Rs.)
Intangible Assets									
Leasehold Land	2,59,49,280	—	2,59,49,280	2,59,49,280	—	—	2,59,49,280	—	—
Buildings	—	6,00,00,000	6,00,00,000	—	28,57,143	—	28,57,143	5,71,42,857	—
Total	2,59,49,280	6,00,00,000	8,59,49,280	2,59,49,280	28,57,143	—	2,88,06,423	5,71,42,857	—
2004-05	2,59,49,280	—	2,59,49,280	62,71,076	—	1,96,78,204	2,59,49,280	—	—

(B) Capital Work -in-Progress

	As at 31st March, 2006 (Rs.)	As at 31st March, 2005 (Rs.)
Computers	95,172	95,172
Less: Provision for Diminution in Value	95,172	—
Furniture and Fixtures	82,460	82,460
Less: Provision for Diminution in Value	82,460	—
Factory Building \$	—	7,79,87,489
Less: Provision for Diminution in Value	—	1,79,87,489
Capital Advances	1,43,69,600	1,43,69,600
Less: Provision for Diminution in Value	1,43,69,600	—
	—	6,00,00,000

** Refer Note 2 on Schedule 8

\$ Refer Note 3 on Schedule 8

(C) Incidental Expenditure Pending Capitalisation/Allocation

Amount Brought Forward	14,40,98,320	14,40,98,320
Less: Provision for Diminution in Value	14,40,98,320	—
	—	—

3. CASH AND BANK BALANCES

With Scheduled Bank on:

– Current Account

Cash in Hand

28,46,188

17,75,537

183

267

28,46,371

17,75,804

4. LOANS AND ADVANCES

(Unless otherwise stated, unsecured and considered good)

Loan to Wimco Limited, the holding company
maximum amount due at any time during the year
Rs. 4,50,00,000 (2004-2005: Rs. 4,50,00,000)

4,50,00,000

4,50,00,000

Advances recoverable in Cash or in kind or for value to be received

- Considered Good

3,64,511

4,20,713

- Considered Doubtful

3,000

—

3,67,511

4,20,713

Less : Provision for doubtful deposits

3,000

—

Advance tax and Tax deducted at source

(Net of Provision for Taxation Rs. 29,76,529 (2004-05: Rs. 20,67,709))

3,64,511
7,3324,20,713
8,300

4,53,71,843

4,54,29,013

SCHEDULES TO THE ACCOUNTS

	As at 31st March, 2006 (Rs.)	As at 31st March, 2005 (Rs.)
5. CURRENT LIABILITIES AND PROVISIONS		
Current Liabilities:		
Sundry Creditors (Refer note below)	8,00,654	8,42,680
	<u>8,00,654</u>	<u>8,42,680</u>
Notes:		
Sundry Creditors include :		
– Rs. 65,500 (2004-05: Rs. 65,500) due for more than 30 days to Parekh Trading Corporation, a small scale industrial undertaking.		
– Rs. Nil (2004-05: Rs.37,225) due to Wimco Limited, the holding company.		
	For the year ended 31st March, 2006 (Rs.)	For the year ended 31st March, 2005 (Rs.)
6. OTHER INCOME		
Interest on Loan given to Wimco Limited (Tax Deducted at Source Rs. 6,05,876; (2004-05: Rs. 4,93,589)	27,00,000	23,60,547
Provision No longer written Back		
– Doubtful Debts	—	82,00,000
	<u>27,00,000</u>	<u>1,05,60,547</u>
7. OTHER COSTS		
Lease Rent	1,80,000	1,80,000
Legal and Professional fees	20,000	28,265
Filing fees	1,084	1,527
Electricity	—	42,832
Rates and Taxes	28,619	38,768
Insurance	4,17,713	4,09,375
Security	—	2,64,887
Auditor's Remuneration (Refer Note 5 to Schedule 8)	75,000	77,600
Provision for Doubtful Debts, advances & deposits	3,000	—
Bank Charges	—	22,423
Other Expenses	10,341	13,063
	<u>7,35,757</u>	<u>10,78,740</u>

8 NOTES TO THE ACCOUNTS

- a. Unexpired lease commitments as on 31st March, 2006 as lessee amounting to Rs.37,35,000 (2004-05 : Rs.39,15,000)
- b. Arrears of dividend on redeemable cumulative preference shares aggregate Rs. 9,39,583 (2004-05: Rs. 7,34,583)
- In pursuance of Accounting Standard - ("AS 28") issued by the ICAI becoming mandatory to the Company with effect from April 1, 2004, the Company had made provision of Rs. 1,96,78,204 in respect of impairment of assets in the books in the last year. In the current year in the absence of any impairment, no further provision is considered necessary.
- Factory building of Rs. 6,00,00,000 (net of provision of Rs. 1,79,87,489) constructed on leasehold land has been capitalised as on April 1, 2005. The building is being depreciated over the remaining period of the lease of the land.
- There are no timing differences resulting in a deferred tax liability. In view of absence of virtual certainty of taxable profits arising in future, the cumulative deferred tax assets as at 31st March, 2006 have not been accounted for.
- Remuneration to Auditors:

	2005-06 (Rs.)	2004-05 (Rs.)
Audit Fees	75,000	75,000
Out Of Pocket Expenses	Nil	2,600
	<u>75,000</u>	<u>77,600</u>

6. Earnings Per Share

	2005-06	2004-05
Loss for the Year After Taxation (Rs.) (A)	(18,01,720)	(13,81,976)
Add : Arrears of Preference Dividend and including Preference dividend tax (Rs.) (B)	(2,33,751)	(2,31,791)
Loss Attributable to Equity Shareholders (Rs.) (C=A+B)	(20,35,471)	(16,13,767)
Number of Equity Shares outstanding during the year (D)	1,79,36,523	1,79,36,523
Earnings per Share - Basic and Diluted (Rs.) (C/D)	(0.11)	(0.09)
Nominal Value of an Equity Share	10	10

- No remuneration is payable to the Manager during the year (2004-05: Nil)
- The Company has not appointed a whole-time Company Secretary as required by Section 383A of The Act, and accordingly, the accounts have not been authenticated by a whole-time Company Secretary.
- Information with regard to the other matters specified in paragraphs 3, 4, 4-A, 4-C and 4-D of Part II of Schedule VI to The Act, are either nil or not applicable to the Company for the financial year ended 31st March, 2006.
- Refer annexure for additional information pursuant to Part IV of Schedule VI to The Act.
- The Company has discontinued its operations and accordingly there are no operating segments, which are reportable segments under AS-17.
- Prior year's figures have been regrouped/rearranged wherever necessary to conform to current year's presentation.

SCHEDULES TO THE ACCOUNTS

9 RELATED PARTY DISCLOSURE

1. Parties where control exists

Related Party	Relationship
Swedish Match AB, Sweden	Ultimate Holding Company (upto 30.06.2005) #
ITC Limited	Ultimate Holding Company (w.e.f. 01.07.2005) #
Russell Credit Limited	Holding Company of Wimco Limited (w.e.f. 01.07.2005) #
Wimco Limited	Holding Company

no transaction during the year

2. Other related parties with whom the Company had transactions, etc. - Nil

3. Directors of the Company

Manager	R N Sawant
Non Executive Directors	C George
	T K Sarkar
	C R Sivaramakrishnan

4. Transactions with related parties

	Wimco Ltd	
	2005-06	2004-05
Lease Rent	1,80,000	1,80,000
Interest Income	27,00,000	23,60,547
Inter Corporate Loan balance	4,50,00,000	4,50,00,000
Sundry Creditors	Nil	37,225

10. SIGNIFICANT ACCOUNTING POLICIES

1. Basis for Preparation of Accounts

The accounts have been prepared under the historical cost convention and comply in all material aspects with applicable accounting principles in India, the Accounting Standards issued by the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 1956, of India ("the Act").

The Company had commenced a project for manufacture of paperboard. However, the Board of Directors of the Company had decided to discontinue the project and consider other options including sale of the facilities. Accordingly, as at 31st March, 2001, the Company provided for capital work-in-progress (including capital advances) aggregating Rs. 2,26,337,265 (provision as at 31st March, 2006, Rs. 3,25,34,721), incidental expenditure pending capitalisation/allocation aggregating Rs. 14,40,98,320 (provision as at 2005-06: Rs 14,40,98,320) and as at 31st March, 2003 provision for loans and advances Rs. 1,60,92,318 (provision at 2005-06: Rs. Nil). The financial statement does not include any adjustments relating to the recoverability and classification of recorded asset amounts, or to the amounts and classification of liabilities that may be necessary if the Company is unable to continue as a going concern.

2. Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities on the date of the financial statements. Actual results could differ from those estimates. Any revision to accounting estimates is recognised prospectively in current and future periods.

3. Fixed Assets / Amortisation / Impairment / Depreciation

Tangible Assets

Fixed Assets are stated at cost less accumulated amortisation/impairment/ depreciation. Cost includes all incidental expenses related to acquisition and installation and include interest cost specifically relatable to the acquisition of the qualifying assets and in respect of self-constructed assets, the cost of material, labour and allocable overheads. Depreciation on building on leasehold land is charged on straight line basis over the remaining period of lease.

Intangible Assets

Leasehold land is carried at cost less accumulated amortisation and impairment loss, if any. Leasehold land is amortised over a period of 30 years.

In accordance with AS 28, with effect from April 1, 2004 where there is an indication of impairment of the Company's asset and in respect of intangible assets being amortised over a period exceeding 10 years, the carrying amounts of the Company's assets are reviewed at each balance sheet date to determine

whether there is any impairment. The recoverable amount of the assets is estimated as the higher of its net selling price and its value in use. An impairment loss is recognised whenever the carrying amount of an asset or a cash generating unit exceeds its recoverable amount. Impairment loss is recognised in the profit and loss account or against revaluation surplus where applicable.

4. Incidental Expenditure Pending Capitalisation/Allocation

Expenses incurred prior to the commencement of commercial production are carried forward as "Incidental Expenditure Pending Capitalisation / Allocation". These expenses are to be allocated, in the year of commencement of commercial production.

5. Taxes on Income

Income tax expense comprises current tax (i.e. amount of tax for the period determined in accordance with the income tax law) and deferred tax charge or credit (reflecting the tax effects of timing differences between accounting income and taxable income for the period). The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in future; however, where there is unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognised only if there is virtual certainty of realisation of such assets. Deferred tax assets are reviewed as at each balance sheet date and written down or written up to reflect the amount that is reasonably/virtually certain (as the case may be) to be realized.

6. Revenue recognition

Revenue from interest is accrued taking into account the amount outstanding, period and the rate applicable.

7. Contingencies and Provisions

A provision is created where there is a present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation.

A contingent liability is disclosed when there is a possible or a present obligation that may, but probably will not require an outflow of resources.

For and on behalf of the Board

C.R. Sivaramakrishnan Director

C. George Director

R. N. Sawant Manager

Mumbai, 20th April, 2006

ANNEXTURE

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE
(Additional Information pursuant to Part IV of Schedule VI to The Act)

I. Registration Details :Registration No. 9 6 2 9 0 State Code 1 1Balance Sheet Date 3 1 0 3 2 0 0 6
Date Month Year**II. Capital raised during the year: (Amount in Rs. Thousands)**Public Issue N I L Rights Issue N I LBonus Issue N I L Private Placement N I L**III. Position of mobilisation and deployment of funds: (Amount in Rs. Thousands)**Total Liabilities 5 9 0 1 6 6 Total Assets 5 9 0 1 6 6**Sources of Funds**Paid up Capital 5 8 9 3 6 5 Reserves and Surplus N I LSecured Loans N I L Unsecured Loans N I L**Application of Funds**Net Fixed Assets 5 7 1 4 3 Investments N I LNet Current Assets 4 7 4 1 8 Miscellaneous Expenditure N I LAccumulated Losses 4 8 4 8 0 4**IV. Performance of Company : (Amount in Rs. Thousands)**Turnover (Including other Income) 2 7 0 0 Total Expenditure 3 5 9 3+ - Profit/Loss Before Tax 8 9 3 + - Profit/Loss After Tax 1 8 0 2
☐ ☒ (Please tick appropriate box + for profit, - for loss)+ - Earnings per Share in Rs. 0 . 1 1 Dividend Rate (%) N I L
☐ ☒ (Please tick appropriate box + for Earnings, - for loss)**V. Generic Names of Three Principal Products / Services of the Company: (As per monetary terms)**Item Code No.(ITC Code) 4 8 0 5 2 2 0 0
Product Description P A P E R
 B O A R D S

REPORT OF THE DIRECTORS FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2006

Your Directors hereby submit their report for the financial year ended 31st March, 2006.

Company Performance

During the year, the Company has earned income of Rs. 810.74 lakhs (previous year – 574.44 lakhs) and earned a net profit of Rs. 49.68 lakhs (previous year – Rs. 138.06 lakhs).

The Company has sold 12,56,409 saplings during the year as against 11,18,040 saplings sold in the last year registering growth of 12.4%. Realisation per sapling has also improved from Rs. 13.39 to Rs.16.12.

Dividend

In view of accumulated losses, your Directors regret their inability to recommend any dividend.

Directors

Mr. C. R. Sivaramakrishnan retires by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment.

Mr. Vipin Malhotra re-appointed as Executive director of the Company with effect from 1st January, 2006 for a period of 3 years from 1st January 2006 to 31st December, 2008 subject to the approval of the shareholders. The abstract giving terms and conditions of his appointment has been sent to the members.

Directors' Responsibility Statement

Pursuant to Section 217(2AA) of the Companies Act, 1956, your Directors state that :

- in the preparation of the annual accounts, the applicable accounting standards have been followed and no significant departures have been made from the same;
- appropriate accounting policies have been applied consistently and judgements and estimates made that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2006 and of the profit for that period;
- proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the

ANNEXURE TO THE DIRECTOR'S REPORT**a) Conservation of Energy**

The Company is engaged in agro forestry activities and nurseries. Its energy requirement is not significant and it uses limited quality of fossil fuel and electric energy for ploughing field and watering nursery and farm plants.

Since the activity of the Company is not covered under list of industries specified in the Schedule to Form A, the information with regard to total energy consumption and consumption of energy per unit of production is not furnished.

b) Technology Absorption

The Company only utilises indigenous technologies. Embellishments

REPORT OF THE AUDITORS TO THE MEMBERS OF WIMCO SEEDLINGS LIMITED

We have audited the attached Balance Sheet of Wimco Seedlings Limited ("the Company") as at 31st March, 2006 and also the Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

- As required by the Companies (Auditor's Report) Order, 2003 ('the Order') issued by the Central Government of India in terms of sub-section (4A) of Section 227 of 'The Companies Act, 1956, (the 'Act') we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
- We draw attention to Schedule 20 (1) to the financial statements. The net worth of the Company stands substantially eroded as at 31 March 2006. These financial statements have been prepared on a going concern basis as the Company's management believes that the Company will be able to operate as a going concern in the foreseeable future based on the letter of financial support received from the holding company, Wimco Limited and the cash flow projections. These financial statements do not include the impact of any adjustments regarding the recoverability and classification of carrying amount of assets or the amounts and classification of liabilities that may be necessary if the Company is unable to continue as a going concern.
- Further to our comments in the Annexure referred to above, we report that :
 - 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;
 - in our opinion proper books of account as required by law have been kept by the Company, so far as appears from our examination of those books;

Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
(iv) the annual accounts have been prepared on a going concern basis.

Audit Committee

The audit committee comprises of Mr. V. Malhotra, Mr. C.R. Sivaramakrishnan and Mr. S. Agarwal.

Auditors

M/s BSR & Co., Auditors of the Company hold office until the conclusion of the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

Audit Observation

The notes to the accounts adequately explain the observations made by the Auditors.

Subsidiaries

Particulars as required under Section 212 of the Companies Act, 1956, in respect of Company's Subsidiaries Pavan Poplar Limited and Prag Agro Farm Limited, have been annexed to the Accounts of the Company.

Public Deposits

The Company has not accepted any deposits from the public.

Information under Section 217 of the Companies Act, 1956

The information required to be disclosed under Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 with respect to conservation of energy and technology absorption are annexed to this Report.

There are no employees in respect of whom information pursuant to Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 is required to be given.

For and on behalf of the Board

Bareilly, 18th April, 2006
V. Malhotra
S. Agarwal
Executive Director
Director

in the existing technological practices to match the practical field requirements if needed are carried out in-house.		
3) Expenditure on R & D		
Particulars	2005-06 (Rs.)	2004-05 (Rs.)
Capital	Nil	Nil
Recurring	12,80,304	12,27,203
	12,80,304	12,27,203
Total R & D Expenditure as percentage of total turnover	1.56%	2.16%
d) Foreign Exchange Earning	Nil	Nil
Foreign Exchange outgo	Rs. 3,170	Rs. 82,651

(iii) the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;

(iv) in our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Act;

(v) on the basis of written representations received from the Directors as on 31st March, 2006 and taken on record by the Board of Directors, we report that none of the Directors are disqualified as on 31st March, 2006 from being appointed as a Director in terms of clause (g) of sub-section (1) of Section 274 of the Act;

(vi) we draw attention to Schedule 18 (4) in respect of investments of Rs. 38,190,204 in Prag Agro Farm Limited, subsidiary company. In view of the accumulated losses of Prag Agro Farm Limited, we are unable to comment upon the extent of recovery of the investments in Prag Agro Farm Limited. This was also the subject matter of our modified audit report of the previous year; and

(vii) in our opinion, and to the best of our information and according to the explanations given to us, the said accounts give the information required and, subject to the effect of any adjustment that may be necessary in respect of the matter stated in paragraph (vi) above on the financial statements as on 31st March, 2006 and also the corresponding figures of the previous year, give a true and fair view in conformity with the accounting principles generally accepted in India :

- in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2006;
- in the case of the Profit and Loss Account, of the profit of the Company for the year ended on that date;
- in the case of Cash Flow Statements, of the cash flows for the year ended on that date.

For BSR & Co.
Chartered Accountants

Sanjay Aggarwal
Partner

Mumbai, 28th April, 2006

Membership No: 40780

ANNEXURE TO THE AUDITORS' REPORT

With reference to the Annexure referred to in paragraph 1 of the Auditors' Report to the members of Wimco Seedlings Limited ('the Company') on the financial statements for the year ended 31st March, 2006 we report that:

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) The Company has a regular programme of physical verification of its fixed assets by which all fixed assets are verified during the year. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.
- (c) The Company has not disposed off any fixed assets during the year.
- (ii) (a) The inventory has been physically verified by the management during the year. In our opinion, the frequency of such verification is reasonable.
- (b) The procedures for the physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and nature of its business.
- (c) The Company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material.
- (iii) According to the information and explanations given to us, we are of the opinion that there are no companies, firms or other parties covered in the Register required under Section 301 of the Companies Act, 1956. Accordingly, paragraph 4(iii) of the Order is not applicable.
- (iv) In our opinion and according to the information and explanation given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchase of inventory and fixed assets and with regard to the sale of goods and services. Further, on the basis of our examination, and according to the information and explanations given to us, we have neither come across nor have we been informed of any instance of major weaknesses in the aforesaid internal control systems.
- (v) In our opinion and according to the information and explanations given to us, there are no contracts or arrangements the particulars of which need to be entered into the Register maintained under Section 301 of the Companies Act, 1956.
- (vi) The Company has not accepted any deposits from the public.
- (vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- (viii) The Central Government has not prescribed the maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956 for any of the products manufactured/services rendered by the Company.
- (ix) (a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted/accrued in the books of account in respect of undisputed statutory dues including Investor Education and Protection Fund, Provident Fund, Income tax, Sales-tax and other material statutory dues have been regularly deposited during the year by the Company with the appropriate authorities. As explained to us, the Company did not have any dues on account of Employees' State Insurance, Wealth tax, Service tax, Customs duty and Excise duty.
- Further, since the Central Government has till date not prescribed the amount of cess payable under Section 441A of the Companies Act, 1956, we are not in a position to comment upon the regularity or otherwise of the Company in depositing the same.
- According to the information and explanations given to us, no undisputed amounts payable in respect of Provident Fund, Income tax and other material statutory dues were in arrears as at 31st March, 2006 for a period of more than six months from the date they became payable.
- (b) According to the information and explanations given to us, there are no dues to Sales tax which have not been deposited with the appropriate authorities on account of any dispute. According to the information and explanations given to us, the following dues of Income tax have not been deposited by the Company on account of disputes :

Name of the Statute	Nature of the Dues	Amount(Rs.)	Period to which the amount relates	Forum where dispute is pending
Income Tax Act, 1961	Tax and interest demanded on license fee for use of land treated as business income instead of agricultural income and management fee for 8 years received in advance by the Company treated as business income in the year of receipt instead of accruing it over 8 years.	5,71,72,003	Assessment year 1996-1997, 1997-1998, 1999-2000.	Commissioner of Income tax, (Appeal), New Delhi
Income Tax Act, 1961	Tax and interest demanded on license fee for use of land assessed as business income instated of agricultural income.	8,67,344	Assessment year 2001-2002	Commissioner of Income Tax, (Appeal), New Delhi
Income Tax Act, 1961	Tax and penalty demanded on license fee for use of land assessed as business income instated of agricultural income.	35,51,000	Assessment year 1997-1998	Commissioner of Income Tax, (Appeal), New Delhi

- (x) *In our opinion, the accumulated losses of the Company are in excess of fifty percent of its net worth.* The Company has not incurred cash losses in the current financial year and in the immediately preceding financial year.
- (xi) In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to its bankers. The Company did not have any outstanding dues to any financial institutions or debentureholders during the year.
- (xii) The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion and according to the information and explanations given to us, the Company is not a chit fund or a nidhi/mutual benefit fund/society.
- (xiv) In our opinion and according to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments.
- (xv) In our opinion and according to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
- (xvi) The Company did not have any term loans outstanding during the year.
- (xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we are of the opinion that the funds raised on short-term basis have not been used for long-term investments.
- (xviii) As stated in paragraph (iii) above, there are no companies / firms / parties covered in the Register required to be maintained under section 301 of the Act.
- (xix) The Company did not have any outstanding debentures during the year.
- (xx) The Company has not raised any money by public issues.
- (xxi) In our opinion and according to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the course of our audit.

For BSR & Co.
Chartered Accountants

Sanjay Aggarwal
Partner

Mumbai, 28th April, 2006

Membership No : 40780

BALANCE SHEET AS AT 31ST MARCH, 2006

	Schedule	As at 31st March 2006 Rs.	As at 31st March 2005 Rs.
SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	1	17,77,62,150	17,77,62,150
Reserves and Surplus	2	1,57,64,446	1,58,27,156
		<u>19,35,26,596</u>	<u>19,35,89,306</u>
Loan Funds	3		
Secured loans		75,00,000	—
Unsecured Loans		10,52,89,488	11,74,06,909
		<u>30,63,16,084</u>	<u>31,09,96,215</u>
APPLICATION OF FUNDS			
Fixed Assets	4		
Gross Block		4,55,60,228	4,54,92,248
Less : Accumulated depreciation		1,68,76,185	1,60,82,595
Net Block		2,86,84,043	2,94,09,653
Capital Work-in-Progress		34,215	—
		<u>2,87,18,258</u>	<u>2,94,09,653</u>
Investments	5	98,107,434	9,81,07,434
Current Assets, Loans and Advances			
Plantation Work in progress		11,45,72,079	15,89,91,186
Inventories	6	2,42,687	1,24,572
Sundry debtors	7	5,51,606	46,892
Cash and bank balances	8	38,59,576	38,42,350
Loans and advances	9	7,49,03,327	7,37,08,658
		<u>19,41,29,275</u>	<u>23,67,13,658</u>
Less : Current Liabilities and Provisions			
Current Liabilities	10	16,42,23,191	20,82,93,622
Provisions	11	12,36,152	7,29,400
		<u>16,54,59,343</u>	<u>20,90,23,022</u>
Net Current Assets		<u>2,86,69,932</u>	<u>2,76,90,636</u>
Profit and loss account		<u>15,08,20,460</u>	<u>15,57,88,492</u>
		<u>30,63,16,084</u>	<u>31,09,96,215</u>
Notes to the Accounts	18		
Related Party disclosure	19		
Significant accounting policies	20		

The schedule referred to above and annexed notes form an integral part of the Accounts.
This is Balance sheet referred to in our report of even date.

For BSR & Co
Chartered Accountants

Sanjay Aggarwal
Partner
Membership No. 40780
Mumbai, 28th April 2006

For and on behalf of the Board
V. Malhotra Executive Director
S. Agarwal Director
Nidhi Agarwal Company Secretary
Bareilly, 18th April 2006

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2006

	Schedule	For the year ended 31st March 2006 Rs.	For the year ended 31st March 2005 Rs.
INCOME			
Sales and services	12	8,05,09,248	5,68,77,768
Other Income	13	5,64,271	5,66,148
		<u>8,10,73,519</u>	<u>5,74,43,916</u>
EXPENDITURE			
(Increase) /Decrease in Stocks	14	4,43,00,992	(9,96,791)
Purchases		1,06,045	4,52,474
Employee Costs	15	79,45,356	1,10,51,738
Other Costs	16	2,21,74,199	3,07,33,259
Interest	17	5,87,289	5,93,569
Depreciation		7,93,590	18,66,357
Less : Transfer from revaluation reserve		(62,710)	(62,710)
		<u>7,30,880</u>	<u>18,03,647</u>
		<u>7,58,44,761</u>	<u>4,36,37,896</u>
Profit before taxation		<u>52,28,758</u>	<u>1,38,06,020</u>
Income Tax Expenses :			
Fringe Benefits Tax		2,60,726	—
		<u>49,68,032</u>	<u>1,38,06,020</u>
Profit after Taxation		<u>49,68,032</u>	<u>1,38,06,020</u>
Profit and loss account deficit brought forward		<u>15,57,88,492</u>	<u>16,95,94,512</u>
Balance Carried Over		<u>(15,08,20,460)</u>	<u>(15,57,88,492)</u>
Earnings per share (in rupees)- Basic and Diluted (Refer Note 7 of Schedule 18)		<u>0.46</u>	<u>1.52</u>
Notes to the Accounts	18		
Related Party disclosure	19		
Significant Accounting Policies	20		

The Schedules referred to above and the annexed notes form an integral part of the Accounts.
This is the Profit and Loss Account referred to in our report of even date.

For BSR & Co
Chartered Accountants

Sanjay Aggarwal
Partner
Membership No. 40780
Mumbai, 28th April 2006

For and on behalf of the Board
V. Malhotra Executive Director
S. Agarwal Director
Nidhi Agarwal Company Secretary
Bareilly, 18th April 2006

CASH FLOWS STATEMENT FOR THE YEAR ENDED MARCH 31, 2006

		For the year ended 31st March 2006 (Rs.)	For the year ended 31st March 2005 (Rs.)
A. CASH FLOW FROM OPERATING ACTIVITIES :			
Profit/(Loss) before Taxation		52,28,758	1,38,06,020
Adjustments for :			
Depreciation	7,30,880		18,03,647
Gain on sale of assets	—		(22,073)
Income from Investments	(1,831)		(1,720)
		<u>7,29,049</u>	<u>—</u>
Operating Profit/ (Loss) Before Working Capital Changes		59,57,807	1,55,85,874
Adjustments for :			
Plantation Work in progress	4,44,19,107		(9,53,575)
Inventories	(1,18,115)		(43,216)
Debtors	(5,04,714)		11,47,706
Loans and Advances	(11,94,670)		49,83,842
Current Liabilities and Provisions	(4,35,66,871)		(2,87,35,825)
		<u>(9,65,263)</u>	<u>(2,36,01,068)</u>
Direct Taxes paid - Fringe Benefit Tax		(2,57,533)	—
NET CASH FLOW FROM/(USED IN) INVESTING ACTIVITIES		<u>47,35,011</u>	<u>(80,15,194)</u>
B. CASH FLOW FROM INVESTING ACTIVITIES :			
Purchase of Fixed Assets	(1,02,195)		(86,900)
Sale of Fixed Assets	—		83,682
Income received from Investments	1,831		1,720
NET CASH FLOW FROM/(USED IN) OPERATING ACTIVITIES		<u>(1,00,364)</u>	<u>(1,498)</u>
C. CASH FLOW FROM FINANCING ACTIVITIES			
Proceed from Borrowings :			
Loan from Holding Company	(51,17,421)		84,33,866
Short Term Working Capital Loan	5,00,000		(5,00,000)
NET CASH FLOW FROM/(USED IN) FINANCING ACTIVITIES		<u>(46,17,421)</u>	<u>79,33,866</u>
D. NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS :			
(A+B+C)		<u>17,226</u>	<u>(82,826)</u>
E. RECONCILIATION			
CASH AND CASH EQUIVALENTS - AT BEGINNING OF THE YEAR		38,42,350	39,25,176
CASH AND CASH EQUIVALENTS - AT END OF THE YEAR		<u>38,59,576</u>	<u>38,42,350</u>
		<u>17,226</u>	<u>(82,826)</u>

Notes :

1. The Cash Flow Statement has been prepared under the "Indirect Method" as set out in Accounting Standard - 3 on Cash Flow Statements issued by the Institute of Chartered Accountants of India.
2. Cash and cash equivalents represent cash and bank balances only.
3. Previous year's figure have been regrouped wherever necessary.

This is the Cash Flow Statement referred to in our report of even date.

For BSR & Co.

Chartered Accountants

Sanjay Aggarwal

Partner

Membership No. 40780

Mumbai, 28th April 2006

For and on behalf of the Board

V. Malhotra Executive Director

S. Agarwal Director

Nidhi Agarwal Company Secretary

Bareilly, 18th April 2006

SCHEDULES TO THE ACCOUNTS

	As at 31st March 2006 (Rs.)	As at 31st March 2005 (Rs.)
1. SHARE CAPITAL		
Authorised :		
1,10,00,000 (2004-05 : 1,10,00,000) Equity Shares of Rs. 10 each	11,00,00,000	11,00,00,000
1,00,00,000 (2004-05 : 1,00,00,000) 1% redeemable cumulative preference share of Rs. 10 each	10,00,00,000	10,00,00,000
1,00,00,000(2004-05 : 1,00,00,000) unclassified share of Rs. 10 each	10,00,00,000	10,00,00,000
	<u>31,00,00,000</u>	<u>31,00,00,000</u>
Issued, Subscribed and Paid up :		
83,95,626 (2004-05 : 83,95,626) equity shares of Rs. 10 each fully paid.	8,39,56,260	8,39,56,260
93,80,589(2004-05 : 93,80,589) 1% redeemable cumulative preference shares of Rs. 10 each fully	9,38,05,890	9,38,05,890
	<u>17,77,62,150</u>	<u>17,77,62,150</u>
Of the above :		
83,95,626 (2004-05 : 83,95,626) equity shares are held by Wimco Limited, the holding Company and its nominees.		
93,80,589(2004-05 : 93,80,589) 1% redeemable preference shares are held by Wimco Limited, the holding company.		
2. RESERVES AND SURPLUS		
Capital Reserve		
Surplus on sale of land	4,10,466	4,10,466
Revaluation reserve		
Balance at the beginning of the year	1,54,16,690	1,54,79,400
Less : Transfer to profit and loss account	62,710	62,710
Balance at the end of the year	<u>1,53,53,980</u>	<u>1,54,16,690</u>
	<u>1,57,64,446</u>	<u>1,58,27,156</u>
3. LOAN FUNDS		
SECURED		
Cash Credit (including working capital demand loan) with Banks (secured by hypothecation of all stock in trade and book debts, present and future other movable assets and all other tangible movable properties of the Company)	75,00,000	—
	<u>75,00,000</u>	<u>—</u>
UNSECURED		
Loans and advances from subsidiary		
- Pavan Poplar Limited (Refer Note below)	4,85,38,549	4,85,38,549
Short term loans & advances from banks		
Short term working capital loan (secured by a corporate guarantee from Swedish Match AB, Sweden)	—	70,00,000
Other loans and advances		
Wimco Limited, holding company (Refer Note below)	5,67,50,939	6,18,68,360
	<u>10,52,89,488</u>	<u>11,74,06,909</u>
	<u>11,27,89,488</u>	<u>11,74,06,909</u>

Note :

The said loans are interest free, with no stipulation as to repayment terms

SCHEDULES TO THE ACCOUNTS

4. FIXED ASSETS

(Rs.)

Description	Gross block				Accumulated Depreciation				Net block	
	As at 1 April 2005	Additions	Deductions	As at 31 March 2006	As at 1 April 2005	Charge for the year	Deductions during the year	As at 31 March 2006	As at 31 March 2006	As at 31 March 2005
Trangible Assets										
Land (freehold)	2,00,95,000	—	—	2,00,95,000	—	—	—	—	2,00,95,000	2,00,95,000
Buildings	1,44,28,171	—	—	1,44,28,171	69,32,413	3,92,174	—	73,24,587	71,03,584	74,95,758
Plant and machinery	35,36,694	49,980	—	35,86,674	29,87,578	1,36,816	—	31,24,394	4,62,280	5,49,116
Furniture and fixture	12,26,826	—	—	12,26,826	8,08,986	55,081	—	8,64,067	3,62,759	4,17,840
Office Equipments	19,96,745	18,000	—	20,14,745	16,71,812	40,884	—	17,12,696	3,02,049	3,24,933
Vehicle	42,08,812	—	—	42,08,812	36,81,806	1,68,635	—	38,50,441	3,58,371	5,27,006
	4,54,92,248	67,980	—	4,55,60,228	1,60,82,595	7,93,590	—	1,68,76,185	2,86,84,043	2,94,09,653
2004-05	4,56,24,894	86,900	2,19,546	4,54,92,248	1,43,74,175	18,66,357	1,57,936	1,60,82,595		
CAPITAL WORK IN PROGRESS									34,215	
									2,87,18,258	2,94,09,653

5. INVESTMENTS

A Long term investments

Government securities (unquoted)

National Saving Certificates (All of the above have been pledged with various Mandi Samitis)	10,000	10,000
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B Investments in wholly owned subsidiary companies (unquoted)

Pavan Poplar Limited 5,510,004 (2004-05: 5,510,004) equity shares of Rs. 10 each fully paid (including 6 Equity Shares held by nominees)	5,99,06,230	5,99,06,230
Prag Agro Farm Limited 3,800,020 (2004-05: 3,800,020) equity shares of Rs. 10 each, fully paid (including 6 Equity Shares held by nominees)	3,81,90,204	3,81,90,204

C Current Investments

Billaspur Cane Development Corporation Limited (unquoted, non-trade) 100 (2004-05: 100) equity shares of Rs. 10 each, fully paid	1,000	1,000
	9,81,07,434	9,81,07,434
Aggregate book value of unquoted investments	9,81,07,434	9,81,07,434

6. INVENTORIES

(Refer Note 5 of Schedule 18)

Finished and trade goods /produce	2,42,687	1,24,572
	2,42,687	1,24,572

7. DEBTORS

(Unsecured)

Debts outstanding for a period exceeding six months	—	—
Considered good	23,000	23,000
Considered doubtful	23,000	23,000
Less : Provision for doubtful debts	(23,000)	(23,000)

Other debts - Considered good

	5,51,606	46,892
	5,51,606	46,892

8. CASH AND BANK BALANCES

Cash in hand	1,56,584	1,00,176
Cheques in hand	—	1,30,000
Balances with scheduled banks on		
-current accounts [includes Rs. 24,739 (2004-05: Rs. 24,739) lying in "Restricted" bank account]	11,12,632	9,18,914
Unclaimed balances due to unit holders of Poplar Unit Schemes.	25,90,360	26,93,260
	38,59,576	38,42,350

9. LOANS AND ADVANCES

(Unsecured)

Advances recoverable in cash or in kind for value to be received		
- Considered good	19,90,877	17,27,616
- Considered doubtful	1,01,08,570	1,01,08,570
	1,20,99,447	1,18,36,186
Less : Provision for doubtful advances	1,01,08,570	1,01,08,570
	19,90,877	17,27,616

Loans and advances to subsidiary

Prag Agro Farm Limited [maximum amount outstanding during the year Rs. 66,801,860 (2004-05: Rs. 68,066,740)]	6,68,01,860	6,64,01,406
Trade tax recoverable	6,98,141	58,347
Advance to suppliers	—	60,529
Tax deducted at source/Advance Tax [Net of provision for taxation Rs. 474,915 (2004-05: Rs. 424,773)]	53,18,668	53,68,810
Interest accrued on investments	9,259	7,428
Security deposit	84,522	84,522
	7,49,03,327	7,37,08,658

10. CURRENT LIABILITIES

Advance received from Customers	2,83,664	5,33,063
Advance for purchase of poplar trees (Refer Note 2 on Schedule 18)	15,06,97,869	19,41,52,803
Sundry creditors	1,04,25,043	1,07,26,024
Liability towards investor education and protection fund		

-Unclaimed balances of unit holders (not due)

Other current liabilities	25,90,360	26,93,260
	2,26,255	1,88,472
	16,42,23,191	20,82,93,622

11. PROVISIONS

Gratuity	2,68,184	—
Leave encashment	9,64,775	7,29,400
Provision for Fringe Benefits Tax [net of advance tax of Rs. 257,533 (2004-05 : Nil)]	3,193	—
	12,36,152	7,29,400

12. SALES

Sales	8,05,09,248	5,68,77,768
	8,05,09,248	5,68,77,768

13. OTHER INCOME

Interest		
-On investments (Long term)	1,831	1,720
Profit on sale of fixed assets	—	22,073
Sundry balances written back	43,996	57,271
Provision /Liabilities written back as no longer required	—	1,49,600
Insurance Claim	5,02,432	—
Miscellaneous income	16,012	3,35,484
	5,64,271	5,66,148

14. (INCREASE) /DECREASE IN STOCK

Plantation work in progress

Opening stock	15,89,91,186	15,80,37,611
Closing stock	11,45,72,079	15,89,91,186
Net (increase) /decrease	4,44,19,107	(9,53,575)

Finished and traded good/produce

Opening stock	1,24,572	81,356
Closing stock	2,42,687	1,24,572
Net (increase) /decrease	(1,18,115)	(43,216)
Total net (increase) /decrease	4,43,00,992	(9,96,791)

15. EMPLOYEE COSTS

Salaries, wages, bonus and incentives	60,01,856	91,92,429
Contribution to provident and other funds	7,74,510	9,63,977
Staff and Workers welfare expenses	4,40,581	5,08,311
Gratuity	4,47,444	3,87,021
Leave encashment	2,80,965	—
	79,45,356	1,10,51,738

16. OTHER COSTS

(Refer Note 12 and 13 on Schedule 18)

Right to use fee for Land	—	86,40,000
Plantation and cultivation	61,16,174	60,95,603
Travelling and conveyance	17,88,882	24,26,973
Power and fuel	16,09,254	23,99,614
Measurement and extraction	33,46,069	23,55,491
Rent	24,04,665	22,17,361
Security Charges	14,65,162	13,73,843
Freight outward	15,48,577	12,22,452
Legal and professional fees	7,37,937	5,63,375
Auditors' remuneration	—	—
- Audit fees (Refer note 9 of Schedule 18)	3,50,000	2,78,000
- Other matters	—	72,000
- Out of pocket expenses	11,815	18,635
Insurance	5,69,908	6,18,994
Repair and maintenance		
- buildings	2,10,230	1,78,899
- plant and machinery	56,970	1,65,414
- others	6,21,059	5,81,490
Doubtful advances written off	55,002	5,31,964
Communication	4,04,283	5,05,232
Printing and stationery	1,55,872	1,73,386
Bank charges	1,36,513	91,323
Rates and taxes	61,625	23,294
Advertisement	37,285	15,770
Tools consumed	22,408	12,721
Entertainment	9,472	10,139
Exchange loss	—	2,268
Other Expenses	4,55,037	1,59,018
	2,21,74,199	3,07,33,259

17. INTEREST

On Cash Credit (including Working Capital Demand Loan)	5,87,289	5,93,569
	5,87,289	5,93,569

SCHEDULES TO THE ACCOUNTS

18. Notes to Accounts

1. (a) Claims against the Company not acknowledged as debts Rs. 8,48,51,307 (2004-05 Rs. 7,50,64,457). These comprise :

- ◆ Excise Duty, Sales Taxes and indirect taxes claims disputed by the Company relating to issues of applicability and classification aggregating Rs. 69,811 (2004-05: Rs. 58,347).
- ◆ Local authority Taxes/Cess/Royalty on property, utilities etc. claims disputed by the Company relating to issues of applicability and determination aggregating Rs. Nil (2004-05 Rs. Nil)
- ◆ Third party claims arising from disputes relating to contracts aggregating to Rs. 33,87,180 (2004-05 Rs. 29,40,000)
- ◆ Other matters Rs. 8,13,94,316 (2004-05 Rs. 7,20,66,110)

The above does not include provident fund contribution on leave encashment relating to the period prior to May 1, 2005, the matter being kept in abeyance by the concerned authorities. (Estimated amount Rs. 0.70 lacs).

- (b) Arrears of tax-free dividend on 93,80,589 , 1% redeemable cumulative preference shares of Rs. 10 each amounting to Rs. 75,22,462 (2004-05: Rs. 65,84,403) excluding dividend tax.
2. Advances against purchase of poplar aggregating Rs. 15,06,97,869 (2004-05: Rs. 19,41,52,803) represents advances received by the erstwhile WGL and erstwhile WG from Wimco Limited, the holding company, and interest thereon, to be adjusted against the consideration payable by Wimco Limited to the Company for supply of wood of the poplar trees on their maturity/appropriate use.
3. The Company had issued 15% Redeemable Cumulative Preference Shares redeemable one third each year in the 8th, 9th and 10th year from the date of issue 25 March 1996 or on earlier date at the discretion of Board of Directors of the Company. The rate of dividend on these shares has been reduced to 1% with effect from the date of allotment after obtaining the requisite consent of the concerned class of shareholders. One third of redeemable preferences shares were due to for redemption on 24th March 2004. However, in view of the inadequacy of funds, the Company has extended the period of redemption in respect of all the aforesaid shares to 24th March 2011 after obtaining the consent of the concerned class of shareholders.
4. As at 31 March 2006, the Company has an investment of Rs. 3,81,90,204 (2004-05 : Rs. 3,81,90,204) in its subsidiary Prag Agro Farm Limited and has also granted an interest free loan of Rs. 6,68,01,860 (2004-05 : Rs. 6,64,01,406) to the subsidiary. In terms of the new arrangements, the plantation activity is begin carried out by the Prag Agro Farm Limited on the land over which it has leasehold rights and aforesaid loan will be repaid based on the projected cash flow.
5. The Company has considered an average yield of 0.22 cmh per tree based on the evaluation carried out by the Company's technical expert and further certified by an external technical expert. The Company has considered a price of Rs. 3,250 per cmh of match wood being the market price prevailing for match wood of similar quality. As in the past, the Company has also considered Rs. 500 per cmh towards fire wood (lops and tops).
6. **Deferred taxation**
There are not timing differences resulting in deferred tax. Deferred tax asset on carry forward assessable loss has not been accounted for in view of uncertain realization.
7. **Earning per share**
The computation of earnings per share is set out below :

	31-03-2006	31-03-2005
Net Profit after tax	49,68,032	1,38,06,020
Less : Arrears of Preference dividend and including preference dividend tax for the year	(10,69,622)	(10,60,652)
Net Profit attributable to equity shareholders (A)	38,98,410	1,27,45,368
Weight average number of equity shares outstanding during the year (B)	83,95,626	83,95,626
Earnings per share of face value Rs. 10 (A/B)	0.46	1.52

8. Segment information

The Company is engaged in the business of growing and selling agricultural produce only in India. Accordingly, these financial statements reflect the information required by Accounting Standard 17 on Segment Reporting.

9. Auditor's Remuneration

	2005-2006	2004-2005
Audit fees	3,50,000	2,78,000
Other services	—	72,000
Out of pocket expenses	11,815	18,635
	<u>3,61,815</u>	<u>3,68,635</u>

10. Quantitative details

Particulars	Unit	31-03-2006		31-03-2005	
		Quantity	Rs.	Quantity	Rs.
(A) Opening stock					
<u>Plantation work in Progress</u>					
Agricultural produce/plants*	Nos	3,23,936	19,84,207	3,28,171	16,22,315
Livestock*			14,954		7,776
Poplar ETPs*			58,83,674		90,01,447
Poplar and Kadam trees			15,11,08,351		14,74,06,073
			15,89,91,186		15,80,37,611
<u>Finished</u>					
Agricultural produce/plants*		1,309	43,816	1,319	—
Hiko trays**Nos			80,756		81,356
Wood (from own trees)*			—		—
			1,24,572		81,356
(b) Purchases					
Hiko trays* Nos	Qntrs	—	—	—	—
Organic Manure**		—	—	—	—
Others		1,06,045	4,52,474		
		1,06,045	4,52,474		
(c) Sales					
Agricultural produce/plants*		27	65,34,010	10	59,60,112
Hiko trays**Nos			1,350		900
Livestock*			25,532		74,691
Poplar and Kadam wood* (from own trees)			4,46,70,933		3,05,32,417
Poplar ETPsNos	12,56,409		2,02,56,157	11,18,040	1,49,75,303
Others			90,21,266		53,34,345
			8,05,09,248		5,68,77,768
(d) Closing stock					
<u>Plantation work in Progress</u>					
Agricultural produce/plants*	Nos	2,56,637	53,730	3,23,936	19,84,207
Livestock*			—		14,954
Poplar ETPs*			56,61,743		58,83,674
Poplar and Kadam trees			10,88,56,606		15,11,08,351
			11,45,72,079		15,89,91,186
<u>Finished</u>					
Agricultural produce/plants*		1,282	14,931	1,309	43,816
Hiko trays**Nos			80,756		80,756
Wood (from own trees)*			1,47,000		—
			2,42,687		1,24,572

* Due to the typical nature of product, it is possible to state quantities.

** Traded finished goods.

11. Expenditure in foreign currency

	2005-06	2004-05
Travel	3,710	82,651

12. Research and development expenses incurred during the year as ascertained by the management, amounting to Rs. 12,80,304 (2004-05: Rs. 12,27,203) have been charged to appropriate heads of expenses.
13. Plantation and cultivation expenses include amounts paid to casual labourers Rs. 5,19,476 (2004-05 : Rs. 46,11,422).
14. Land and building located at Rudrapur were revalued on 31 March 1994 by a registered valuer after considering depreciation upto that date based on the current replacement cost/value to the Company. The excess on revaluation of Rs. 1,61,06,500 was transferred to revaluation reservation reserve as detailed below :

Particulars	For the year ended 31st March 2006	For the year ended 31st March 2005
Depreciation for the year calculated in accordance with accounting policy	7,93,590	18,66,357
Less : Adjusted against revaluation reserve	62,710	62,710
Depreciation for the year charged to the profit and loss account	7,30,880	18,03,647

15. The order passed by the District Magistrate authorizing the State authorities to take possession of the land leased to Pavan Poplar Limited and Prag Agro Farm Limited, subsidiaries of the Company, has been stayed by the order of the High Court. In the circumstances no provision has been made for advances to subsidiary companies.

16. Prior year's figures have been regrouped/ rearranged wherever necessary to conform to current year's presentation.

SCHEDULES TO THE ACCOUNTS

19. RELATED PARTIES TRANSACTIONS

a) Parties exercising control over Company

Swedish Match AB, Sweden	— Ultimate holding company of Wimco Limited (upto 30.06.2005)#
ITC Ltd.	— Ultimate holding company of Wimco Limited (w.e.f. 01.07.2005)#
Russell Credit Limited	— Holding company of Wimco Limited (w.e.f. 01.07.2005)#
Wimco Limited	— Holding company
# no transaction during the financial year 2005-06	

b) Parties over whom Company exercise control

Subsidiary Companies :	
Pavan Poplar Limited	(PPL)
Prag Agro Farm Limited	(PAFL)

c) Disclosure of transactions between the Company and related Parties and the status of outstanding balances as at 31st March.

(Rs.)

	HOLDING COMPANY		Subsidiary Companies				TOTAL	
	Wimco Limited		PPL		PAFL			
	2005-06	2004-05	2005-06	2004-05	2005-06	2004-05	2005-06	2004-05
Sale of Goods	4,50,95,577	3,35,04,304	86,480	—	—	—	4,51,82,057	3,35,04,304
Lease Rent Expenses	—	—	—	46,40,000	—	19,50,000	—	65,90,000
Loans taken	1,30,03,697	1,08,82,002	11,69,125	21,39,392	—	—	1,41,72,822	1,30,21,394
Loan Repayment	1,64,80,474	—	10,82,645	67,79,392	—	—	1,75,63,119	67,79,392
Loans given	—	—	—	—	14,74,738	2,84,666	14,74,738	2,84,666
Receipts towards loan repayments	—	—	—	—	10,74,284	22,34,666	10,74,284	22,34,666
Outstanding Loans Advances	—	—	—	—	6,68,01,860	6,64,01,406	6,68,01,860	6,64,01,406
Outstanding unsecured loans	5,67,50,939	6,18,68,360	4,85,38,549	4,85,38,549	—	—	10,52,89,488	11,04,06,909
Outstanding Payables (Excluding TDS)	15,06,97,870	19,41,52,803	82,87,088	82,87,088	—	—	15,89,84,958	20,24,39,891
Investments	—	—	5,99,06,230	5,99,06,230	3,81,90,204	3,81,90,204	9,80,96,434	9,80,96,434

20. SIGNIFICANT ACCOUNTING POLICIES

1. Basis of Accounting

The financial statements have been prepared and presented under the historical cost convention on the accrual basis of accounting and comply with the Accounting Standards issued by the Institute of Chartered Accountants of India ("ICAI") and the relevant provision of the Companies Act, 1956, ("the Act") to the extent applicable.

The statement accumulated losses of the company as at 31st March 2006 have resulted in erosion of a substantial portion of the company's net worth. These accounts have been prepared on a going concern basis based on a letter of financial support received by the Company from its Holding Company, Wimco Limited.

2. Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) required management to make estimates and assumptions that affect the reported amount of assets and liabilities and the disclosure of contingent liabilities on the date of the financial statements. Actual results could differ from those estimates. Any revision to accounting estimates is recognized prospectively in current and future periods.

3. Fixed Assets/ Amortisation /Impairment /Depreciation

Tangible Assets

Fixed assets are stated at cost of acquisition less accumulated depreciation. Cost includes all expenses attributable to the acquisition and installation of the assets. Fixed Assets acquired on take over of a business from Wimco Limited are capitalized at the amount attributed as per the deed of assignment.

Depreciation on building and civil works on leasehold land is charged on straight line basis over the period of lease.

Depreciation on other fixed assets is calculated under straight line method on the following basis :

- Assets acquired before 16.12.1993, at the rates specified in Schedule XIV of the Act.
- Assets acquired on or after 16.12.1993, at the rates specified in the notification GSR No. 756E dated 16.12.1993 in Schedule XIV of the Act. Assets individually costing Rs. 5,000 or less are fully depreciated in the year of acquisition.

Intangible Assets

In accordance with AS 28, with effect from April 1, 2004 where there is an indication of impairment of the Company's asset and in respect of intangible assets being amortised over a period exceeding 10 years, the

carrying amounts of the Company's assets are reviewed at each balance sheet date to determine whether there is any impairment. The recoverable amount of the assets is estimated, as the higher of its net selling price and its value in use. An impairment loss is recognized whenever the carrying amount of an asset or a cash-generating unit exceeds its recoverable amount. Impairment loss is recognized in the profit and loss account or against revaluation surplus where applicable.

4. Investments

Long-term investments are stated at cost. Provision is made for diminution other than temporary, in the value of long-term investments.

5. Plantation Work in Progress and Inventories

(A) Plantation Work in Progress

- In valuing poplar trees included under semi-finished products, no adjustment is made to the total cost of trees on account of undeveloped /diseased trees being normal loss during the period of maturity of plantation (based on a technical estimate) except that realization /insurance claim for such trees is reduced from the total cost. Every year plantation cost already incurred is compared with net realizable value which is determined on the basis of estimated selling price less estimated cost likely to be incurred in future for bringing the plantation to maturity and the cost necessary to be incurred in order to make sale.

Cost includes all direct and indirect expenses in respect of the poplar plantation.

Further, 75% of net realizable value of intercropping, waste, etc. is reduced from the above cost because entire farm cost is first added to cost of plantation.

- Agricultural produce/standing crops and plants are valued at 75% of their net realizable value.
- Fuel wood arising from poplar trees and lying in stock is valued at 75% of their net realizable value.
- Livestock is valued at 75% of their net realizable value.

(B) Inventories

Finished goods are valued at cost or net realizable value whichever is lower. Entire Transplants included in semi-finished goods are valued at cost. Cost represents direct expenses including cost of Entire Transplants purchased specifically for multiplication and other direct costs.

6. Retirement benefits

- Gratuity and leave encashment, which are defined benefits, are accrued based on actuarial valuations.

SCHEDULES TO THE ACCOUNTS

20. SIGNIFICANT ACCOUNTING POLICIES (Contd.)

- ii) The Company has taken a group policy with the Life Insurance Corporation of India ('LIC') to cover its liabilities towards employees' gratuity and superannuation.

7. Revenue recognition

Revenue is recognized on accrual basis except for consultancy income, which is recognized on completion of the related contracts with the customers. Sale of poplar wood is recognized on dispatch basis when significant risks and rewards of ownership are transferred. Insurance claims are accounted for as and when the amount recoverable can be reasonably determined.

8. Foreign exchange transactions

Foreign currency assets and liabilities are restated at rates ruling as at the year-end. Exchange differences relating to imported fixed assets are adjusted in the cost of the asset. Any other exchange differences are dealt with in the Profit and Loss Account.

9. Contingencies and Provisions

A provision is created where there is a present obligation as a result of a past event that probably required an outflow of resources and a reliable estimate can be made of the amount of the obligation.

A contingent liability is disclosed when there is a possible or a present obligation that may, but probably will not require an outflow of resources.

10. Taxation

Income-tax expense comprises current tax and deferred tax charge or credit. The deferred tax charge or credit and the corresponding deferred tax liabilities

or assets are recognised using the tax rates that have been enacted or substantially enacted by the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in future, however where there is unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognised only if there is a virtual certainty or realisation of such assets. Deferred tax assets are reviewed as at each balance sheet date and written down or written-up to reflect the amount that is reasonably/virtually certain (as the case may be) to be realised.

11. Research and development costs

Revenue expenditure incurred on different projects are charged to appropriate expenses heads in the period these are incurred and amounts recovered from the customer forms part of the Consultancy income.

12. Earnings per share ('EPS')

Basic EPS is computed using the weighted average number of equity shares outstanding during the year. Diluted EPS is computed using the weighted average number of equity shares and the dilutive equity equivalent outstanding during the year except where the results would be anti dilutive.

For and on behalf of the board

V. Malhotra *Executive Director*

S. Agarwal *Director*

Nidhi Agarwal *Company Secretary*

Bareilly 18th April 2006

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

	PAVAN POPLAR LIMITED	PRAG AGRO FARM LIMITED
1 Name of the subsidiary Company	March 31, 2006	March 31, 2006
2 Financial year of the subsidiary company ended	55,10,004 Equity Shares of Rs. 10 each	38,00,020 Equity Shares of Rs. 10 each
3 Number of Shares held in subsidiary	55,10,004 Equity Shares of Rs. 10 each	38,00,020 Equity Shares of Rs. 10 each
4 Total Issued share Capital of the subsidiary Company	100%	100%
5 Percentage of share held in the subscribed capital of the subsidiary (including shares held by nominees)		
6 The net aggregate amount so far as it concerns members of the company and is not dealt with in the company's accounts of subsidiary		
i) Profit (Loss) for the financial year ended.	31st March, 2006 Rs. (9.49) Lacs Rs. 155.23 Lacs	31st March, 2006 Rs. (25.03) Lacs Rs. (743.37) Lacs
ii) Profit (Losses) for the previous financial year of the subsidiary since it become the company's subsidiary		
7 The net aggregate amount so far as it concerns members of the company and is not dealt with in the company's accounts of subsidiary		
i) Profit (Loss) for the financial year ended.	31 March, 2006 Nil	31 March, 2006 Nil
ii) Profit (Losses) for the previous financial year of the year of the subsidiary since it become the company's subsidiary.		
		For and on behalf of the board
		V. Malhotra <i>Executive Director</i>
		S. Agarwal <i>Director</i>
		Nidhi Agarwal <i>Company Secretary</i>
		Bareilly 18th April 2006

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE
(Additional Information pursuant to Part IV of Schedule VI to The Act)

I. Registration Details :

Registration No. State Code

Balance Sheet Date
Date Month Year

II. Capital raised during the year (Amount in Rs. Thousands)

Public Issue	Rights Issue
<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/>	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/>
Bonus Issue	Private Placement
<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/>	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/>

III. Position of mobilisation and deployment of funds (Amount in Rs. Thousands)

Sources of Funds

Total Liabilities	Total Assets
<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="4"/> <input type="text" value="7"/> <input type="text" value="1"/> <input type="text" value="7"/> <input type="text" value="7"/> <input type="text" value="5"/>	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="4"/> <input type="text" value="7"/> <input type="text" value="1"/> <input type="text" value="7"/> <input type="text" value="7"/> <input type="text" value="5"/>
Paid-up Capital	Reserves and Surplus
<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="1"/> <input type="text" value="7"/> <input type="text" value="7"/> <input type="text" value="7"/> <input type="text" value="6"/> <input type="text" value="2"/>	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="1"/> <input type="text" value="5"/> <input type="text" value="7"/> <input type="text" value="6"/> <input type="text" value="4"/>
Secured Loans	Unsecured Loans
<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="7"/> <input type="text" value="5"/> <input type="text" value="0"/> <input type="text" value="0"/>	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="1"/> <input type="text" value="0"/> <input type="text" value="5"/> <input type="text" value="2"/> <input type="text" value="8"/> <input type="text" value="9"/>

Application of Funds

Net Fixed Assets	Investments
<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="2"/> <input type="text" value="8"/> <input type="text" value="7"/> <input type="text" value="1"/> <input type="text" value="8"/>	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="9"/> <input type="text" value="8"/> <input type="text" value="1"/> <input type="text" value="0"/> <input type="text" value="7"/>
Net Current Assets	Misc. Expenditure
<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="2"/> <input type="text" value="8"/> <input type="text" value="6"/> <input type="text" value="7"/> <input type="text" value="0"/>	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/>
	Accumulated Losses
	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="1"/> <input type="text" value="5"/> <input type="text" value="0"/> <input type="text" value="8"/> <input type="text" value="2"/> <input type="text" value="0"/>

IV. Performance of Company (Amount in Rs. Thousands)

Turnover (including other income)	Total Expenditure
<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="8"/> <input type="text" value="1"/> <input type="text" value="0"/> <input type="text" value="7"/> <input type="text" value="4"/>	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="7"/> <input type="text" value="5"/> <input type="text" value="8"/> <input type="text" value="4"/> <input type="text" value="5"/>
+ - Profit/Loss Before Tax	Profit/Loss After Tax
<input checked="" type="checkbox"/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="5"/> <input type="text" value="2"/> <input type="text" value="2"/> <input type="text" value="8"/> <input type="text" value="8"/>	<input checked="" type="checkbox"/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="4"/> <input type="text" value="9"/> <input type="text" value="6"/> <input type="text" value="8"/> <input type="text" value="0"/>
(Please tick appropriate box + for profit, - for loss)	
+ - Earnings per Share in Rs.	Dividend Rate %
<input checked="" type="checkbox"/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="0"/> <input type="text" value="."/> <input type="text" value=""/> <input type="text" value="4"/> <input type="text" value="6"/>	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/>
(Please tick appropriate box + for earnings, - for loss)	

V. Generic Names of Three Principal Products / Services of Company

(as per monetary terms)	Item Code No. (ITC Code)
	<input type="text" value="0"/> <input type="text" value="6"/> <input type="text" value="0"/> <input type="text" value="2"/> <input type="text" value="9"/> <input type="text" value="0"/> <input type="text" value="."/> <input type="text" value="0"/> <input type="text" value="9"/>
Product Description	<input type="text" value="E"/> <input type="text" value="N"/> <input type="text" value="T"/> <input type="text" value="I"/> <input type="text" value="R"/> <input type="text" value="E"/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="T"/> <input type="text" value="R"/> <input type="text" value="A"/> <input type="text" value="S"/> <input type="text" value="P"/> <input type="text" value="L"/> <input type="text" value="A"/> <input type="text" value="N"/> <input type="text" value="T"/> <input type="text" value="S"/>

REPORT OF THE DIRECTORS FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2006

Your Directors hereby submit their report for the financial year ended on 31st March, 2006.

Performance

During the year, the Company has incurred a net loss of Rs. 25.03 lakhs as against a net profit of Rs. 5.76 lakhs earned in the last year.

Dividend

In view of accumulated losses, your Directors regret their inability to recommend any dividend.

Directors

Mr. S. Agarwal retires by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment.

Responsibility Statement

Pursuant to Section 217(2AA) of the Companies Act, 1956, your Directors state that-

- (i) in the preparation of the annual accounts, the applicable accounting standards have been followed and no significant departures have been made from the same;
- (ii) appropriate accounting policies have been applied consistently and judgements and estimates made that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2006 and of the loss for that period;

- (iii) proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- (iv) the annual accounts have been prepared on a going concern basis.

Auditors

M/s. BSR & Co., Auditors of the Company hold office until the conclusion of the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

Public Deposits

The Company has not accepted any deposits from the public.

Information pursuant to Section 217 of the Companies Act, 1956.

Having regard to the nature of Company's business, the Directors have nothing to report in terms of Section 217(1)(e) of the Companies Act, 1956. There are no employees in respect of whom information as per Section 217(2A) of the Companies Act, 1956 is required to be given. There is no foreign exchange earning and outgo during the year.

For and on behalf of the Board

V. Malhotra *Director*

S. Agarwal *Director*

Bareilly, 18th April, 2006

REPORT OF THE AUDITORS TO THE MEMBERS OF PRAG AGRO FARM LIMITED

We have audited the attached Balance Sheet of Prag Agro Farm Limited ("the Company") as at 31st March, 2006 and also the Profit and Loss Account and the Cash Flow Statement for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

1. As required by the Companies (Auditor's Report) Order, 2003 ('the Order') issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, ('the Act') we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
2. We draw attention to Schedule 15(1) to the financial statements. The net worth of the Company stands substantially eroded as at 31st March, 2006. These financial statements have been prepared on a going concern basis as the Company's management believes that the Company will be able to operate as a going concern in the foreseeable future based on the letter of financial support received from the holding company, Wimco Limited and the cash flow projections. These financial statements do not include the impact of any adjustments regarding the recoverability and classification of carrying amount of assets or the amounts and classification of liabilities that may be necessary if the Company is unable to continue as a going concern.
3. Further to our comments in the Annexure referred to above, we report that:
 - (i) we have obtained all the information and explanations, which to

the best of our knowledge and belief were necessary for the purpose of our audit;

- (ii) in our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
- (iii) the Balance Sheet and Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
- (iv) in our opinion, the Balance Sheet and Profit and Loss Account dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Act;
- (v) on the basis of written representations received from the Directors as on 31st March, 2006 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2006 from being appointed as a Director in terms of clause (g) of sub-section (1) of Section 274 of the Act; and
- (vi) in our opinion, and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India :
 - (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2006;
 - (b) in the case of the Profit and Loss Account, of the loss of the Company for the year ended on that date; and
 - (c) in the case of Cash Flow Statement, of the cash flows for the year ended on that date.

For BSR & Co.
Chartered Accountants
Sanjay Aggarwal
Partner

Mumbai, 28th April, 2006

Membership No. : 40780

ANNEXURE TO THE REPORT OF THE AUDITORS

With reference to the Annexure referred to in paragraph 1 of the Auditors' Report to the members of Prag Agro Farm Limited ('the Company') on the financial statements for the year ended 31st March, 2006, we report that:

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) The Company has a regular programme of physical verification of its fixed assets by which all fixed assets are verified during the year. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.
- (c) The Company has not disposed off any fixed assets during the year.

- (ii) (a) The inventory has been physically verified by the management during the year. In our opinion, the frequency of such verification is reasonable.
- (b) The procedures for the physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) The Company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material.
- (iii) According to the information and explanations given to us, we are of the opinion that there are no companies, firms or other parties covered in the Register required under Section 301 of the Companies Act, 1956. Accordingly, paragraph 4(iii) of the Order is not applicable.

- (iv) In our opinion and according to the information and explanation given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchase of inventory and fixed assets and with regard to the sale of goods and services. Further, on the basis of our examination, and according to the information and explanations given to us, we have neither come across nor have we been informed of any instance of major weaknesses in the aforesaid internal control systems.
- (v) In our opinion and according to the information and explanations given to us, there are no contracts and arrangements the particulars of which need to be entered into the register maintained under Section 301 of the Companies Act, 1956.
- (vi) The Company has not accepted any deposits from the public.
- (vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- (viii) The Central Government has not prescribed the maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956 for any of the products manufactured/services rendered by the Company.
- (ix) (a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted/accrued in the books of account in respect of undisputed statutory dues including Provident Fund, Income-tax and other material statutory dues have been regularly deposited during the year by the Company with the appropriate authorities. As explained to us, the Company did not have any dues on account of Investor Education and Protection Fund, Employees' State Insurance, Sales tax, Wealth tax, Service tax, Customs duty and Excise duty.
Further, since the Central Government has till date not prescribed the amount of cess payable under Section 441A of the Companies Act, 1956, we are not in a position to comment upon the regularity or otherwise of the Company in depositing the same. According to the information and explanations given to us, no undisputed amounts payable in respect of Provident Fund, Income tax and other material statutory dues were in arrears as at 31st March, 2006 for a period of more than six months from the date they became payable.
- (b) According to the information and explanations given to us, there are no dues of Income tax, which have not been deposited with the appropriate authorities on account of any dispute.
- (x) *The Company has accumulated losses at the end of the financial year in excess of fifty percent of its net worth and has incurred cash losses in the current financial year. However, it has not incurred cash losses in the immediately preceding financial year.*
- (xi) The Company did not have any outstanding dues to any financial institution, banks or debentureholders during the year.
- (xii) The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion and according to the information and explanations given to us, the Company is not a chit fund or a nidhi / mutual benefit fund / society.
- (xiv) In our opinion and according to the information and explanations given to us, the Company is not a dealing or trading in shares, securities, debentures and other investments.
- (xv) In our opinion and according to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
- (xvi) In our opinion and according to the information and explanations given to us, the term loans taken by the Company have been applied for the purpose for which they were raised.
- (xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we are of the opinion that the funds raised on short-term basis have not been used for long-term investment.
- (xviii) As stated in paragraph (iii) above, there are no companies/firms/parties covered in the register required to be maintained under section 301 of the Act.
- (xix) The Company did not have any outstanding debentures during the year.
- (xx) The Company has not raised any money by public issues.
- (xxi) In our opinion and according to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the course of our audit.

For BSR & Co.
Chartered Accountants
Sanjay Aggarwal
Partner

Mumbai, 28th April, 2006

Membership No. : 40780

BALANCE SHEET AS AT 31ST MARCH, 2006

	Schedule	As at 31st March, 2006 (Rs.)	As at 31st March, 2005 (Rs.)
SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	1	3,80,00,200	3,80,00,200
Loan Funds			
Unsecured Loan	2	6,88,66,860	6,64,01,407
Total		10,68,67,060	10,44,01,607
APPLICATION OF FUNDS			
Fixed Assets	3		
Gross Block		10,19,68,195	10,19,68,195
Less : Accumulated Depreciation / Impairment		7,26,08,208	7,14,53,195
Net Block		2,93,59,987	3,05,15,000
Current Assets			
Inventories	4	7,10,011	—
Sundry Debtors	5	1,02,126	—
Cash and Bank Balances	6	69,225	9,166
Loans and Advances	7	172	—
		8,81,534	9,166
Less : Current Liabilities and Provisions	8		
Current Liabilities		2,14,668	4,52,470
Provisions		—	7,166
		2,14,668	4,59,636
Net Current Assets/(Liabilities)		6,66,866	(4,50,470)
Profit & Loss Account		7,68,40,207	7,43,37,077
Total		10,68,67,060	10,44,01,607
Notes to the Accounts	13		
Related Party Disclosure	14		
Significant Accounting Policies	15		

The Schedules referred to above and the annexed notes form an integral part of the Balance Sheet.

This is the Balance Sheet referred to in our Report of even date.

For BSR & Co.
Chartered Accountants
Sanjay Aggarwal
Partner
Membership Number : 40780
Mumbai, 28th April, 2006

For and on behalf of the Board
S Agarwal Director
V Malhotra Director
Bareilly, April 18, 2006

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2006

	Schedule	For the year ended 31st March, 2006 (Rs.)	For the year ended 31st March, 2005 (Rs.)
INCOME			
Sales and services	9	4,37,851	—
Right to use land fee		—	19,50,000
Other Income	10	2,99,560	89,369
		<u>7,37,411</u>	<u>20,39,369</u>
EXPENDITURE			
(Increase)/Decrease in Stock		(7,10,011)	—
Purchase		1,26,608	—
Employee Costs	11	9,04,799	—
Other Costs	12	17,50,066	1,94,368
Depreciation		11,55,013	11,58,904
Provision for Impairment		—	1,03,096
TOTAL		<u>32,26,475</u>	<u>14,56,368</u>
(Loss)/Profit before Taxation		(24,89,064)	5,83,001
Income Tax expenses:			
Current Tax		—	7,166
Fringe Benefits Tax		14,066	—
(Loss)/Profit after Taxation		(25,03,130)	5,75,835
Profit and Loss account Deficit Brought forward		(7,43,37,077)	(2,40,14,061)
Add: Provision for impairment of assets		—	(5,08,98,851)
Balance Carried Over		(7,68,40,207)	(7,43,37,077)
Earnings Per Share - Basic and Diluted (Refer Note 6 of Schedule 13)		(0.66)	0.15
Notes to the Accounts	13		
Related Party Disclosure	14		
Significant Accounting Policies	15		

The Schedules referred to above and the annexed notes form an integral part of this Profit and Loss Account.

This is the Profit and Loss Account referred to in our Report of even date.

For BSR & Co.
Chartered Accountants
Sanjay Aggarwal
Partner
Membership Number : 40780
Mumbai, 28th April, 2006

For and on behalf of the Board
S Agarwal Director
V Malhotra Director
Bareilly, April 18, 2006

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2006

	For the year ended 31st March, 2006 (Rs.)	For the year ended 31st March, 2005 (Rs.)
A. CASH FLOW FROM OPERATING ACTIVITIES :		
(Loss) / Profit before Taxation	(24,89,064)	5,83,001
Adjustments for :		
Depreciation	11,55,013	11,58,904
Provision for Impairment of Assets	—	1,03,096
Gain on Sale of Assets	—	(86,484)
	<u>11,55,013</u>	<u>11,75,516</u>
Operating (Loss) / Profit Before Working Capital Changes	(13,34,051)	17,58,517
Adjustments for :		
Sundry Debtors	(1,02,126)	—
Inventory	(7,10,011)	—
Current Liabilities	<u>(2,37,802)</u>	<u>(8,247)</u>
	(10,49,939)	(8,247)
Direct Taxes Paid	(21,404)	—
NET CASH FLOW (USED IN) / FROM OPERATING ACTIVITIES	(24,05,394)	17,50,270
B. CASH FLOW FROM INVESTING ACTIVITIES		
Sale of Fixed Assets	—	86,484
NET CASH FLOW FROM / (USED IN) INVESTING ACTIVITIES	—	86,484
C. CASH FLOW FROM FINANCING ACTIVITIES		
Loans from Holding Company	24,65,453	(18,33,502)
NET CASH FLOW FROM / (USED IN) FINANCING ACTIVITIES	24,65,453	(18,33,502)
D. NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS: (A+B+C)	60,059	3,252
E. RECONCILIATION		
CASH AND CASH EQUIVALENTS - AT BEGINNING OF THE YEAR	9,166	5,914
CASH AND CASH EQUIVALENTS - AT THE END OF THE YEAR	<u>69,225</u>	<u>9,166</u>
	60,059	3,252

Notes :

- The Cash Flow Statement has been prepared under the "Indirect Method" as set out in Accounting Standard - 3 on Cash Flow Statement issued by the Institute of Chartered Accountants of India.
 - Cash and cash equivalents represent cash and bank balances only.
 - Previous year's figures have been regrouped wherever necessary.
- This is the Cash Flow Statement referred to in our Report of even date.

For BSR & Co.
Chartered Accountants
Sanjay Aggarwal
Partner
Membership Number : 40780
Mumbai, 28th April, 2006

For and on behalf of the Board
S Agarwal Director
V Malhotra Director
Bareilly, April 18, 2006

SCHEDULES TO THE ACCOUNTS

	As at 31st March, 2006 (Rs.)	As at 31st March, 2005 (Rs.)
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1. SHARE CAPITAL

Authorised :		
40,00,000 (2004-05: 40,00,000) Equity Shares of Rs. 10 each	<u>4,00,00,000</u>	<u>4,00,00,000</u>
Issued, Subscribed and Paid-up :		
38,00,020 (2004-05: 38,00,020) Equity Shares of Rs. 10 each fully paid	<u>3,80,00,200</u>	<u>3,80,00,200</u>
	<u>3,80,00,200</u>	<u>3,80,00,200</u>

Notes:

- the above includes 38,00,000 (2004-05: 38,00,000) fully paid equity shares of of Rs. 10 each issued for consideration other than cash to Wimco Seedlings Limited, the Holding Company.
- All the above Equity Shares are held by Wimco Seedlings Limited, the Holding Company and its Nominees.

2. LOAN FUNDS

Unsecured loan:		
Wimco Seedlings Limited (the ultimate Holding Company)	<u>6,68,01,860</u>	<u>6,64,01,407</u>
Wimco Limited (Holding Company)	<u>20,65,000</u>	<u>—</u>
	<u>6,88,66,860</u>	<u>6,64,01,407</u>

(Above loans are Interest free, with no stipulation as to repayment terms)

3. FIXED ASSETS

(Refer Notes 1 of Schedule 13)

(Rs.)

Description	Gross Block				Depreciation/Impairment					Net Block	
	As at 1st April, 2005	Additions	Deductions	As at 31st March, 2006	Up to 1st April, 2005	Charges For the year	Deduction/ Adjustment During the year	Impairment	Up to 31st March, 2006	As at 31st March, 2006	As at 31st March, 2005
Intangible Assets											
Leasehold Land	10,16,90,195	—	—	10,16,90,195	7,13,94,635	11,43,228	—	—	7,25,37,863	2,91,52,332	3,02,95,560
Tangible Assets											
Building	1,79,500	—	—	1,79,500	23,745	5,878	—	—	29,623	1,49,877	1,55,755
Plant & Machinery	60,500	—	—	60,500	23,561	1,948	—	—	25,509	34,991	36,939
Furniture & Fixture	1,500	—	—	1,500	1,500	—	—	—	1,500	—	—
Vehicle	36,500	—	—	36,500	9,754	3,959	—	—	13,713	22,787	26,746
Total	10,19,68,195	—	—	10,19,68,195	7,14,53,195	11,55,013	—	—	7,26,08,208	2,93,59,987	3,05,15,000
2004-05	10,19,90,195	—	22,000	10,19,68,195	1,93,14,344	11,58,904	22,000	5,10,01,947	7,14,53,195	3,05,15,000	

	As at 31st March, 2006 (Rs.)	As at 31st March, 2005 (Rs.)		As at 31st March, 2006 (Rs.)	As at 31st March, 2005 (Rs.)
4. INVENTORIES			8. CURRENT LIABILITIES & PROVISIONS		
Semi Finished Produce	<u>7,10,001</u>	—	Current Liabilities		
	<u>7,10,001</u>	—	Sundry Creditors	<u>1,63,558</u>	<u>4,47,531</u>
5. DEBTORS			Advance received from customers	<u>45,500</u>	<u>—</u>
Unsecured - Considered Good:			Other Liabilities	<u>5,610</u>	<u>4,939</u>
Over six months	—	—		<u>2,14,668</u>	<u>4,52,470</u>
Under six months	<u>1,02,126</u>	—	Provisions		
	<u>1,02,126</u>	—	Income Tax	—	<u>7,166</u>
6. CASH AND BANK BALANCES				—	<u>7,166</u>
Cash in Hand	<u>5,203</u>	155			
Balance with a Scheduled Bank					
– On Current Account	<u>64,022</u>	<u>9,011</u>			
	<u>69,225</u>	<u>9,166</u>			
7. LOANS AND ADVANCES			9. SALES AND SERVICE		
Advance recoverable in Cash or			Sales	<u>4,37,851</u>	—
in Kind or for value to be received	<u>19</u>	—		<u>4,37,851</u>	—
Advance Income Tax (net of					
provision of Rs. 7.166)	<u>41</u>	—			
Advance Fringe Benefits Tax (net of			10. OTHER INCOME		
provision of Rs. 9,109 (2004-05: Nil)	<u>112</u>	—	Gain on Sale of Assets	—	<u>86,484</u>
	<u>172</u>	—	Provision written back	<u>2,99,560</u>	<u>2,885</u>
				<u>2,99,560</u>	<u>89,369</u>

SCHEDULES TO THE ACCOUNTS

	For the year ended 31st March, 2006 (Rs.)	For the year ended 31st March, 2005 (Rs.)
11. EMPLOYEE COSTS		
Salary, Wages and Bonus	6,88,021	—
Staff and Worker Expenses	36,804	—
Contribution to Provident & Other Funds	98,190	—
Gratuity	44,184	—
Leave encashment	37,600	—
	<u>9,04,799</u>	<u>—</u>
12. OTHER COSTS		
Plantation & Cultivation	5,39,569	—
Travelling and Conveyance	86,900	6,523
Power & Fuel	6,55,239	—
Rent	8,197	8,197
Rates and Taxes	37,392	34,439
Legal & Professional Fees	1,04,756	34,970
Insurance	8,796	597
Auditor's Remuneration		
– Statutory audit Fee	1,00,000	60,000
– Other	—	40,000
– Out of pocket expenses	3,460	7,450
Repair & Maintenance		
– Building	22,088	—
– Plant and Machinery	51,533	—
– Others	1,06,861	—
Communication	6,659	—
Printing & Stationery	10,853	234
Bank Charges	2,368	593
Tools Consumed	3,254	—
Donation	610	—
Others Expenses	1,531	1,365
	<u>17,50,066</u>	<u>1,94,368</u>

13. NOTES TO THE ACCOUNTS

- In pursuance of Accounting Standard - ("AS 28") issued by the ICAI becoming mandatory to the Company with effect from April 1, 2004, the Company had made provision of Rs. 5,10,01,947 in respect of impairment of assets in the books in the last year. In the current year in the absence of any impairment, no further provision is considered.
- The Company is yet to obtain possession of certain portion of leasehold land since the demarcation in the land revenue records is yet to be completed and additionally is in dispute for which court proceedings are in progress.
- The Company is the leasehold rights holder of 1000 acre of land. Effective April 2005, the Company has commenced plantation activity on the aforesaid land.
- The Order passed by the District Magistrate authorising the State authorities to take possession of the land leased to the Company has been stayed by the order of the High Court.
- Deferred taxation**
There are no deferred tax assets and liabilities, as the Company does not have any taxable income/loss under the Income Tax Act, 1961.

vi) Earning per share

The computation of earnings per share is set out below:

	As at 31st March, 2006	As at 31st March, 2005
Net (loss)/ Profit attributable to equity shareholders (Rs.) (A)	(25,03,130)	5,75,835
Weighted average number of equity shares outstanding during the year (B)	38,00,020	38,00,020
Earnings per share (Rs.) of face value Rs. 10 [(A)/(B)]	(0.66)	0.15

vii) Segment information

During the year the Company has commenced the business of growing & selling agriculture produce. Accordingly, these financial statements reflect the information required by Accounting Standard - 17 on Segment Reporting.

viii) Information with regard to other matters specified in paragraphs 4-A, 4-C and 4-D of Part II of Schedule VI to the Companies Act, 1956 are either nil or not applicable to the Company for the financial year ended 31st March, 2006.

ix) Refer annexure for additional information pursuant to Part IV of Schedule VI to The Act.

x) Quantitative details*

Particulars	Unit	31st March, 2006	
		Quantity	Rs.
(a) OPENING STOCK			
<u>Semi Finished</u>			
- Agriculture produce		—	—
<u>Finished Stock</u>			
- Agriculture produce		—	—
(b) PURCHASE			
- Seeds			1,26,608
(c) SALES			
- Agriculture produce			
- Sugarcane	Qtls	1,452	1,66,995
- Others			2,70,856
(d) CLOSING STOCK			
<u>Semi Finished</u>			
- Agriculture produce			7,10,011
<u>Finished Stock</u>			
- Agriculture produce			—

* This being the first year of growing agricultural produce, there are no figures for the previous year.

xi) The Company has not appointed a whole time Company Secretary as required by section 383 A of The Act and accordingly, the accounts have not been authenticated by a whole-time Company Secretary.

xii) Prior year's figures have been regrouped/rearranged wherever necessary to conform to current year's presentation.

14. RELATED PARTIES TRANSACTION

a) Parties exercising control over Company

Swedish Match, AB, Sweden	- Ultimate Holding Company (upto June 30, 2005)#
ITC Limited	- Ultimate Holding Company (w.e.f. July 1, 2005)#
Russell Credit Limited	- Holding Company of Wimco Limited (w.e.f. July 1, 2005)#
Wimco Limited	- Holding Company of Wimco Seedlings Limited
Wimco Seedlings Limited	- Holding Company

no transaction during the year

b) Other related parties with whom the Company had transactions, etc.

Pavan Poplar Limited (PPL)

SCHEDULES TO THE ACCOUNTS

14. RELATED PARTIES TRANSACTION (Contd.)

c) Disclosure of transactions between the Company and related Parties and the status of outstanding balances as at 31st March.

(Rs.)

	HOLDING COMPANY				FELLOW SUBSIDIARY COMPANIES		TOTAL	
	Wimco Limited		Wimco Seedlings Limited		PPL		2005-06	2004-05
	2005-06	2004-05	2005-06	2004-05	2005-06	2004-05		
Right to use land fee	—	—	—	19,50,000	—	—	—	19,50,000
Loans taken	—	—	14,74,738	2,84,666	—	—	14,74,738	2,84,666
Loan Repayment	—	—	10,74,284	22,34,666	—	—	10,74,284	22,34,666
Loans given	—	—	—	—	13,83,441	—	13,83,441	—
Receipts towards loan repayments	—	—	—	—	13,83,441	—	13,83,441	—
Outstanding unsecured loans	20,65,000	—	6,68,01,860	6,64,01,406	—	—	6,88,66,860	6,64,01,406
Outstanding unsecured loans	20,65,000	—	6,68,01,860	6,64,01,406	—	—	6,88,66,860	6,64,01,406

15. SIGNIFICANT ACCOUNTING POLICIES

i) Basis of Accounting

The financial statements have been prepared and presented under the historical cost convention on the accrual basis of accounting and comply with the Accounting Standards issued by the Institute of Chartered Accountants of India ("ICAI") and the relevant provisions of the Companies Act, 1956, ("the Act") to the extent applicable.

The accumulated losses of the Company as at 31st March, 2006 have resulted in erosion of Company's net worth. At the year end, the Company's current assets exceeded its current liabilities by Rs. 6,66,866 (2004-05: Current liabilities exceeded current assets by Rs. 4,50,470) and its total liabilities exceeded its current assets by Rs. 6,81,99,994 (2004-05: Rs. 6,68,51,877). These accounts have been prepared on a going concern basis as it has received a letter of financial support from Wimco Limited (Holding Company of Wimco Seedlings Limited).

ii) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and the disclosure of contingent liabilities on the date of the financial statements. Actual results could differ from those estimates. Any revision to accounting estimates is recognized prospectively in current and future periods.

iii) Fixed Assets / Amortisation / Impairment / Depreciation

Tangible Assets

Fixed Assets are stated at cost of acquisition less accumulated depreciation and impairment loss. Cost includes all expenses attributable to the acquisition and development of the assets.

Depreciation on fixed assets other than land is provided on the straight line basis at the rates and in the manner specified in Schedule XIV to the Companies Act, 1956.

Assets individually costing Rs. 5,000 or less are fully depreciated in the year of acquisition.

The cost of the building on leasehold land is depreciated on the straight-line method over the period of the lease.

Depreciation / amortization is adjusted in subsequent periods to allocate the revised carrying amount of the assets after the recognition of an impairment loss on a systematic basis over its remaining useful life.

Intangible Assets

Leasehold land is carried at cost less accumulated amortisation and impairment loss, if any. The lease agreement is effective upto 2031. Accordingly, expenditure incurred on leasehold land is amortised on a straight line basis over the remaining period of the lease.

In accordance with AS 28, where there is an indication of impairment of the Company's asset and in respect of intangible assets being amortised over a period exceeding 10 years, the carrying amounts of the Company's assets are reviewed at each balance sheet date to determine whether there is any impairment. The recoverable amount of the assets (or where applicable that of the cash generating unit to which the asset belongs) is estimated as the higher of its net selling price

and its value in use. An impairment loss is recognized whenever the carrying amount of an asset or a cash-generating unit exceeds its recoverable amount. Impairment loss is recognized in the profit and loss account or against revaluation surplus where applicable.

iv) Inventories

Agriculture produce/standing crops and plants are valued at 75% of their net realizable value.

v) Retirement benefits

Gratuity and leave encashment costs, which are defined benefits, are accrued based on actuarial valuations.

vi) Revenue recognition

Sales are recognized on delivery goods.

vii) Contingencies and Provisions

A provision is created where there is a present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation.

A contingent liability is disclosed when there is a possible or a present obligation that may, but probably will not require an outflow of resources.

viii) Taxation

Income tax expense comprises current tax and deferred tax charge or credit. The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognized using the tax rates that have been enacted or substantially enacted by the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in future; however where there is unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognised only if there is a virtual certainty of realisation of such assets. Deferred tax assets are reviewed as at each balance sheet date and written down or written-up to reflect the amount that is reasonably/virtually certain (as the case may be) to be realised.

ix) Earnings per share ('EPS')

Basic EPS is computed using the weighted average number of equity shares outstanding during the year. Diluted EPS is computed using the weighted average number of equity and dilutive equity equivalent shares outstanding during the year except where the results would be anti dilutive.

For and on behalf of the Board

S. Agarwal Director

V. Malhotra Director

Bareilly, 18th April, 2006

ANNEXURE

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE
(Additional Information pursuant to Part IV of Schedule VI to The Act)

I. Registration Details:

Registration No. State Code

Balance Sheet Date

Date Month Year

II. Capital raised during the year: (Amount in Rs. Thousands)

Public Issue
Rights Issue
Bonus Issue
Private Placement

III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)

Total Liabilities
Total Assets

Sources of Funds

Paid up Capital
Reserves and Surplus
Secured Loans
Unsecured Loans

Application of Funds

Net Fixed Assets
Investments
Net Current Assets
Misc. Expenditure
Accumulated Losses

IV. Performance of the Company: (Amount in Rs. Thousands)

Turnover (including other income)
Total Expenditure
+ - Profit/Loss Before Tax
(Please tick appropriate box + for profit, - for loss) ☐ ☒
+ - Profit/Loss After Tax
(Please tick appropriate box + for profit, - for loss) ☐ ☒
+ - Earnings per Share in Rs.
(Please tick appropriate box + Earnings, - for loss) ☐ ☒
+ - Dividend Rate %

V. Generic Names of Three Principal Products / Services of the Company:
(As per monetary terms)

Item Code No. (ITC Code)
Product Description

E	N	T	I	R	E					
T	R	A	N	S	P	L	A	N	T	S

REPORT OF THE DIRECTORS FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2006

Yours Directors hereby submit their Report and Accounts for the financial year ended 31st March, 2006.

Performance

During the year, the Company has incurred a net loss of Rs. 9.49 lakhs as against as net profit of Rs. 27.25 lakhs earned in the last year.

Dividend

Your directors regret their inability to recommend any dividend for the year under review.

Directors

Mr. V. Malhotra, retires by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment.

Responsibility Statement

Pursuant to Section 217(2AA) of the Companies Act, 1956, your Directors state that -

- (i) in the preparation of the annual accounts, the applicable accounting standards have been followed and no significant departures have been made from the same;
- (ii) appropriate accounting policies have been applied consistently and judgments and estimates made that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2006 and of the loss for that period;
- (iii) proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and

- (iv) the annual accounts have been prepared on a going concern basis.

Audit Committee

The Audit Committee comprises of Mr. V. Malhotra, Mr. C.R. Sivaramakrishnan and Mr. S. Agarwal.

Auditors

M/s BSR & Co. Auditors of the Company hold office until the conclusion of the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

Audit Observations

The notes to the accounts adequately explain the observations made by the Auditors.

Public Deposits

The Company has not accepted any deposits from the public.

Information under Section 217 of the Companies Act, 1956

Having regard to the nature of Company's business, the Directors have nothing to report in terms of Section 217(1)(e) of the Companies Act, 1956.

There are no employees in respect of whom information as per Section 217(2A) of the Companies Act, 1956 is required to be given.

There is no foreign exchange earning and outgo during the year.

For and on behalf of the Board

V. Malhotra *Director*
S. Agarwal *Director*

Bareilly, 18th April, 2006

REPORT OF THE AUDITORS TO THE MEMBERS OF PAVAN POPLAR LIMITED

We have audited the attached Balance Sheet of Pavan Poplar Limited ("the Company"), as at 31st March, 2006, and also the Profit and Loss Account and the Cash Flow Statement for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

1. As required by the Companies (Auditor's Report) Order, 2003 ('the Order') issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, ('the Act') we enclose in the Annexure 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 above, we report that:
 - (i) we have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - (ii) in our opinion proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
 - (iii) the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - (iv) in our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Act;

- (v) on the basis of written representations received from the Directors as on 31st March, 2006 and taken on record by the Board of Directors, we report that none of the Directors are disqualified as on 31st March, 2006 from being appointed as a Director in terms of clause (g) of sub-section (1) of Section 274 of the Act;
- (vi) *we draw attention to Schedule 15(2)(i) in respect of an unsecured loan of Rs. 4,85,38,549 (31st March 2005: Rs. 4,85,38,549) given to Wimco Seedlings Limited, holding company. In view of the accumulated losses of Wimco Seedlings Limited, we are unable to comment upon the extent of recovery of the unsecured loan given to Wimco Seedlings Limited. This was also the subject matter of our modified audit report of the previous year; and*
- (vii) in our opinion, and to the best of our information and according to the explanations given to us the said accounts give the information required by the Act in the manner so required and, subject to the effect of any adjustment that may be necessary in respect of the matter stated in paragraph (vi) above on the financial statements as on 31st March, 2006 and also the corresponding figures of the previous year, give a true and fair view in conformity with the accounting principles generally accepted in India:
 - a. in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2006;
 - b. in the case of the Profit and Loss Account, of the loss of the Company for the year ended on that date;
 - c. in the case of the Cash Flow Statements, of the cash flows for the year ended on that date.

For BSR & Co.
Chartered Accountants

Sanjay Aggarwal
Partner

Mumbai, 28th April, 2006

Membership No. : 40780

ANNEXURE TO AUDITORS' REPORT

With reference to the Annexure referred to in paragraph 1 of the Auditors' Report to the members of Pavan Poplar Limited ('the Company') on the financial statements for the year ended 31st March, 2006, we report that:

- (i) (a) The company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) The Company has a regular programme of physical verification of its fixed assets by which all fixed assets are verified during the year. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.

- (c) The Company has not disposed off any fixed assets during the year.
- (ii) (a) The inventory has been physically verified by the management during the year. In our opinion, the frequency of such verification is reasonable.
- (b) The procedures for the physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) The Company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material.

- (iii) According to the information and explanations given to us, we are of the opinion that there are no companies, firms or other parties covered in the Register required under Section 301 of the Companies Act, 1956. Accordingly, paragraph 4 (iii) of the Order is not applicable.
- (iv) In our opinion and according to the information and explanation given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchase of inventory and with regard to the sale of goods and services. Further, on the basis of our examination, and according to the information and explanations given to us, we have neither come across nor have we been informed of any instance of major weaknesses in the aforesaid internal control systems.
- (v) In our opinion, and according to information and explanations given to us, there are no contacts and arrangements the particulars of which need to be entered into the Register maintained under Section 301 of the Companies Act, 1956.
- (vi) The Company has not accepted any deposits from the public.
- (vii) In our opinion, the Company has an internal audit systems commensurate with the size and nature of its business.
- (viii) The Central Government has not prescribed the maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956 for any of the products manufactured/services rendered by the Company.
- (ix) (a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted /accrued in the books of account in respect of undisputed statutory dues including Provident Fund, Income tax and other material statutory dues have been regularly deposited during the year by the Company with the appropriate authorities. As explained to us, the Company did not have any dues on account of Investor Education and Protection Fund, Employees' State Insurance, Sales tax, Wealth tax, Service tax, Custom duty and Excise duty.
- Further, since the Central Government has till date not prescribed the amount of cess payable under Section 441A of the Companies Act, 1956, we are not in a position to comment upon the regularity or otherwise of the Company in depositing the same.
- According to the information and explanations given to us, no undisputed amounts payable in respect of Provident Fund, Income tax and other material statutory dues were in arrears as at 31st March, 2006 for a period of more than six months from the date they become payable.
- (b) According to the information and explanations given to us, there are no dues of Income tax, which have not been deposited with the appropriate authorities on account of any dispute.
- (x) The Company does not have any accumulated losses at the end of the financial year. The Company has not incurred cash losses in the financial year and also in the immediately preceding financial year.
- (xi) The Company did not have any outstanding dues to any financial institution, banks or debentureholders during the year.
- (xii) The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debenture and other securities.
- (xiii) In our opinion and according to the information and explanations given to us, the Company is not a chit fund or a nidhi/mutual benefit fund/society.
- (xiv) In our opinion and according to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments.
- (xv) In our opinion and according to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
- (xvi) The Company did not have any term loans outstanding during the year.
- (xvii) According to the information and explanations given to us, the Company has not raised any short term funds.
- (xviii) As stated in paragraph (iii) above, there are no companies/firms/parties covered in the register required to be maintained under section 301 of the Act.
- (xix) The Company did not have any outstanding debentures during the year.
- (xx) The Company has not raised any money by public issues.
- (xxi) In our opinion and according to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the course of our audit.

For BSR & Co.
Chartered Accountants

Sanjay Aggarwal
Partner

Mumbai, 28th April, 2006

Membership No. : 40780

BALANCE SHEET AS AT 31ST MARCH, 2006

	Schedule	As at 31st March, 2006 (Rs.)	As at 31st March, 2005 (Rs.)
I. SOURCES OF FUNDS			
1. Shareholders' Funds			
a) Share Capital	1	5,51,00,040	5,51,00,040
b) Reserves & Surplus	2	1,50,73,740	1,60,22,868
		<u>7,01,73,780</u>	<u>7,11,22,908</u>
2. Loan Funds			
Unsecured Loans	3	1,56,39,921	1,36,19,921
Total		<u>8,58,13,701</u>	<u>8,47,42,829</u>
II. APPLICATION OF FUNDS			
1. Fixed Assets	4		
a) Gross Block		4,49,33,855	4,49,33,855
b) Less : Accumulated depreciation/Impairment		1,55,70,364	1,44,18,855
c) Net Block		<u>2,93,63,491</u>	<u>3,05,15,000</u>
3. Current Assets, Loans and Advances			
a) Inventories	5	12,20,151	—
b) Sundry Debtors	6	89,06,812	82,87,088
c) Cash and Bank Balances	7	2,24,638	18,696
d) Loans and Advances	8	4,85,74,503	4,85,74,100
		<u>5,89,26,104</u>	<u>5,68,79,884</u>
Less :			
4. Current Liabilities & Provisions			
a) Current Liabilities	9	22,33,128	21,56,527
b) Provisions	10	2,42,766	4,95,528
		<u>24,75,894</u>	<u>26,52,055</u>
Net Current Assets		<u>5,64,50,210</u>	<u>5,42,27,829</u>
Total		<u>8,58,13,701</u>	<u>8,47,42,829</u>
Notes to the Accounts	15		
Related Party Disclosure	16		
Significant Accounting Policies	17		

The Schedules referred to above and the annexed notes form an integral part of the Accounts.

This is the Balance Sheet referred to in our Report of even date.

For BSR & Co.
Chartered Accountants

Sanjay Aggarwal
Partner
Membership No : 40780
Mumbai, 28th April, 2006

For and on behalf of the Board

S. Agarwal Director
V. Malhotra Director
Dr. R. C. Dhiman Manager
Bareilly, 18th April, 2006

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2006

	Schedule	For the year ended 31st March, 2006 (Rs.)	For the year ended 31st March, 2005 (Rs.)
I. INCOME			
Sales and services	11	28,64,657	—
Right to use land fee		—	46,40,000
Other Income	12	2,22,362	—
		<u>30,87,019</u>	<u>46,40,000</u>
II. EXPENDITURE			
(Increase) / Decrease in Stock		(12,20,151)	—
Purchase		2,89,591	—
Employee Costs	13	10,55,219	—
Other Costs	14	27,50,870	2,95,545
Depreciation/Amortisation		11,51,509	11,73,636
Provision for Impairment of Land		—	5,86,364
		<u>40,27,038</u>	<u>20,55,545</u>
III. (Loss) / Profit before Taxation		<u>(9,40,019)</u>	<u>25,84,455</u>
Income Tax expenses :		—	1,39,754
Provision for tax for previous years written back		—	—
Fringe Benefits Tax		9,109	—
(Loss) / Profit after Taxation		<u>(9,49,128)</u>	<u>27,24,209</u>
Balance in profit and loss account brought forward		<u>1,55,22,868</u>	<u>1,54,71,782</u>
Provision for Impairment of Assets		<u>—</u>	<u>(26,73,123)</u>
Profit and loss account balance carried forward		<u>1,45,73,740</u>	<u>1,55,22,868</u>
Earnings per share (in Rs.) - Basic and Diluted (Refer Note 9 of Schedule 15)		<u>(0.17)</u>	<u>0.49</u>
Notes to Accounts	15		
Related Party disclosure	16		
Significant Accounting Policies	17		

The Schedules referred to above and the annexed notes form an integral part of the Accounts.
This is Profit and Loss Account referred to in our Report of even date.

For BSR & Co.

Chartered Accountants

Sanjay Aggarwal
Partner

Membership No : 40780

Mumbai, 28th April, 2006

For and on behalf of the Board

S. Agarwal Director
V. Malhotra Director
Dr. R. C. Dhiman Manager
Bareilly, 18th April, 2006

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2006

	For the year ended 31st March, 2006 (Rs.)	For the year ended 31st March, 2005 (Rs.)
A. CASH FLOW FROM OPERATING ACTIVITIES :		
(Loss) / Profit before Taxation	(9,40,019)	25,84,455
Adjustment for :		
Amortisation	11,51,509	11,73,636
Provision for Impairment of Land	—	5,86,364
	<u>11,51,509</u>	<u>17,60,000</u>
Operating (Loss) / Profit Before Working Capital Changes	<u>2,11,490</u>	<u>43,44,455</u>
Adjustment for :		
Debtors	(6,19,724)	(40,72,754)
Inventory	(12,20,151)	—
Loans and Advances	(259)	(34,499)
Current Liabilities and Provisions	<u>(1,76,161)</u>	<u>(2,33,131)</u>
	<u>(20,16,295)</u>	<u>(43,40,384)</u>
Direct Taxes Paid	(9,253)	—
NET CASH FLOW FROM OPERATING ACTIVITIES	<u>(18,14,058)</u>	<u>4,071</u>
B. CASH FLOW FROM INVESTING ACTIVITIES:		
NET CASH FLOW FROM INVESTING ACTIVITIES	<u>—</u>	<u>—</u>
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from Borrowings :		
Loan from a Holding Company	20,20,000	500
NET CASH FLOW FROM FINANCING ACTIVITIES	<u>20,20,000</u>	<u>500</u>
D. NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS : (A+B+C)	<u>2,05,942</u>	<u>4,571</u>
E. RECONCILIATION		
CASH AND CASH EQUIVALENTS - AT BEGINNING OF THE YEAR	18,696	14,125
CASH AND CASH EQUIVALENTS - AT THE END OF THE YEAR	<u>2,24,638</u>	<u>18,696</u>
	<u>2,05,942</u>	<u>4,571</u>

Notes :

- The Cash Flow Statement has been prepared under the "Indirect Method" as set out in Accounting Standard - 3 on Cash Flow Statement issued by The Institute of Chartered Accountants of India.
- Cash and cash equivalents represent cash and bank balances only.
- Previous year's figures have been regrouped wherever necessary.

This is the Cash Flow Statement referred to in our Report of even date.

For BSR & Co.

Chartered Accountants

Sanjay Aggarwal
Partner

Membership No : 40780

Mumbai, 28th April, 2006

For and on behalf of the Board

S. Agarwal Director
V. Malhotra Director
Dr. R. C. Dhiman Manager
Bareilly, 18th April, 2006

SCHEDULES TO THE ACCOUNTS

	As at 31st March, 2006 (Rs.)	As at 31st March, 2005 (Rs.)
1. SHARE CAPITAL		
Authorised :		
1,00,00,000 (2004-05: 1,00,00,000) equity shares of Rs. 10 each	10,00,00,000	10,00,00,000
Issued, Subscribed and paid up capital :		
55,10,004 (2004-05: 55,10,004) equity shares of Rs. 10 each fully paid up.	5,51,00,040	5,51,00,040
Of the above, 38,00,000 (2004-05: 38,00,000) equity shares of Rs. 10 each issued for consideration other than cash.		
55,10,004 (2004-05: 55,10,004) equity shares are held by Wimco Seedlings Limited, the holding company and its nominees.		
2. RESERVES AND SURPLUS		
General Reserve	5,00,000	5,00,000
Profit & Loss Account	1,45,73,740	1,55,22,868
	<u>1,50,73,740</u>	<u>1,60,22,868</u>
3. LOAN FUNDS		
Unsecured :		
– Wimco Limited (Ultimate Holding Company)	1,56,39,921	1,36,19,921
(Interest free, with no stipulation as to repayment terms)		
	<u>1,56,39,921</u>	<u>1,36,19,921</u>

4. FIXED ASSETS

(Refer Note 1, 4 and 5 on Schedule 15)

Description	GROSS BLOCK			ACCUMULATED DEPRECIATION/AMORTISATION/IMPAIRMENT			NET BLOCK		
	As at 1st April, 2005 (Rs.)	Additions during the year (Rs.)	As at 31st March, 2006 (Rs.)	Accumulated As at 1st April, 2005 (Rs.)	Charge For the year (Rs.)	Impairment (Rs.)	As at 31st March, 2006 (Rs.)	As at 31st March, 2006 (Rs.)	As at 31st March, 2005 (Rs.)
Intangible Asset									
Leasehold Land	4,49,33,855	—	4,49,33,855	1,44,18,855	11,51,509	—	1,55,70,364	2,93,63,491	3,05,15,000
Total	4,49,33,855	—	4,49,33,855	1,44,18,855	11,51,509	—	1,55,70,364	2,93,63,491	3,05,15,000
2004-05	4,49,33,855	—	4,49,33,855	99,85,732	11,73,636	32,59,487	1,44,18,855	3,05,15,000	

	As at 31st March, 2006 (Rs.)	As at 31st March, 2005 (Rs.)		As at 31st March, 2006 (Rs.)	As at 31st March, 2005 (Rs.)
5. INVENTORIES			Taxes paid	33,854	33,854
Semi Finished Produce	12,06,913	—	Advanced Fringe Benefits Tax		
Finished Goods/Produce	13,238	—	(net of provision of		
	<u>12,20,151</u>	<u>—</u>	Rs. 9,109 (2004-05: Nil)	144	—
				<u>4,85,74,503</u>	<u>4,85,74,100</u>
6. SUNDRY DEBTORS			9. CURRENT LIABILITIES		
Unsecured, considered good			Sundry Creditors	5,61,416	4,85,522
[Refer Note (2) (ii) of Schedule 15]			Other current liabilities	16,71,712	16,71,005
Debts outstanding for a period				<u>22,33,128</u>	<u>21,56,527</u>
exceeding six months.	82,87,088	59,67,088	10. PROVISIONS		
Other debts	6,19,724	23,20,000	Leave encashment	52,524	55,507
	<u>89,06,812</u>	<u>82,87,088</u>	Gratuity	1,90,242	4,40,021
(Debtors include Rs. 82,87,088 (2004-05: Rs. 82,87,088) due from Wimco Seedlings Limited, the holding company)				<u>2,42,766</u>	<u>4,95,528</u>
7. CASH AND BANK BALANCES			For the year ended 31st March, 2006 (Rs.)		For the year ended 31st March, 2005 (Rs.)
Cash in Hand	1,716	4,047	11. SALES AND SERVICE		
Balance with Scheduled Banks			Sales	28,64,657	—
– On Current Accounts	1,82,922	14,649		<u>28,64,657</u>	<u>—</u>
– On Deposit Accounts	40,000	—			
	<u>2,24,638</u>	<u>18,696</u>	12. OTHER INCOME		
8. LOANS AND ADVANCES			Provision no longer required	2,22,362	—
Unsecured and considered good			written back	<u>2,22,362</u>	<u>—</u>
Loans and advances to	4,85,38,549	4,85,38,549	13. EMPLOYEE COSTS		
Wimco Seedlings Limited,			Salary, wages and bonus	9,47,811	—
the holding company			Staff & worker expenses	22,168	—
[Refer Note (2) (i) of Schedule 15]			Contribution to provident		—
Maximum amount outstanding at			& other funds	85,240	—
any time during the year				<u>10,55,219</u>	<u>—</u>
Rs. 4,85,38,549 (2004-05: Rs. 4,85,38,549)					
Advances recoverable in cash or					
in kind or for value to be received	1,956	1,697			

SCHEDULES TO THE ACCOUNTS

	For the year ended 31st March, 2006 (Rs.)	For the year ended 31st March, 2005 (Rs.)
14. OTHER COSTS		
Plantation & cultivation	13,62,187	—
Travelling & conveyance expenses	81,758	—
Power & fuel	7,38,807	—
Rent	7,760	7,760
Rates and taxes	33,580	33,542
Legal and professional fees	1,86,275	1,31,400
Insurance	14,068	5,205
Auditors remuneration		
– Statutory audit fees	1,00,000	60,000
– Other	—	40,000
– Out of pocket expenses	3,840	8,060
Repair & maintenance		
– Building	25,377	—
– Plant and machinery	51,632	—
– Others	1,07,715	—
Communication	6,630	—
Printing & stationary	8,893	110
Bank charges	4,368	1,102
Tools consumed	2,741	—
Donation	10,933	151
Others expense	4,306	8,215
	27,50,870	2,95,545

15. NOTES TO THE ACCOUNTS

- In pursuance of Accounting Standard- ("AS 28") issued by the ICAI becoming mandatory to the Company with effect from April 1, 2004, the Company had made provision of Rs. 32,59,487 in respect of impairment of assets in the books in the last year. In the current year in the absence of any impairment, no further provision is considered necessary.
- The following amounts are due from the Holding Company:
 - The Company had in earlier years granted loans to erstwhile Wimco Greens (AOP), now merged with Wimco Seedlings Limited, the Holding Company, of which the Company was a member and a balance of Rs. 5,40,38,549 was outstanding as on March 31, 2002. The loan was thus taken over by Wimco Seedlings Limited who have repaid Rs. 55,00,000 during an earlier year. The balance outstanding and recoverable as on March 31, 2006 is Rs. 4,85,38,549 (2004-05: Rs. 4,85,38,549).
 - Debtors include amount due Rs. 82,87,088 (2004-05: Rs. 82,87,088).
- Contingent liabilities not provided for include stamp duty of Rs. 6,64,524 (2004-05: Rs. 6,64,524), excluding applicable penalties, if any.
- Certain legal formalities in respect of the land leased to Wimco Seedlings Limited, the Holding Company are pending for which the Company has agreed to bear the costs. Accordingly a liability of Rs. 16,49,000 was created in the books of account in an earlier year.
- The Company is yet to obtain possession of certain portion of leasehold land since the demarcation in the land revenue records is yet to be completed and additionally is in dispute for which Court proceedings are in progress.
- The Company is the leasehold rights holder of 1000 acre of land. Effective April 2005, the Company has commenced plantation activity on the aforesaid land.
- The Order passed by the District Magistrate authorizing the State authorities to take possession of the land leased to the Company has been stayed by the Order of the High Court.
- Deferred taxation**

There are no timing differences resulting in a deferred tax liability. In view of absence of virtual certainty of taxable profits arising in future, the cumulative deferred tax assets as at March 31, 2006 have not been accounted for.

9. Earnings per share :

	2005-06	2004-05
(Loss) / Profit for the Year		
After Taxation (Rs.) (A)	(9,49,128)	27,24,209
Number of Equity Shares outstanding during the year (B)	55,10,004	55,10,004
Earnings per Share - Basic and Diluted (Rs.) (A/B)	(0.17)	0.49
Nominal Value of an Equity Share	10	10

10. Segment information

During the year the Company has commenced the business of growing & selling agriculture produce. Accordingly, these financial statements reflect the information required by Accounting Standard - 17 on Segment Reporting.

- No remuneration is payable to the Manager during the year. (Previous year : Nil)
- Information with regard to other matters specified in paragraphs 4-A, 4-C and 4-D of Part II of Schedule VI to "the Act" are either nil or not applicable to the Company for the financial year ended March 31, 2005.
- Refer annexure for additional information pursuant to Part IV of Schedule VI to the Act.
- Quantitative details*:

Particulars	Unit	2005-06	
		Quantity	Rs.
(a) Opening stock			
Semi Finished			
- Agriculture produce			—
Finished stock			
- Agriculture produce			—
(b) Purchase			
- Poplar ETPs			34,960
- Seeds			2,54,631
			2,89,591
(c) Sales			
- Agriculture produce			
- Sugarcane	Qtls	23,647	28,28,661
- Paddy	Qtls	42	24,721
- Others			11,275
(d) Closing Stock			
Semi Finished			
- Agriculture produce			12,06,913
Finished stock			
- Agriculture produce			13,238

* This being the first year of growing agricultural produce, there are no figures for the previous year.

- The Company has not appointed a whole time Company Secretary as required by Section 383 A of The Act and accordingly, the accounts have not been authenticated by a whole-time Company Secretary.
- Prior year's figures have been regrouped / rearranged wherever necessary to conform to current years presentation.

16. RELATED PARTIES TRANSACTION

a) Parties exercising control over Company:

Swedish Match, AB, Sweden #	- Ultimate Holding Company up to June 30, 2005.
ITC Ltd. #	- Ultimate Holding Company of Wimco Limited (w.e.f. July 1, 2005)
Russell Credit Limited #	- Holding Company of Wimco Limited (w.e.f. July 1, 2005)
Wimco Limited	- Holding Company of Wimco Seedlings Limited
Wimco Seedlings Ltd.	- Holding Company

no transaction during the financial year 2005-06.

b) Other related parties with whom the Company had transactions, etc.

Fellow Subsidiary Company
Prag Agro Farm Limited (PAFL)

SCHEDULES TO THE ACCOUNTS

c) Disclosure of transactions between the Company and related Parties and the status of outstanding balances as at 31st March.

(Rs.)

	HOLDING COMPANY				FELLOW SUBSIDIARY COMPANIES		TOTAL	
	Wimco Limited		Wimco Seedlings Limited		PAFL		2005-06	2004-05
	2005-06	2004-05	2005-06	2004-05	2005-06	2004-05		
Right to use land fee	—	—	—	46,40,000	—	—	—	46,40,000
Purchase of raw materials and components	—	—	86,480	—	—	—	86,480	—
Loans given	—	—	11,69,125	21,39,392	—	—	11,69,125	21,39,392
Receipts towards loan repayments	—	—	10,82,645	67,79,392	—	—	10,82,645	67,79,392
Loans taken	20,20,000	—	—	—	13,83,441	—	34,03,441	—
Loan Repayment	—	—	—	—	13,83,441	—	13,83,441	—
Outstanding Loans and Advances	—	—	4,85,38,549	4,85,38,549	—	—	4,85,38,549	4,85,38,549
Outstanding unsecured loans	1,56,39,921	1,36,19,921	—	—	—	—	1,56,39,921	1,36,19,921
Outstanding Debtors	—	—	82,87,088	82,87,088	—	—	82,87,088	82,87,088

17. SIGNIFICANT ACCOUNTING POLICIES

1. Basis of Accounting

The financial statements have been prepared and presented under the historical cost convention on the accrual basis of accounting and comply with the Accounting Standards issued by the Institute of Chartered Accountants of India ("ICAI") and the relevant provisions of the Companies Act, 1956, ("the Act") to the extent applicable.

2. Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and the disclosure of contingent liabilities on the date of the financial statements. Actual results could differ from those estimates. Any revision to accounting estimates is recognized prospectively in current and future periods.

3. Fixed Assets / Amortisation / Impairment / Depreciation

Tangible Assets

Fixed Assets are stated at cost of acquisition less accumulated depreciation / amortisation and impairment loss. Cost includes all expenses attributable to the acquisition and development of the assets.

Intangible Assets

Leasehold Land is carried at cost less accumulated amortisation and impairment loss, if any. The lease agreement is effective upto 2031. Accordingly, expenditure incurred on leasehold land is amortised on a straight-line basis over the remaining period of the lease.

In accordance with AS 28, where there is an indication of impairment of the Company's asset and in respect of intangible assets being amortised over a period exceeding 10 years, the carrying amounts of the Company's assets are reviewed at each balance sheet date to determine whether there is any impairment. The recoverable amount of the assets (or where applicable that of the cash generating unit to which the asset belongs) is estimated as the higher of its net selling price and its value in use. An impairment loss is recognised whenever the carrying amount of an assets or a cash-generating unit exceeds its recoverable amount. Impairment loss is recognised in the profit and loss account or against revaluation surplus where applicable.

4. Inventories

Agriculture produce / standing crops and plants are valued at 75% of their net realizable value.

5. Retirement benefits

Gratuity and leave encashment costs, which are defined benefits, are accrued based on actuarial valuations.

6. Revenue recognition

Sales are recognized on delivery of goods.

7. Contingencies and Provisions

A provision is created where there is a present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation.

A contingent liability is disclosed when there is a possible or a present obligation that may, but probably will not require an outflow of resources.

8. Taxation

Income-tax expense comprises current tax and deferred tax charge or credit. The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax rates that have been enacted or substantially enacted by the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in future; however where there is unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognised only if there is a virtual certainty of realisation of such assets. Deferred tax assets are reviewed as at each balance sheet date and written down or written-up to reflect the amount that is reasonably/virtually certain (as the case may be) to be realised.

9. Earnings per share ('EPS')

Basic EPS is computed using the weighted average number of equity shares outstanding during the year. Diluted EPS is computed using the weighted average number of equity and dilutive equity equivalent shares outstanding during the year except where the results would be anti dilutive.

For and on behalf of the Board

S. Agarwal Director

V. Malhotra Director

Dr. R. C. Dhiman Manager

Bareilly, 18th April, 2006

REPORT OF THE DIRECTORS FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2006

Your Directors submit their Report and Accounts for the financial year ended 31st March, 2006.

Performance

The Hotel industry in Hyderabad continues to be buoyant with an average occupancy of around 80% across the Hotels during the year and this positive trend is expected to continue in the coming year 2006-07.

Your Company's Hotel viz., ITC Hotel Kakatiya Sheraton & Towers renovated 43 Guest Rooms during the year, out of which 9 rooms were positioned as ITC One.

During the financial year ended 31st March, 2006, your Company recorded an income of Rs. 66.81 crores (previous year - Rs.52.63 crores), profit before tax of Rs. 25.75 crores (previous year - Rs.18.38 crores) and profit after tax of Rs. 17.66 crores (previous year - Rs. 12.21 crores) after providing for income tax of Rs. 8.09 crores (previous year - Rs. 6.17 crores). Earnings per share for the year stands at Rs. 7.36 (previous year Rs. 5.09). Cash Flow from Operations were Rs. 29.24 crores during the year (previous year Rs. 22.31 crores).

Your Directors are pleased to recommend a dividend of Rs. 2.00 (previous year Re. 1.50) per equity share for the year ended 31st March, 2006. Your Board further recommends a transfer to General Reserve of Rs. 1.32 crores (previous year - Rs. 0.61 crores).

Foreign Exchange Earnings and Outflow

During the year, your Company earned foreign exchange of Rs. 34.05 crores (previous year - Rs. 26.48 crores). The utilisation of foreign exchange was Rs. 1.89 crores (previous year Rs. 2.28 crores).

Energy / Environment and Safety

The thrust on energy conservation continues, resulting in savings in energy costs. Your Company continues to focus on hygiene, safety and environment. ITC Hotel Kakatiya Sheraton & Towers received the "Excellent Water Efficient Unit Award" from Confederation of Indian Industry, on completion of the National Competition for Excellence in Water Management held in Hyderabad.

Your Company's hotel viz., ITC Hotel Kakatiya Sheraton & Towers also received the ISO 14001 : 2004 recertification during the year.

Directors

Your Directors appointed Mr. Kuldeep Bhartee as an Additional Director and also as the Managing Director of the Company with effect from 1st December, 2005. An appropriate resolution seeking your approval is appearing in the notice convening 21st Annual General Meeting of the Company.

In accordance with the provisions of Article 151 of the Articles of Association of the Company, Mr. S. S. H. Rehman and Mr. S. C. Sekhar will be retiring by

rotation at the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment. Your Board of Directors has recommended their re-election.

Employees

The relationship between the staff and the management continued to be very cordial. During the year, a Long Term Wage Agreement was entered into with the employees union for a period of three years. Your Directors place on record their sincere appreciation of the efforts made and the support rendered by the employees of the Company.

Particulars of Employees

None of the employees fall under the purview of the provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975.

Auditors

The Auditors of your Company M/s. Lovelock & Lewes, Chartered Accountants, retire at the conclusion of the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment.

Responsibility Statement

In terms of Section 217(2AA) of the Companies Act, 1956, your Directors state that : a) in the preparation of annual accounts under review the applicable accounting standards had been followed. b) appropriate accounting policies were selected and applied consistently and reasonable and prudent judgements and estimates were made so as to give a true and fair view of the state of affairs of the Company at the end of the financial year under review and of the profit or loss of the Company for that period. c) proper and sufficient care was taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities. d) the annual accounts are prepared on a going concern basis.

The required disclosures and significant accounting policies followed are appearing in Schedules 19 and 20, respectively, in the annual accounts.

Other Information

The Audit Committee of the Company reviewed the financial statements for the year under review at its meeting held on 28th April, 2006 and recommended the same for the approval of the Board of Directors.

On behalf of the Board

G. Sivakumar Reddy

Chairman

New Delhi, 28th April, 2006

AUDITORS' REPORT TO THE MEMBERS OF SRINIVASA RESORTS LIMITED

1. We have audited the attached Balance Sheet of Srinivasa Resorts Limited as at March 31, 2006, and the related Profit and Loss Account and Cash Flow Statement for the year ended on that date annexed thereto, which we have signed under reference to this report. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 as amended by the Companies (Auditor's Report) (Amendment) Order, 2004 issued by the Central Government of India in terms of sub-section (4A) of Section 227 of 'The Companies Act, 1956' of India (the 'Act') and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
 - (a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - (b) In our opinion proper books of account as required by law have been

kept by the Company so far as appears from our examination of those books;

- (c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
- (d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Act;
- (e) On the basis of written representations received from the Directors as on March 31, 2006 and taken on record by the Board of Directors, none of the Directors is disqualified as on March 31, 2006 from being appointed as a Director in terms of clause (g) of sub-section (1) of Section 274 of the Act.
- (f) In our opinion and to the best of our information and according to the explanations given to us, the said financial statements together with the notes thereon and attached thereto give in the prescribed manner the information required by the Act and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (i) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2006;
 - (ii) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
 - (iii) in the case of Cash Flow Statement, of the cash flows for the year ended on that date.

Tuhin Bagchi

Partner

Membership No. : 50497

For and on behalf of

Lovelock & Lewes

Chartered Accountants

New Delhi, 28th April, 2006

ANNEXURE TO AUDITORS' REPORT

[Referred to in paragraph 3 of the Auditors' Report of even date to the members of Srinivasa Resorts Limited on the financial statements for the year ended March 31, 2006]

1. (a) The Company is maintaining proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) The fixed assets of the Company have been physically verified by the management during the year and no material discrepancies between the book records and the physical inventory have been noticed. In our opinion, the frequency of verification is reasonable.
- (c) In our opinion, and according to the information and explanations given to us, a substantial part of fixed assets has not been disposed of by the Company during the year.
2. (a) The inventory has been physically verified by the management during the year. In our opinion, the frequency of verification is reasonable.
- (b) In our opinion, the procedures of physical verification of inventory

followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.

- (c) On the basis of our examination of the inventory records, in our opinion, the Company is maintaining proper records of inventory. The discrepancies noticed on physical verification of inventory as compared to book records were not material.
3. The Company has neither granted nor taken any loans, secured or unsecured, to / from companies, firms or other parties covered in the Register maintained under Section 301 of the Act.
4. In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of inventory, fixed assets and for the sale of goods and services. Further, on the basis of our examination of the books and records of the Company, and according to the information and explanations given to us, we have neither

come across nor have been informed of any continuing failure to correct major weaknesses in the aforesaid internal control system.

5. According to the information and explanations given to us, there have been no contracts or arrangements referred to in Section 301 of the Act, during the year to be entered in the Register required to be maintained under that Section. Accordingly, commenting on transactions made in pursuance of such contracts or arrangements does not arise.
6. The Company has not accepted any deposits from the public within the meaning of Sections 58A and 58AA of the Act and the rules framed thereunder.
7. In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
8. The Central Government of India has not prescribed the maintenance of cost records under clause (d) of sub-section (1) of Section 209 of the Act for any of the products of the Company.
9. (a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is regular in depositing the undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales tax, wealth tax, service tax, customs duty, excise duty, cess and other material statutory dues as applicable with the appropriate authorities.
- (b) According to the information and explanations given to us and the records of the Company examined by us, there are no dues of wealth tax, service tax, customs duty, excise duty and cess which have not been deposited on account of any dispute except income tax and sales tax, as given below:-

Name of the statute	Nature of dues	Amount (Rs.)	Period to which the amount relates	Forum where the dispute is pending
Income Tax Act, 1961	Tax on income earned on deposits made with financial institutions, companies, banks etc. and interest thereon	47,11,300	Assessment year 1996-97	Income Tax Appellate Tribunal (ITAT)
APGST Act, 1957	Sales Tax on purchases from unregistered dealers	3,75,868 (Rs. 2,00,000 paid under protest) 5,46,539	Financial year 1997-1998 Financial year 1998-1999	Sales Tax Appellate Tribunal

10. The Company has no accumulated losses as at March 31, 2006, and it has not incurred any cash losses in the financial year ended on that date or in the immediately preceding financial year.
11. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
12. The provisions of any special statute applicable to chit fund / nidhi / mutual benefit fund / societies are not applicable to the Company.
13. In our opinion, the Company is not a dealer or trader in shares, securities, debentures and other investments.
14. In our opinion, and according to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions during the year.
15. The Company has not obtained any term loans.
16. On the basis of an overall examination of the balance sheet of the Company, in our opinion and according to the information and explanations given to us, there are no funds raised on a short-term basis which have been used for long-term investment.
17. The Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under Section 301 of the Act, during the year.
18. The Company has not raised any money by public issues during the year.
19. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by the management.
20. The clauses, (iii) (b), (iii) (c), (iii) (d), (iii) (f), (iii) (g), (v) (b), (xi) and (xix) of paragraph 4 of the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004, are not applicable in the case of the Company for the current year, since in our opinion there is no matter which arises to be reported in the aforesaid order.

Tuhin Bagchi

Partner

Membership No. : 50497

For and on behalf of

Lovelock & Lewes

Chartered Accountants

New Delhi, 28th April, 2006

BALANCE SHEET AS AT 31ST MARCH, 2006

	Schedule	31st March, 2006 (Rs.)	31st March, 2005 (Rs.)
I. SOURCES OF FUNDS			
1. Shareholders' Funds			
a) Capital	1	24,00,00,000	24,00,00,000
b) Reserves and Surplus	2	31,56,23,323	19,37,76,740
2. Deferred Tax - Net	3	8,10,12,830	9,14,59,551
Total		63,66,36,153	52,52,36,291
II. APPLICATION OF FUNDS			
1. Fixed Assets	4		
a) Gross Block		65,44,83,558	61,71,28,398
b) Less : Depreciation		21,27,54,444	18,66,08,729
c) Net Block		44,17,29,114	43,05,19,669
d) Capital Work-in-Progress		59,66,211	1,48,99,493
2. Investments	5	12,79,26,512	44,54,19,162
3. Current Assets, Loans and Advances			10,000
a) Inventories	6	70,90,178	90,38,011
b) Sundry Debtors	7	2,89,41,474	1,56,75,928
c) Cash and Bank Balances	8	13,40,09,899	13,61,56,722
d) Other Current Assets	9	54,22,662	55,07,389
e) Loans and Advances	10	2,16,42,866	1,72,47,004
		19,71,07,079	18,36,25,054
Less :			
4. Current Liabilities and Provisions			
a) Liabilities	11	8,04,99,763	6,23,82,295
b) Provisions	12	5,55,93,000	4,14,35,630
		13,60,92,763	10,38,17,925
Net Current Assets		6,10,14,316	7,98,07,129
Total		63,66,36,153	52,52,36,291
Notes to the Accounts	19		
Significant Accounting Policies	20		

The Schedules referred to above form an integral part of the Balance Sheet.

This is the Balance Sheet referred to in our Report of even date.

Tuhin Bagchi

Partner

For and on behalf of

Lovelock & Lewes

Chartered Accountants

New Delhi, 28th April, 2006

On behalf of the Board

G. Sivakumar Reddy Chairman
Kuldeep Bhartee Managing Director
S. Sankar Company Secretary & Financial Controller

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2006

	Schedule	For the year ended 31st March, 2006 (Rs.)	For the year ended 31st March, 2005 (Rs.)
I. INCOME			
Gross Income from Operations		69,09,22,638	54,48,92,319
Less : Taxes		3,93,46,414	2,96,18,531
Net Income from Operations	13	65,15,76,224	51,52,73,788
Other Income	14	1,65,34,034	1,10,22,156
		<u>66,81,10,258</u>	<u>52,62,95,944</u>
II. EXPENDITURE			
Food, Beverage, etc. Consumed	15	6,16,67,499	5,43,52,597
Operating and Administrative Expenses	16	31,83,64,989	26,09,21,733
Depreciation		3,06,25,502	2,71,87,102
		<u>41,06,57,990</u>	<u>34,24,61,432</u>
III. PROFIT			
Profit before Taxation		25,74,52,268	18,38,34,512
Provision for Taxation	17	7,91,43,685	6,16,99,300
Fringe Benefit Tax		17,30,000	—
Profit after Taxation		17,65,78,583	12,21,35,212
Profit brought forward		18,75,72,137	11,25,95,925
Available for appropriation		<u>36,41,50,720</u>	<u>23,47,31,137</u>
IV. APPROPRIATIONS			
General Reserve		1,32,45,000	61,10,000
Proposed Dividend		4,80,00,000	3,60,00,000
Income Tax on Proposed Dividend		67,32,000	50,49,000
Profit Carried Forward		<u>29,61,73,720</u>	<u>18,75,72,137</u>
		<u>36,41,50,720</u>	<u>23,47,31,137</u>
Basic and Diluted Earnings Per Share (Rs.)	18	7.36	5.09
Notes to the Accounts	19		
Significant Accounting Policies	20		

The Schedules referred to above form an integral part of the Profit and Loss Account.

This is the Profit and Loss Account referred to in our Report of even date.

Tuhin Bagchi
Partner
For and on behalf of
Lovelock & Lewes
Chartered Accountants
New Delhi, 28th April, 2006

On behalf of the Board
G. Sivakumar Reddy Chairman
Kuldeep Bhartee Managing Director
S. Sankar Company Secretary &
Financial Controller

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2006

	31st March, 2006 (Rs.)	31st March, 2005 (Rs.)
A. NET PROFIT BEFORE TAX	25,74,52,268	18,38,34,512
ADJUSTMENT FOR		
Depreciation	3,06,25,502	2,71,87,102
Interest Income	(29,43,177)	(38,60,866)
Fixed Assets Discarded - Net	46,38,275	34,65,851
Income from Current Investments	(38,31,478)	—
Profit on Sale of Current Investments - Net	(57,271)	—
Liability no longer required written back	(23,54,952)	—
Provision for doubtful debts	—	(1,06,197)
	<u>2,60,76,899</u>	<u>2,66,85,890</u>
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	<u>28,35,29,167</u>	<u>21,05,20,402</u>
ADJUSTMENT FOR		
Trade & Other Receivables	(1,35,29,651)	(49,35,459)
Inventories	19,47,833	(19,55,106)
Trade Payables	<u>2,04,77,926</u>	<u>1,95,03,561</u>
	<u>88,96,108</u>	<u>1,26,12,996</u>
CASH GENERATED FROM OPERATIONS	<u>29,24,25,275</u>	<u>22,31,33,398</u>
Income Tax Paid	<u>(9,27,75,701)</u>	<u>(6,28,21,065)</u>
NET CASH FROM OPERATING ACTIVITIES	<u>19,96,49,574</u>	<u>16,03,12,333</u>
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(3,95,81,656)	(4,13,48,666)
Sale of Fixed Assets	5,64,114	4,55,232
Purchase of Current Investments	(98,09,11,807)	—
Sale / Redemption of Current Investments	85,29,95,295	—
Interest Received	26,03,449	28,90,850
Income from Current Investments	35,83,208	—
NET CASH USED IN INVESTING ACTIVITIES	<u>(16,07,47,397)</u>	<u>(3,80,02,584)</u>
C. CASH FLOW FROM FINANCING ACTIVITIES		
Dividends etc., paid	(3,60,00,000)	(2,40,00,000)
Income Tax on Dividend Paid	<u>(50,49,000)</u>	<u>(30,75,000)</u>
NET CASH USED IN FINANCING ACTIVITIES	<u>(4,10,49,000)</u>	<u>(2,70,75,000)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	<u>(21,46,823)</u>	<u>9,52,34,749</u>
OPENING CASH AND CASH EQUIVALENTS	<u>13,61,56,722</u>	<u>4,09,21,973</u>
CLOSING CASH AND CASH EQUIVALENTS	<u>13,40,09,899</u>	<u>13,61,56,722</u>
CASH AND CASH EQUIVALENTS COMPRISE:		
Cash and Bank Balances	13,40,09,899	13,61,38,556
Unrealised Loss / (Gain) on Foreign Currency Cash & Cash Equivalents	—	18,166
	<u>13,40,09,899</u>	<u>13,61,56,722</u>

This is the Cash Flow Statement referred to in our Report of even date.

Tuhin Bagchi
Partner
For and on behalf of
Lovelock & Lewes
Chartered Accountants
New Delhi, 28th April, 2006

On behalf of the Board
G. Sivakumar Reddy Chairman
Kuldeep Bhartee Managing Director
S. Sankar Company Secretary &
Financial Controller

SCHEDULES TO THE ACCOUNTS

(Figures for the previous year have been rearranged to conform with the revised presentation)

		31st March, 2006 (Rs.)	As at 31st March, 2005 (Rs.)	As at 31st March, 2005 (Rs.)				
1. CAPITAL								
Authorised								
2,40,00,000 Equity Shares of Rs. 10/- each		24,00,00,000		24,00,00,000				
		24,00,00,000		24,00,00,000				
Issued and Subscribed								
*2,40,00,000 Equity Shares of Rs. 10/- each fully paid up.		24,00,00,000		24,00,00,000				
Of the above, 10,00,000 Equity Shares of Rs. 10/- each were allotted as fully paid up to the shareholders of the amalgamating company pursuant to the scheme of amalgamation without payment being received in cash.								
		24,00,00,000		24,00,00,000				
* Includes								
– 1,63,20,477 Equity Shares of Rs. 10/- each fully paid up held by the Holding Company, ITC Limited.								
2. RESERVES AND SURPLUS								
Capital Reserve		94,603		94,603				
General Reserve								
At the Commencement of the year	61,10,000		—					
Add : From Profit and Loss Account	1,32,45,000	1,93,55,000	61,10,000	61,10,000				
Profit & Loss Account		29,61,73,720		18,75,72,137				
		31,56,23,323		19,37,76,740				
3. DEFERRED TAX - NET								
Deferred Tax Liabilities								
Depreciation - Timing difference		8,13,87,567		9,22,14,158				
		8,13,87,567		9,22,14,158				
Less:								
Deferred Tax Assets								
Preliminary Expenses		—		6,985				
Provision for Doubtful Debts		—		3,17,650				
Employee Benefits		3,74,737		4,29,972				
		3,74,737		7,54,607				
Deferred Tax - Net		8,10,12,830		9,14,59,551				
4. FIXED ASSETS								
Particulars	Original Cost as at 1.4.2005 (Rs.)	Additions (Rs.)	Withdrawals (Rs.)	Original Cost as at 31.3.2006 (Rs.)	Depreciation for the year (Rs.)	Depreciation on Withdrawals (Rs.)	Depreciation up to 31.3.2006 (Rs.)	Net Block as at 31.3.2006 (Rs.)
Freehold Land	1,00,00,000	—	—	1,00,00,000	—	—	—	1,00,00,000
Buildings	26,78,79,809	7,37,422	—	26,86,17,231	43,66,474	—	4,25,93,850	22,60,23,381
Plant and Machinery	20,58,90,107	3,02,60,252	72,14,333	22,89,36,026	1,23,75,704	30,17,675	6,79,76,365	16,09,59,661
Computers	1,19,55,757	10,85,045	—	1,30,40,802	16,25,470	—	88,79,351	41,61,451
Furniture and Fixtures	11,76,62,758	1,49,54,618	19,87,037	13,06,30,339	1,19,48,234	11,69,407	9,19,65,174	3,86,65,165
Motor Vehicles	37,39,967	—	4,80,807	32,59,160	3,09,620	2,92,706	13,39,704	19,19,456
	61,71,28,398	4,70,37,337	96,82,177	65,44,83,558	3,06,25,502	44,79,788	21,27,54,444	44,17,29,114
Capital Work-in-Progress	1,48,99,493	4,64,18,441	5,53,51,723	59,66,211	—	—	—	59,66,211
Total	63,20,27,891	9,34,55,778	6,50,33,900	66,04,49,769	3,06,25,502	44,79,788	21,27,54,444	44,76,95,325
Previous Year	60,04,14,846	6,57,67,830	3,41,54,785	63,20,27,891	2,71,87,102	47,93,746	18,66,08,729	44,54,19,162

SCHEDULES TO THE ACCOUNTS (Contd.)

	As at 31st March, 2006 (Rs.)	As at 31st March, 2005 (Rs.)		As at 31st March, 2006 (Rs.)	As at 31st March, 2005 (Rs.)
5. INVESTMENTS			6. INVENTORIES		
Unquoted - Long Term			Food, Beverage, etc.	41,64,971	51,31,510
Government Securities -			Stores and Spare Parts	29,25,207	39,06,501
National Savings Certificates	10,000	10,000		70,90,178	90,38,011
(Deposits with or for Deposit with Authorities)					
Current - Other Investments			7. SUNDRY DEBTORS		
Canfloater Short Term-Weekly			Over 6 months old		
Dividend	4,79,16,512	—	Good and Unsecured	14,86,552	23,85,645
47,00,005.1798 (Previous Year - Nil)			Doubtful and Unsecured	—	8,68,073
Units of Rs. 10.00 each			Other Debts		
(1,93,93,775.3890 Units purchased			Good and Secured	16,518	2,55,771
and 1,46,93,770.2092 Units Sold			Good and Unsecured	2,74,54,922	1,32,90,283
during the year)				2,89,57,992	1,67,99,772
Deutsche Fixed Term Fund -			Less : Provision for Doubtful Debts	—	8,68,073
Series 8 - Dividend Option	5,00,00,000	—		2,89,57,992	1,59,31,699
50,00,000 (Previous Year - Nil) Units			Less : Deposits from normal		
of Rs. 10.00 each (50,00,000 Units			Trade Debtors - Contra	16,518	2,55,771
purchased during the year)				2,89,41,474	1,56,75,928
Principal PNB Fixed Maturity			8. CASH AND BANK BALANCES		
Plan - 91 Days - Series III	1,50,00,000	—	With Scheduled Banks		
15,00,000 (Previous Year - Nil) Units			On Current Accounts etc.	2,45,89,947	88,31,638
of Rs. 10.00 each (15,00,000 Units			On Margin Money	24,41,200	25,80,249
purchased during the year)			On Deposit Accounts	9,53,10,730	12,00,65,005
Grindlays Fixed Maturity -			Cash and Cheques on Hand	1,16,68,022	46,79,830
16th Plan A - Dividend	1,00,00,000	—		13,40,09,899	13,61,56,722
10,00,000 (Previous Year - Nil) Units			9. OTHER CURRENT ASSETS		
of Rs. 10.00 each (10,00,000 Units			Good and Unsecured		
purchased during the year)			Deposits with Government,		
ABN AMRO FTP Series 2			Public Bodies and Others	48,45,610	49,69,027
Thirteen Month Plan Dividend	50,00,000	—	Interest Accrued on		
5,00,000 (Previous Year - Nil) Units			Deposits/Investments	5,77,052	5,38,362
of Rs. 10.00 each (5,00,000 Units				54,22,662	55,07,389
purchased during the year)			10. LOANS AND ADVANCES		
	12,79,26,512	10,000	Good and Unsecured		
			Loans to Others	12,940	19,960
			Advances recoverable in cash or in		
			kind or for value to be received*	1,30,01,899	1,07,37,912
			Advances with Government and		
			Public Bodies**	86,28,027	64,89,132
				2,16,42,866	1,72,47,004
			* Includes Capital Advances of		
			Rs. 35,54,788/- (Previous Year –		
			Rs. 18,47,574/-)		
			** Includes an amount of Rs. 71,52,132/-		
			(Previous Year - Rs. 50,90,258/-)		
			being advance payment of		
			Income Tax, net of provisions		
			11. LIABILITIES		
			Sundry Creditors*	7,76,38,143	6,04,84,055
			Sundry Deposits	28,78,138	21,54,011
			Less : Deposits from Normal		
			Trade Debtors – Contra	16,518	2,55,771
				8,04,99,763 #	6,23,82,295 #
			# There is no outstanding amount		
			to be credited to Investor		
			Education & Protection Fund.		
			* Refer Note (xi) on Schedule 19		
			12. PROVISIONS		
			Provision for Retirement Benefits	8,61,000	3,86,630
			Proposed Dividend	4,80,00,000	3,60,00,000
			Income Tax on		
			Proposed Dividend	67,32,000	50,49,00

SCHEDULES TO THE ACCOUNTS (Contd.)

	For the year ended 31st March, 2006 (Rs.)	For the year ended 31st March, 2005 (Rs.)
14. OTHER INCOME		
Miscellaneous Income	10,34,211	15,06,444
Service Charges	63,21,574	56,53,103
Income from Current Investments-Others*	38,31,478	—
Interest on Loans and Deposits etc.*	29,43,177	38,60,866
Profit on Sale of Current Investments - Net	57,271	—
Gain / (Loss) on Exchange Fluctuations (Net)	(8,629)	1,743
Liability no longer required written back	23,54,952	—
	<u>1,65,34,034</u>	<u>1,10,22,156</u>
* The Income from Investments and Interest on Loans and Deposits etc., are stated gross, the amount of Income Tax deducted on interest is Rs. 6,06,579/- (Previous Year – Rs. 7,04,189/-)		
15. FOOD, BEVERAGE, ETC. CONSUMED		
Opening Stock	51,31,510	47,10,905
Add : Purchases	6,07,00,960	5,47,73,202
	<u>6,58,32,470</u>	<u>5,94,84,107</u>
Less : Closing Stock	41,64,971	51,31,510
	<u>6,16,67,499</u>	<u>5,43,52,597</u>
	(Rs.)	(Rs.)
16. OPERATING AND ADMINISTRATIVE EXPENSES		
Salaries, Wages and Bonus	3,13,64,888	2,58,29,719
Contribution to Provident and Other Funds	21,78,423	16,14,218
Workmen and Staff Welfare Expenses	94,93,199	70,97,425
Reimbursement of Contractual Remuneration	1,57,99,171	5,88,35,681
Consumption of Stores and Supplies	2,66,22,483	2,27,42,109
Power and Fuel	4,01,18,750	3,89,35,804
Rent	26,50,177	21,06,578
Rates and Taxes	54,39,110	44,49,418
Insurance	45,65,014	44,47,801
Repairs — Building	1,10,25,806	67,57,886
— Machinery	96,56,420	58,25,107
— Others	89,09,194	69,81,086
Advertising/Sales Promotion	46,48,739	74,44,759
Electronic Data Processing	3,47,132	3,47,300
Travelling and Conveyance	1,16,53,903	92,76,814
Training	12,97,932	10,44,219
Legal Expenses	64,650	6,14,749
Postage, Telephone, Telex etc.	73,09,626	75,72,656
Commission paid to Travel Agents & for Credit Cards	93,38,544	82,99,331
Bank Charges	1,48,133	35,909
Technical & Consultancy Fees	8,96,54,702	6,61,82,077
Miscellaneous Expenses	2,14,40,718	1,68,11,929
Fixed Assets Discarded – Net	46,38,275	34,65,851
	<u>31,83,64,989</u>	<u>26,09,21,733</u>
Miscellaneous Expenses include :		
Auditors' Remuneration and Expenses :		
— Audit Fees	2,75,500	2,75,500
— Fee for Other Services	94,320	71,910
— Reimbursement of Expenses	7,900	7,500
17. PROVISION FOR TAXATION		
Income Tax :		
Current Year	8,92,00,000	6,66,12,000
Adjustments related to earlier years	3,90,406	—
Deferred Tax	(1,04,46,721)	(49,12,700)
	<u>7,91,43,685</u>	<u>6,16,99,300</u>
18. EARNINGS PER SHARE		
Profit after Taxation	17,65,78,583	12,21,35,212
Weighted average number of equity shares outstanding	2,40,00,000	2,40,00,000
Basic and diluted earnings per share in Rupees	7.36	5.09
(face value – Rs. 10/- per share)		

19. NOTES TO THE ACCOUNTS

i) The Estimated Amount of Contracts remaining to be executed on Capital Account and not provided for	30,50,427	29,21,201
ii) Contingent Liability		
a) Guarantees outstanding	24,41,200	25,80,249
b) Claims against the Company not acknowledged as debts :		
i) Tax demand raised by the department on income earned on deposits made with financial institutions, companies, banks etc. and interest thereon during the construction period. The Company has filed an appeal with the Income Tax Appellate Tribunal (ITAT) against the demand raised. Pending final disposal of the case by the ITAT, the amount has been deposited under protest.	47,11,300	47,11,300
ii) Tax demand towards non-deduction of tax at source on banquet service charges for the assessment year 1999-2000. The appeal made by the Company has been heard by the ITAT and favourable order rejecting the demand raised has been received during the year 2005-06.	—	1,14,306
iii) Sales Tax demand raised by the Commercial Tax Officer for the financial years 1997-98 and 1998-99 towards disallowance of tax exemption on purchases from unregistered dealers. The Company has filed an appeal against the demand and deposited Rs. 2,00,000/- under protest. The matter is pending before the Sales Tax Appellate Tribunal, Andhra Pradesh.	9,22,407	9,22,407
iii) Managing Director's Remuneration		
— Salary	3,96,592	11,66,262
— Other Perquisites	1,40,407	2,58,334
— Contribution to Provident Fund & Other Funds	38,500	1,41,093
	<u>5,75,499 **</u>	<u>15,65,689</u>
** Mr. Kuldeep Bhartee has been appointed as Managing Director with effect from 1st December, 2005. His appointment and remuneration paid to him for the period upto 31st March, 2006 is subject to the approval of the members in the Annual General Meeting.		
iv) Earnings in Foreign Exchange	34,04,91,726 *	26,48,46,670 *
* Include Rs. 32,81,59,692/- (Previous Year - Rs. 25,25,23,189/-) being Earnings during the year through International Credit Cards & Travel Agencies etc. as certified by Bankers		
v) Expenditure in Foreign Currency during the year (On payment basis)		
— Travel	—	90,420
— Hotel Reservation/Marketing Expenses	16,92,817	23,22,561
— Technical & Consultancy Fees and Others	1,07,97,820	88,02,535
	<u>1,24,90,637</u>	<u>1,12,15,516</u>
vi) Value of Imports during the year (CIF Basis)		
— Capital Goods	56,33,705	1,08,97,739
— Other Goods	7,87,901	7,35,017
	<u>64,21,606</u>	<u>1,16,32,756</u>

SCHEDULES TO THE ACCOUNTS (Contd.)

19. NOTES TO THE ACCOUNTS (Contd.)

	2006		2005	
	(Rs.)	%	(Rs.)	%
vii) Value of Consumption of Raw Materials, Stores & Supplies				
a) Raw Materials				
Indigenous	5,71,33,668	92.65	4,98,17,021	91.66
Imported	45,33,831	7.35	45,35,576	8.34
	6,16,67,499	100.00	5,43,52,597	100.00
b) Stores & Supplies				
Indigenous	2,63,07,813	98.82	2,24,19,836	98.58
Imported	3,14,670	1.18	3,22,273	1.42
	2,66,22,483	100.00	2,27,42,109	100.00

viii) Information as per Order No. 46/158/2002-CL-III dated 29th November, 2002, issued by Ministry of Finance and Company Affairs (Dept. of Company Affairs), Government of India.

	2006 (Rs.)	2005 (Rs.)
a) Income from :		
(i) Wine and Liquor	4,72,79,497	4,08,95,976
(ii) Telephone and Telex	1,47,69,376	2,02,17,656
	6,20,48,873	6,11,13,632
b) Consumption of :		
(i) Provisions, Beverages & Smokes (excluding Wine and Liquor)	4,87,06,349	4,39,27,888
(ii) Wine and Liquor		
Indigenous	82,76,029	58,89,133
Imported	46,85,121	45,35,576
	6,16,67,499	5,43,52,597

The Company has been exempted from disclosure of quantitative details as per above mentioned order issued by Ministry of Finance & Company Affairs (Dept. of Company Affairs), Government of India upto 31.03.2007.

ix) The Company operates in one operating segment i.e. Hoteliering and within one geographical segment i.e. India.

x) The Company's significant leasing arrangements are in respect of operating leases for residential premises. These leasing arrangements, which are not non-cancellable, are for a period of 11 months or longer and are usually renewable by mutual consent on mutually agreeable terms. The aggregate lease rentals payable are charged as Rent under Schedule 16.

xi) The amounts due to small scale industrial undertakings, as defined under Section 3(j) of the Industries Development & Regulation Act, 1951 as at the close of the year, outstanding for more than 30 days is Nil.

xii) Related Party Disclosures :-

- i) **Holding Company :** ITC Limited
- ii) **Other Related Parties with whom transactions have taken place during the year :**

Fellow Subsidiary Companies : Fortune Park Hotels Limited
ITC Infotech India Limited

iii) Key Management Personnel :

Board of Directors

G. Sivakumar Reddy	- Chairman
S. S. H. Rehman	- Director
Nakul Anand	- Director
S. C. Sekhar	- Director
N. R. Pradeep Reddy	- Director
M. Riaz Ahmed	- Director
B. N. Suresh Reddy	- Director
D. Kavarana	- Managing Director (upto 01.04.2005)
Kuldeep Bhartee	- Managing Director (from 01.12.2005)

iv) Summary of transactions during the year (Rupees in Lakhs)

	Holding Company		Fellow Subsidiaries		Key Management Personnel		Relatives of Key Management Personnel(*)	
	2006	2005	2006	2005	2006	2005	2006	2005
1. Sale of Goods	0.24	1.85	—	—	—	—	—	—
2. Sale of Services	67.00	65.93	—	0.05	—	—	—	—
3. Purchase of Goods	2.97	1.98	—	—	—	—	—	—
4. Purchase of Services								
- Hotel Services	25.96	19.86	—	—	—	—	—	—
- Service Fee	756.26	561.51	—	—	—	—	—	—
- Rent towards Godown	—	—	—	—	—	—	3.00	1.75
5. Reimbursement of Contractual Remuneration	157.99	130.39	—	—	—	—	—	—
6. Expenses recovered	20.06	20.59	0.05	0.04	—	—	—	—
7. Expenses reimbursed	158.34	138.87	—	—	—	—	—	—
8. Dividend Payments	244.81	163.20	—	—	19.56	13.04	88.74	59.16
9. Balance outstanding at the year end :								
i) Debtors/Receivables	2.04	5.04	—	0.05	—	—	—	—
ii) Creditors/Payables	209.54	128.94	—	—	—	—	—	—

Note : Details of remuneration to the Managing Director is given in the note (iii) of the Notes to Accounts and for other members the remuneration for the year is Nil.

(*) M/s G. Sulochanamma M/o G. Sivakumar Reddy, G Samyuktha Reddy W/o G. Sivakumar Reddy, G. Pranav Reddy S/o G. Sivakumar Reddy, G Rachita Reddy D/o G. Sivakumar Reddy, N. Shailaja Reddy W/o N. R. Pradeep Reddy, G. Bharati Reddy W/o B. N. Suresh Reddy.

xiii) Previous Year's figures have been regrouped / rearranged wherever necessary.

20. SIGNIFICANT ACCOUNTING POLICIES**i) BASIS OF PREPARATION OF FINANCIAL STATEMENTS**

To prepare financial statements in accordance with the historical cost convention, generally accepted accounting principles in India and relevant presentational requirements of the Companies Act, 1956.

ii) FIXED ASSETS

To state fixed assets at cost of acquisition inclusive of inward freight, duties and taxes and incidental expenses related to acquisition. In respect of major projects involving construction, related pre-operational expenses form part of the value of the assets capitalised.

iii) DEPRECIATION

To calculate depreciation on fixed assets in a manner that amortises the cost of assets after commissioning, over their estimated useful lives or lives based on the rates specified in Schedule XIV to the Companies Act, 1956, whichever is lower, by equal annual installments.

iv) INVESTMENTS

To state Current Investments at lower of cost and fair value; and long term investments at cost. Where applicable, provision is made where there is a permanent fall in valuation of Long Term Investments.

v) INVENTORIES

To value all inventories at lower of cost and net realisable value. Cost includes freight and other related incidental expenses and is computed on weighted average method.

vi) TURNOVER

To state gross income from operations, which represents invoiced value of goods sold and services rendered, net of sales tax but inclusive of all applicable taxes.

vii) INVESTMENT INCOME

To account for income from Investments on an accrual basis, inclusive of related tax deducted at source.

viii) PROPOSED DIVIDEND

To provide for Dividend as proposed by the Directors in the Books of Account, pending approval at the Annual General Meeting.

ix) RETIREMENT BENEFITS

To make regular contributions to the Provident Fund and Gratuity Fund which are charged to revenue and provide for unavailed leave on accrual basis. The contributions in respect of Gratuity Fund is made to Life Insurance Corporation and the Provident Fund and Family Pension contributions are statutorily deposited with the Government.

x) TAXES ON INCOME

To provide and determine Current tax as the amount of tax payable in respect of taxable income for the period.

To provide and recognise Deferred tax on timing differences between taxable income and accounting income subject to consideration of prudence.

Not to recognise Deferred tax assets on unabsorbed depreciation and carry forward of losses unless there is virtual certainty that there will be sufficient future taxable income available to realise such assets.

xi) FOREIGN CURRENCY TRANSLATIONS

To record transactions in foreign currencies at the exchange rates prevailing on the date of the transaction. Gains / Losses arising out of fluctuations in the exchange rates are recognised in the Profit and Loss in the period in which they arise except in respect of Fixed Assets where exchange variance is adjusted in carrying amount of the respective Fixed Asset. Liability / Receivables on account of foreign currency are converted at the exchange rates prevailing as at the end of the year.

xii) BORROWING COSTS

To capitalise the borrowing costs that are directly attributable to the acquisition or construction as cost of that capital asset. Other borrowing costs are recognised as an expense in the period in which they are incurred.

xiii) FINANCIAL AND MANAGEMENT INFORMATION SYSTEMS

To practice an integrated accounting system which unifies both Financial books and Costing records. The books of account and other records have been designed to ensure compliance of the relevant provisions of the Companies Act, 1956 on one hand, and meet the internal requirements of information and systems for Planning, Review and Internal Control (designed and based on "Uniform System of Accounts for Hotels"), on the other.

On behalf of the Board

G. Sivakumar Reddy *Chairman*
Kuldeep Bhartee *Managing Director*
S. Sankar *Company Secretary & Financial Controller*

New Delhi, 28th April, 2006

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE
(As per Schedule VI, Part IV of the Companies Act, 1956)

I. Registration Details

Registration No. State Code
Balance Sheet Date
Date Month Year

II. Capital raised during the year (Amount in Rs. Thousands)

Public Issue
Rights Issue
Bonus Issue
Private Placement

III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)

Total Liabilities
Total Assets

Sources of Funds

Paid up Capital
Reserves and Surplus
Secured Loans
Unsecured Loans
Deferred Tax Liability - Net

Application of Funds

Net Fixed Assets
Investments
Net Current Assets
Misc. Expenditure
Accumulated Losses

IV. Performance of Company (Amount in Rs. Thousands)

Turnover **
Total Expenditure
** Includes Other Income
+ - Profit/Loss Before Tax ☒
+ - Profit/Loss After Tax ☒
(Please tick appropriate box + for profit, - for loss)
Earnings per Share in Rs.
Dividend Rate %

V. Generic Names of Three Principal Products / Services of Company (as per monetary terms)

Item Code No.
Product Description

*** No item code has been assigned to 'Hotels' under the Indian Trade Classification.

Audit Committee :- Chairman: Mr. S. C. Sekhar, Members: M/s. N. R. Pradeep Reddy & M. Riaz Ahmed
Permanent Invitees: Mr. S. Sankar & Representative of Statutory Auditors.

REPORT OF THE DIRECTORS FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2006

Your Directors submit their Report and Accounts for the financial year ended 31st March, 2006.

Performance

Your Company recorded a turnover of Rs. 457.92 lacs (previous year - Rs. 327.56 lacs) and earned a net profit of Rs. 92.24 lacs (previous year - Rs. 69.35 lacs) after providing for income tax of Rs. 56.33 lacs (previous year- Rs. 40.70 lacs).

Your Directors are pleased to recommend a dividend of Rs. 2.00 (previous year - Re. 1.50) per equity share for the year ended 31st March, 2006.

During the year under review, two alliances were signed up for hotel properties at Lavasa (near Pune) and Siliguri and with these additions your Company now operates sixteen hotels under Fortune brand across the country and has subsisting agreements in respect of six hotel projects which are slated to open during the course of the financial year 2006-07. Negotiations are underway at several attractive locations in the country where there is potential for growth in business from domestic travel in both the key segments namely business and leisure.

Conservation of Energy / Foreign Exchange

Considering the nature of business of your Company, no comment is made on conservation of energy.

During the year under review, there was no foreign exchange income (Previous year Rs. Nil) but there was a foreign exchange outflow of Rs. 3.84 lacs. (Previous year - Rs. Nil).

Directors

In accordance with the provisions of Article 143 of the Articles of Association of the Company, Mr. S.S.H.Rehman and Mr.Nakul Anand will retire by rotation at the forthcoming Annual General Meeting of the Company and being eligible, offer themselves for re-appointment.

Mr. Pawan Verma was appointed as an Additional Non-Executive Director with effect from 29th September, 2005. As per the provisions of Section 260 of the Companies Act, 1956 read with Article 130 of the Articles of Association of the Company, Mr. Verma would vacate office at the forthcoming Annual General Meeting and being eligible, offers himself for re-appointment. An appropriate resolution seeking your approval to his appointment is appearing in the Notice convening the 11th Annual General Meeting of the Company.

Particulars of Employees

None of the employees fall under the purview of the provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975.

Compliance Certificate under Companies Act, 1956

A certificate issued by M/s. P B & Associates, Company Secretaries, in terms of the provisions of Section 383 A of the Companies Act, 1956, to the effect that the Company has complied with the applicable provisions of the said Act is attached to this Report.

Auditors

The Auditors of your Company, M/s. Lovelock & Lewes, retire at the conclusion of the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment.

Responsibility Statement

In terms of Section 217(2AA) of the Companies Act, 1956, your Directors state that :

a) in the preparation of annual accounts under review, the applicable accounting standards had been followed. b) appropriate accounting policies were selected and applied consistently and reasonable and prudent judgements and estimates were made so as to give a true and fair view of the state of affairs of the Company at the end of the financial year under review and of the profit or loss of the Company for that period. c) proper and sufficient care was taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities. d) the annual accounts are prepared on a going concern basis. The required disclosures and significant accounting policies followed are appearing in Schedules 17 and 18, respectively, in the annual accounts.

On behalf of the Board

S. C. Sekhar *Director*

M. Riaz Ahmed *Director*

New Delhi, 28th April, 2006

COMPLIANCE CERTIFICATE

Company No. : 55-99973

Nominal Capital : Rs. 2 Crores

The Members of
Fortune Park Hotels Ltd.
25, Community Centre
Basant Lok, Vasant Vihar
New Delhi – 110 057

We have examined the registers, records, books and papers of Fortune Park Hotels Ltd. (the Company) as required to be maintained under the Companies Act, 1956 (the Act) and the Rules made thereunder, the provisions contained in the Memorandum and Articles of Association of the Company and also the audited Annual Accounts, Auditors' Report on the said annual accounts for the financial year ended 31st March, 2006 (financial year). In our opinion and to the best of our information and according to the examination carried out by us and explanations furnished to us by the Company, its officers and agents, we certify that in respect of the financial year:

1. The Company has kept and maintained registers as stated in "Annexure A" to this Certificate, as per the provisions of the Act and the Rules made thereunder and all entries therein have been duly recorded.
2. The Company has duly filed the forms and returns as stated in "Annexure B" to this certificate, with the Registrar of Companies, Regional Director, Central Government, Company Law Board or other authorities within the time prescribed under the Act and the Rules made thereunder.
3. The Company, being a public limited company, comments are not required.
4. The Board of Directors duly met 4 times on 21st April, 2005, 29th September, 2005, 21st December, 2005, and 23rd February, 2006 in respect of which meetings proper notices were given and the proceedings were properly recorded and signed including the circular resolutions passed, in the Minutes Book maintained for the purpose.
5. The Company has not closed the Register of its Members during the financial year.
6. The Annual General Meeting for the financial year ended on 31st March, 2005 was held on 16th May, 2005 after giving due notice to the Members of the Company and the resolutions passed thereat were duly recorded in the Minutes Book maintained for the purpose.
7. No extra ordinary general meeting was held during the financial year.
8. The Company has not advanced any loan to its Directors and/or persons or firms or companies referred to in Section 295 of the Act.
9. The Company has not entered into any contract falling under Section 297 of the Act.

10. The Company has made necessary entries in the register maintained for the purpose of Section 301(3), in register maintained under Section 301 of the Act.
11. As there were no instances falling within the purview of Section 314 of the Act, the Company was not required to obtain any approvals from the Board of Directors, Members or Central Government.
12. The Company has not issued any duplicate share certificate during the financial year.
13. (i) The Company has delivered the Share Certificates on transfer of shares in accordance with the provisions of the Act, however, there was no allotment/transmission of securities during the financial year.
(ii) The Company has not deposited any amount in a separate Bank Account, however the entire final dividend has been disbursed to the Members within five days from the date of declaration of such dividend.
(iii) The Company has paid dividends to all the Members within a period of 30 days from the date of declaration and that there is no Unclaimed/Unpaid dividend, which is required to be transferred to a Special Account.
(iv) No amount is lying in the Books of Accounts of the Company in respect of Unpaid dividend, application money due for refund, matured deposits, matured debentures and the interest accrued thereon, which have remained unclaimed or unpaid for a period of seven years, required to be transferred to the Investor Education and Protection Fund.
(v) The Company has duly complied with the requirements of Section 217 of the Act.
14. The Board of Directors of the Company is duly constituted. The appointment of an Additional Director during the year was in accordance with the provisions of the Act. There was no appointment of Alternate Directors and Directors to fill casual vacancy during the financial year.
15. The Company has not appointed any Managing Director, Whole time Director or Manager during the financial year.
16. The Company has not appointed any sole-selling agents during the financial year.
17. The Company has not obtained any approval of the Central Government, Company Law Board, Regional Director, Registrar of Companies or other prescribed authorities under the various provisions of the Act during the financial year, as it was not required to do so.
18. The Directors have disclosed their interest in other firms/companies to the Board of Directors pursuant to the provisions of the Act and the Rules made thereunder.
19. The Company has not issued any shares/debentures/other securities during the financial year.

20. The Company has not bought back any shares during the financial year.
21. The Company has neither preference capital nor debentures, thus redemption of preference shares or debentures is not applicable.
22. The Company was not required to keep in abeyance rights to dividend, rights shares and bonus shares as there was no transfer which was pending registration during the financial year.
23. The Company has not invited or accepted any public deposits including unsecured loans taken, falling under Section 58A of the Act during the financial year.
24. The Company has not made any borrowings during the financial year ended 31st March, 2006.
25. The Company has not made any loans or advances or given guarantees or provided securities to other bodies corporate during the financial year ended 31st March, 2006 and consequently no entries have been made in the register kept for the purpose.
26. The Company has not altered the provisions of the Memorandum with respect to situation of the Registered Office of the Company from one State to another during the year under scrutiny.
27. The Company has not altered the provisions of the Memorandum with respect to the Objects of the Company during the year under scrutiny.

28. The Company has not altered the provisions of the Memorandum with respect to the name of the Company during the year under scrutiny.
29. The Company has not altered the provisions of the Memorandum with respect to the Authorised Share Capital of the Company during the year under scrutiny.
30. The Company has not altered its Articles of Association during the year under review.
31. There was no prosecution initiated against or show cause notice received by the Company for alleged offences under the Act. Similarly, no fines, penalties or punishment was imposed on the Company under the Act during the financial year.
32. The Company has not received any amount as security from its employees in terms of Section 417(1) of the Act.
33. Since the Company has not constituted any provident fund under Section 418 of the Act, provisions of Section 418 are not applicable.

For PB & Associates
Company Secretaries
Pooja Bhatia
LLB, ACS
CP : 6485

New Delhi, 28th April, 2006

ANNEXURE – 'A'

**Registers maintained by the Company
(As on March 31, 2006)**

Sl. No.	Particulars	Relevant Section of the Act
1.	Minutes Book of the meetings of the Board of Directors of the Company	193
2.	Minutes Book of General Body Meetings of the Members of the Company	193
3.	Copies of Annual Returns	159
4.	Register of Members	150
5.	Register of Particulars of Directors, Managing Director, Manager and Secretary	303
6.	Register of Directors' Shareholding	307
7.	Register(s) of contracts, companies and firms in which Directors are interested	301
8.	Books of Accounts	209
9.	Register of Share Transfer	

ANNEXURE – 'B'

**A. Forms & Returns filed with the Registrar of Companies, New Delhi
(During the Year ended on March 31, 2006)**

Sl. No.	Particulars of Forms & Returns Filed	Date of Filing	Whether filed within prescribed time	Additional Fees paid
1.	Annual Accounts u/s 220 for the year ended 31st March, 2005	14.06.2005	Yes	No
2.	Compliance Certificate u/s 383A for the year ended 31st March, 2005	14.06.2005	Yes	No
3.	Annual Return u/s 159 made up to 16th May, 2005 being the date of AGM	15.07.2005	Yes	No
4.	Form 29 and 32 in respect of the appointment of Mr. Pawan Verma as Additional Non-Executive Director with effect from 29th September, 2005	20.10.2005	Yes	No

B. Forms & Returns filed with the Regional Director, Central Government or other authorities : Nil

REPORT OF THE AUDITORS TO THE MEMBERS OF FORTUNE PARK HOTELS LIMITED

1. We have audited the attached Balance Sheet of Fortune Park Hotels Limited, as at March 31, 2006, and the related Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto, which we have signed under reference to this report. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We have conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004, issued by the Central Government of India in terms of sub-section (4A) of Section 227 of 'The Companies Act, 1956' of India (the 'Act') and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we further report that :
 - (i) (a) The Company is maintaining proper records showing full particulars including quantitative details and situation of fixed assets.
 - (b) The fixed assets of the Company have been physically verified on behalf of the management by an outside firm during the year and no material discrepancies between the book records and the physical inventory have been noticed. In our opinion, the frequency of verification is reasonable.
 - (c) In our opinion and according to the information and explanations given to us, a substantial part of fixed assets has not been disposed of by the Company during the year.
- (ii) The Company does not hold any inventory.

- (iii) (a) The Company has not granted any loans, secured or unsecured, to companies, firms or other parties covered in the Register maintained under Section 301 of the Act.
- (b) The Company has not taken any loans, secured or unsecured, from companies, firms or other parties covered in the Register maintained under Section 301 of the Act.
- (iv) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business for the purchase of fixed assets. Further, on the basis of our examination of the books and records of the Company, and according to the information and explanations given to us, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the aforesaid internal control system.
- (v) In our opinion and according to the information and explanations given to us, there are no transactions that need to be entered into the Register in pursuance of Section 301 of the Act.
- (vi) The Company has not accepted any deposits from the public within the meaning of Sections 58A and 58AA of the Act and the rules framed thereunder.
- (vii) In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.
- (viii) The Central Government of India has not prescribed the maintenance of cost records under clause (d) of sub-section (1) of Section 209 of the Act for any of the products of the Company.
- (ix) (a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is generally regular in depositing the undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, wealth tax and other material statutory dues, as applicable, with the appropriate authorities.
- (b) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, there are no dues of income-tax, sales tax, wealth tax, service tax, customs duty, excise duty and cess as on March 31, 2006 which have not been deposited on account of any dispute.

- (x) The Company has no accumulated losses as at March 31, 2006 and it has not incurred any cash losses in the financial year ended on that date or in the immediately preceding financial year.
- (xi) According to the records of the Company examined by us and the information and explanations given to us, the Company has not defaulted in repayment of dues to any financial institution or bank or debenture holders as at the balance sheet date.
- (xii) The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) The provisions of any special statute applicable to chit fund / nidhi / mutual benefit fund / societies are not applicable to the Company.
- (xiv) In our opinion, the Company is not a dealer or trader in shares, securities, debentures and other investments.
- (xv) In our opinion, and according to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions during the year.
- (xvi) The Company has not obtained any term loans.
- (xvii) On the basis of an overall examination of the balance sheet of the Company, in our opinion and according to the information and explanations given to us, there are no funds raised on a short-term basis which have been used for long-term investment.
- (xviii) The Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under Section 301 of the Act during the year.
- (xix) The Company has not issued any debentures.
- (xx) The Company has not raised any money by public issues.
- (xxi) During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by the management.
4. Further to our comments in paragraph 3 above, we report that :
- (a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
- (b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
- (c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
- (d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Act;
- (e) On the basis of written representations received from the Directors, as on March 31, 2006 and taken on record by the Board of Directors, none of the Directors is disqualified as on March 31, 2006 from being appointed as a Director in terms of clause (g) of sub-section (1) of Section 274 of the Act;
- (f) In our opinion and to the best of our information and according to the explanations given to us, the said financial statements together with the notes thereon and attached thereto give in the prescribed manner the information required by the Act and give a true and fair view in conformity with the accounting principles generally accepted in India:
- (i) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2006;
- (ii) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
- (iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Kaushik Dutta
Partner
Membership Number F 88540
For and on behalf of
Lovell & Lewes
Chartered Accountants

New Delhi, 28th April, 2006

BALANCE SHEET AS AT 31ST MARCH, 2006

	Schedule	(Rs.)	31st March, 2006 (Rs.)	(Rs.)	31st March, 2005 (Rs.)
I. SOURCES OF FUNDS					
1. Shareholders' Funds					
a) Capital	1	45,00,080		45,00,080	
b) Reserves and Surplus	2	2,48,77,791	2,93,77,871	1,66,79,730	2,11,79,810
2. Deferred Tax Liability (Net)	3		23,718		1,80,884
Total			2,94,01,589		2,13,60,694
II. APPLICATION OF FUNDS					
1. Fixed Assets	4				
a) Gross Block		35,11,154		38,30,279	
b) Less : Depreciation		8,68,973		18,11,579	
c) Net Block			26,42,181		20,18,700
2. Investments	5		25,00,000		25,00,000
3. Current Assets, Loans and Advances					
a) Sundry Debtors	6	1,88,09,622		82,64,769	
b) Cash and Bank Balances	7	1,09,63,451		1,10,37,066	
c) Other Current Assets	8	2,34,430		2,48,839	
d) Loans and Advances	9	12,91,082		12,71,638	
		3,12,98,585		2,08,22,312	
Less :					
4. Current Liabilities and Provisions					
a) Liabilities	10	57,40,291		30,82,017	
b) Provisions	11	12,98,886		8,98,301	
		70,39,177		39,80,318	
Net Current Assets			2,42,59,408		1,68,41,994
Total			2,94,01,589		2,13,60,694
Notes to the Accounts	17				
Significant Accounting Policies	18				

The Schedules referred to above form an integral part of the Balance Sheet.

This is the Balance Sheet referred to in our Report of even date.

Kaushik Dutta
Partner
Membership Number F 88540
For and on behalf of
Lovell & Lewes
Chartered Accountants
New Delhi, 28th April, 2006

On behalf of the Board
S. C. Sekhar Director
M. Riaz Ahmed Director

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2006

	Schedule	(Rs.)	For the year ended 31st March, 2006 (Rs.)	For the year ended 31st March, 2005 (Rs.)
I. INCOME				
Gross Income from Operations		4,98,01,721		3,10,99,783
Less : Taxes		46,09,595		27,17,312
Net Income from Operations	12		4,51,92,126	2,83,82,471
Other Income	13		6,00,236	43,73,448
			4,57,92,362	3,27,55,919
II. EXPENDITURE				
Operating and Administrative Expenses	14		3,05,84,219	2,14,74,051
Depreciation			3,51,005	2,76,699
			3,09,35,224	2,17,50,750
III. PROFIT				
Profit before Taxation			1,48,57,138	1,10,05,169
Provision for Taxation	15		56,32,834	40,70,105
Profit after Taxation			92,24,304	69,35,064
Profit brought Forward			1,33,17,635	74,99,008
Available for Appropriation			2,25,41,939	1,44,34,072
IV. APPROPRIATIONS				
General Reserve			6,91,823	3,46,754
Proposed Dividend			9,00,016	6,75,012
Income Tax on Proposed Dividend			1,26,227	94,671
Profit Carried Forward			2,08,23,873	1,33,17,635
			2,25,41,939	1,44,34,072
Basic and Diluted Earnings Per Share (Rs.)	16		20.50	15.41
Notes to the Accounts	17			
Significant Accounting Policies	18			

The Schedules referred to above form an integral part of the Profit and Loss Account.
This is the Profit and Loss Account referred to in our Report of even date.

Kaushik Dutta
Partner
Membership Number F88540
For and on behalf of
Lovelock & Lewes
Chartered Accountants
New Delhi, 28th April, 2006

On behalf of the Board
S.C. Sekhar Director
M. Riaz Ahmed Director

CASH FLOW STATEMENT

(Figures for the previous year have been rearranged to conform with the revised presentation)

	31st March, 2006 (Rs.)	31st March, 2005 (Rs.)
A. NET PROFIT BEFORE TAX	1,48,57,138	1,10,05,169
ADJUSTMENTS FOR		
Depreciation	3,51,005	2,76,699
Interest etc. Net	(5,60,849)	(3,75,355)
Fixed Assets - Loss on Sale / Write off-Net	5,11,313	—
Other items (Tax Deducted at Source)	(22,28,888)	(15,82,368)
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	1,29,29,719	93,24,145
ADJUSTMENTS FOR		
Trade & Other Receivables	(1,09,98,791)	(6,35,928)
Trade Payables	28,02,299	3,73,297
CASH GENERATED FROM OPERATIONS	47,33,227	90,61,514
Income Tax Paid (Net of Refunds)	(28,78,517)	(25,76,246)
NET CASH FROM OPERATING ACTIVITIES	18,54,710	64,85,268
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(15,65,799)	(6,69,561)
Sale of Fixed Assets	80,000	—
Purchase of Investment	—	(25,00,000)
Interest Received	3,27,157	3,56,879
NET CASH USED IN INVESTING ACTIVITIES	(11,58,642)	(28,12,682)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Interest etc. Paid	—	(2,964)
Dividends Paid	(6,75,012)	(4,50,008)
Income Tax on Dividend Paid	(94,671)	(57,658)
NET CASH FLOW USED IN FINANCING ACTIVITIES	(7,69,683)	(5,10,630)
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS	(73,615)	31,61,956
OPENING CASH AND CASH EQUIVALENTS	1,10,37,066	78,75,110
CLOSING CASH AND CASH EQUIVALENTS	1,09,63,451	1,10,37,066

Notes :

1. Cash and cash equivalents comprise

Balance with Scheduled Banks in		
On Current Accounts etc.	5,90,827	4,41,803
On Deposit Accounts	1,03,00,000	1,00,00,000
Cash and Cheques on hand	72,624	5,95,263
Total	1,09,63,451	1,10,37,066

- The above cash flow statement has been prepared under the indirect method set out in AS-3 issued by the Institute of Chartered Accountants of India.
- Tax deducted at source (on income), being a non cash transaction, has not been considered in the Cash Flow Statement.
- Figures in brackets indicate cash outgo.
- Previous period figures have been regrouped and recast wherever necessary to conform to the current period classification.

This is the cash flow statement referred to in our Report of even date.

Kaushik Dutta
Partner
Membership Number F 88540
For and on behalf of
Lovelock & Lewes
Chartered Accountants
New Delhi, 28th April, 2006

On behalf of the Board
S. C. Sekhar Director
M. Riaz Ahmed Director

SCHEDULES TO THE ACCOUNTS

(Figures for the previous year have been rearranged to conform with the revised presentation)

	As at 31st March, 2006 (Rs.)	As at 31st March, 2005 (Rs.)		As at 31st March, 2006 (Rs.)	As at 31st March, 2005 (Rs.)
1. CAPITAL			2. RESERVES AND SURPLUS		
Authorised			Capital Reserve	30,00,000	30,00,000
20,00,000 Equity Shares			General Reserve		
of Rs. 10/- each	<u>2,00,00,000</u>	<u>2,00,00,000</u>	At the commencement of the year	3,62,095	15,341
			Add : From Profit and Loss Account	<u>6,91,823</u>	<u>3,46,754</u>
Issued, Subscribed and Paid-up			Profit and Loss Account		
*4,50,008 Equity Shares			At the commencement of the year	1,33,17,635	74,99,008
of Rs. 10/- each	<u>45,00,080</u>	<u>45,00,080</u>	Add : From Profit and Loss Account	<u>75,06,238</u>	<u>58,18,627</u>
	<u>45,00,080</u>	<u>45,00,080</u>		<u>2,08,23,873</u>	<u>1,33,17,635</u>
				<u>2,48,77,791</u>	<u>1,66,79,730</u>
* Includes			3. DEFERRED TAX LIABILITY (NET)		
– 4,50,008 Equity Shares of Rs. 10/-			Deferred Tax Liability		
each fully paid-up held by the Holding			Depreciation - Timing Difference	1,67,560	2,49,182
Company, ITC Limited			Less :		
			Deferred Tax Assets		
			Preliminary Expenses & U/s 43 B Payments	<u>1,43,842</u>	<u>68,298</u>
			Net Deferred Tax Liability	<u>23,718</u>	<u>1,80,884</u>

4. FIXED ASSETS

Particulars	Original Cost as at 1.4.2005 (Rs.)	Additions during the year (Rs.)	Withdrawals during the year (Rs.)	Original Cost as at 31.3.2006 (Rs.)	Depreciation for the year (Rs.)	Depreciation on Withdrawals (Rs.)	Depreciation upto 31.03.2006 (Rs.)	Net Block as at 31.3.2006 (Rs.)
Plant and Machinery	3,96,221	11,428	3,06,136	1,01,513	6,027	1,08,101	29,564	71,949
Computers	21,50,906	3,86,567	8,03,130	17,34,343	2,54,208	7,95,279	5,68,634	11,65,709
Furniture and Fixtures	7,91,309	11,67,804	7,75,658	11,83,455	44,045	3,90,231	45,767	11,37,688
Motor Vehicle	4,91,843	—	—	4,91,843	46,725	—	2,25,008	2,66,835
Total	38,30,279	15,65,799	18,84,924	35,11,154	3,51,005	12,93,611	8,68,973	26,42,181
Previous Year	31,60,718	6,69,561	—	38,30,279	2,76,699	—	18,11,579	20,18,700

	As at 31st March, 2006 (Rs.)	As at 31st March, 2005 (Rs.)		As at 31st March, 2006 (Rs.)	As at 31st March, 2005 (Rs.)
5. INVESTMENTS			10. LIABILITIES		
Other Investments			Sundry Creditors	57,40,291	30,82,017
Unquoted – Current			(Refer note (iii) on Schedule 17)		
G37 Grindlays Fixed				<u>57,40,291</u>	<u>30,82,017</u>
Maturity – 6th Plan – Growth			11. PROVISIONS		
2,50,000 Units (Previous Year - 2,50,000 Units)			Provision for Retirement Benefits	2,72,643	1,28,618
of Rs. 10.00 each	<u>25,00,000</u>	<u>25,00,000</u>	Proposed Dividend	9,00,016	6,75,012
	<u>25,00,000</u>	<u>25,00,000</u>	Income Tax on Proposed Dividend	<u>1,26,227</u>	<u>94,671</u>
				<u>12,98,886</u>	<u>8,98,301</u>
6. SUNDRY DEBTORS					
Over 6 months old					
Good and Unsecured	25,90,934	8,72,329			
Other Debts					
Good and Unsecured	<u>1,62,18,688</u>	<u>73,92,440</u>			
	<u>1,88,09,622</u>	<u>82,64,769</u>			
7. CASH AND BANK BALANCES					
With Scheduled Banks					
On Current Accounts etc.	5,90,827	4,41,803			
On Deposit Accounts	<u>1,03,00,000</u>	<u>1,00,00,000</u>			
Cash and Cheques on hand	<u>72,624</u>	<u>5,95,263</u>			
	<u>1,09,63,451</u>	<u>1,10,37,066</u>			
8. OTHER CURRENT ASSETS					
Good and Unsecured					
Deposits with Government,					
Public Bodies and Others	87,612	2,15,612			
Interest Accrued on Deposit	<u>1,46,818</u>	<u>33,227</u>			
	<u>2,34,430</u>	<u>2,48,839</u>			
9. LOANS AND ADVANCES					
Good and Unsecured					
Loans to Others	—	50,000			
Advances recoverable in cash or					
in kind or for value to be received	8,88,126	2,56,188			
Advances with Government and					
Public Bodies **	<u>4,02,956</u>	<u>9,65,450</u>			
	<u>12,91,082</u>	<u>12,71,638</u>			
** Represents advance payment of Income /					
Fringe Benefit Tax net of provisions of					
Rs. 57,90,000/- (Previous Year – Rs. 39,60,000/-)					

* The Income from Management Consultancy and Other Services is stated gross, the amount of Income Tax deducted thereon is Rs. 22,28,888/- (Previous Year - Rs. 15,82,368/-)

13. OTHER INCOME

Interest on Deposits**	5,49,889	3,78,319
Interest on Income Tax Refunds	10,960	—
Others	<u>39,387</u>	<u>39,95,129</u>
	<u>6,00,236</u>	<u>43,73,448</u>

** The Income from Interest on Deposits is stated gross, the amount of Income Tax deducted thereon is Rs. 1,20,101/- (Previous Year - Rs. 79,107/-)

SCHEDULES TO THE ACCOUNTS (Contd.)

	For the year ended 31st March, 2006 (Rs.)	For the year ended 31st March, 2005 (Rs.)		For the year ended 31st March, 2006 (Rs.)	For the year ended 31st March, 2005 (Rs.)
14. OPERATING AND ADMINISTRATIVE EXPENSES			16. EARNINGS PER SHARE		
Salaries, Wages and Bonus	1,14,36,344	74,63,549	Profit after Taxation	92,24,304	69,35,064
Contribution to Provident and Other Funds	6,38,077	4,57,015	Weighted average number of equity shares outstanding	4,50,008	4,50,008
Workmen and Staff Welfare Expenses	14,42,772	8,98,661	Basic and diluted earnings per share in rupees (Face value - Rs. 10/- per share)	20.50	15.41
Reimbursement of remuneration to persons on deputation	1,56,89,595	1,05,27,657			
	2,92,06,788	1,93,46,882	17. NOTES TO THE ACCOUNTS		
Less : Recoveries	1,07,09,571	69,38,021	i) Expenditure in Foreign Currency (On Payment Basis) : Travelling Rs. 3,83,922/- (Previous year - Rs. Nil).		
Consumption of Stores and Supplies			ii) Retirement Benefits in respect of Gratuity Fund is provided for based upon LIC's Actuarial Valuation as at the Balance Sheet date.		
Power and Fuel	5,91,840	6,33,187	iii) The outstanding liabilities as at the close of the year do not include any amounts due to any small scale industrial undertaking as defined under Section 3(j) of the Industries (Development & Regulation) Act, 1951.		
Rent	6,88,662	5,32,889	iv) The Company's significant leasing arrangements are in respect of operating leases for premises (residential, office etc.). These leasing arrangements which are not non-cancellable range between 11 months and 3 years generally, or longer, and are usually renewable by mutual consent on mutually agreeable terms. The aggregate lease rentals payable are charged as rent under Schedule 14.		
Insurance	15,12,408	13,49,542	v) The Company operates in one operating segment i.e. Hoteliering and within one geographical segment i.e. India.		
Repairs - Others	14,363	21,381	vi) Related Party Disclosures under Accounting Standard 18		
Advertising/Sales Promotion	13,60,237	14,72,248	i) Holding Company : ITC Limited		
Travelling and Conveyance	17,59,160	13,11,865	ii) Other related parties with whom transactions have taken place during the year :		
Legal Expenses	29,36,918	17,73,088	Fellow Subsidiary Company : Srinivasa Resorts Limited, Surya Nepal (P) Limited and Landbase India Limited		
Postage, Telephones, Telex etc.	—	54,025	iii) Key Management Personnel :		
Bank Charges	15,51,435	10,94,055	Board of Directors		
Interest etc. Paid - Others	3,706	24,368	S. S. H. Rehman		
Technical and Consultancy Fees	—	2,964	Nakul Anand		
Miscellaneous Expenses	8,45,857	5,54,517	S. C. Sekhar		
Fixed Assets Discarded - Net	3,11,103	2,41,061	M. Riaz Ahmed		
	5,11,313	—	Pawan Verma		
	3,05,84,219	2,14,74,051	H. H. Maharaja Gaj Singh		
Miscellaneous Expenses Include :					
Auditors' Remuneration and Expenses :					
— Audit Fees	40,000	40,000			
— Fees for Other Services	20,000	20,000			
— Reimbursement of Expenses	12,972	22,540			
	72,972	82,540			
15. PROVISION FOR TAXATION					
Income Tax on :					
— Current Year's Profits	51,24,000	39,60,000			
Add : Provisions related to earlier years (Net)	—	38,899			
Add/(Less) : Deferred Tax Credit	(1,57,166)	49,66,834			
Fringe Benefit Tax	6,66,000	71,206			
	56,32,834	40,70,105			

iv) Summary of transactions (Rupees) :

Sl. No.	Transaction with	Holding Company 31-03-2006	31-03-2005	Fellow Subsidiaries 31-03-2006	31-03-2005	Key Management Personnel 31-03-2006	31-03-2005
1.	Receipt of Management & Consultancy fees* * Inclusive of Service Tax - Rs. 1,15,440/- (Previous Year - Rs. 1,38,539/-)	12,47,214	16,06,849	—	—	—	—
2.	Purchase of Goods/Service - Hotel Services (Hotel stay & F&B Bills etc.)	2,82,503	1,97,263	93,843	—	—	—
3.	Acquisition Cost of Fixed Assets	11,67,804	—	—	—	—	—
4.	Rent Paid	2,47,920	—	—	—	—	—
5.	Reimbursement of Contractual Remuneration	1,56,89,595	1,05,27,657	—	—	—	—
6.	Dividend Payments	6,75,002	4,50,001	—	—	3	2
7.	Expense Recovered during the year (Amount recovered on account of payments made on behalf of related parties)	5,46,908	1,02,688	1,07,829	—	—	—
8.	Expense Reimbursed during the year (Amount paid to related parties on account of payments made by them on Company's behalf)	39,64,939	19,77,990	5,000	4,375	—	—
9.	Closing Balance						
(i)	Debtors/Receivables	—	3,586	—	—	—	—
(ii)	Creditors/Payables	30,31,436	15,71,529	2,994	—	—	—

REPORT OF THE DIRECTORS FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2006

Your Directors submit their Report and Accounts for the financial year ended 31st March, 2006.

Performance

During the year 2005-06, your Company earned a Licence Fee of Rs. 33.93 lacs (previous year - Rs. 44.21 lacs) and a net profit of Rs. 20.89 lacs (previous year - Rs. 24.91 lacs) after providing for income tax of Rs. 7.22 lacs (previous year - Rs. 14.10 lacs).

Your Directors are pleased to recommend a dividend of Rs. 20/- (previous year - Rs. 20/-) per equity share of Rs.100/- for the year ended 31st March, 2006.

Conservation of Energy

Considering the fact that the hotel is under an operating licence with ITC Limited (previous year - ITC Hotels Limited), no comment is made on conservation of energy. However, your Company's hotel viz., Fortune Resort Bay Island continues to focus on energy conservation, safety and environment.

Foreign Exchange Earnings and Outflow

There has been no foreign exchange income or outflow during the year (previous year - Nil).

Directors

In accordance with the provisions of Article 143 of the Articles of Association of the Company, Mr. C.M.Jadwet and Mr. Nakul Anand will retire by rotation at the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment.

Particulars of Employees

None of the employees fall under the purview of the provisions of Section 217(2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975.

Compliance Certificate under Companies Act, 1956

A certificate issued by M/s. P B & Associates, Company Secretaries, in terms of the provisions of Section 383 A of the Companies Act, 1956, to the effect that the Company has complied with the applicable provisions of the said Act is attached to this Report.

Auditors

The Auditors of your Company M/s. S.B. Dandekar & Co., Chartered Accountants, retire at the conclusion of the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment.

Responsibility Statement

In terms of Section 217(2AA) of the Companies Act, 1956, your Directors state that :

a) in the preparation of annual accounts under review the applicable accounting standards had been followed. b) appropriate accounting policies were selected and applied consistently and reasonable and prudent judgements and estimates were made so as to give a true and fair view of the state of affairs of the Company at the end of the financial year under review and of the profit or loss of the Company for that period. c) proper and sufficient care was taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities. d) the annual accounts are prepared on a going concern basis. The required disclosures and the significant accounting policies followed are appearing in Schedules 12 and 13 respectively, to the annual accounts.

On behalf of the Board

Mohan Bhatnagar Director
M. Riaz Ahmed Director

New Delhi, 29th April, 2006

COMPLIANCE CERTIFICATE

Company No. : 55-105131
Nominal Capital : Rs. 1.2 crores

The Members of
Bay Islands Hotels Ltd.
25, Community Centre
Basant Lok, Vasant Vihar
New Delhi - 110 057

We have examined the registers, records, books and papers of Bay Islands Hotels Ltd (the Company) as required to be maintained under the Companies Act, 1956 (the Act) and the Rules made thereunder, the provisions contained in the Memorandum and Articles of Association of the Company and also the audited Annual Accounts, Auditors' Report on the said annual accounts for the financial year ended 31st March, 2006 (financial year). In our opinion and to the best of our information and according to the examination carried out by us and explanations furnished to us by the Company, its officers and agents, we certify that in respect of the financial year:

1. The Company has kept and maintained Registers as stated in "Annexure A" to this Certificate, as per the provisions of the Act and the Rules made thereunder and all entries therein have been duly recorded.
2. The Company has duly filed the forms and returns as stated in "Annexure B" to this certificate, with the Registrar of Companies, Regional Director, Central Government, Company Law Board or other authorities within the time prescribed under the Act and the Rules made thereunder.
3. The Company, being a public limited company, comments are not required.
4. The Board of Directors duly met 4 times on 21st April, 2005, 29th September, 2005, 21st December, 2005, and 23rd February, 2006 in respect of which meetings proper notices were given and the proceedings were properly recorded and signed. There was no resolution passed by circulation.
5. The Company has not closed the Register of its Members during the financial year.
6. The Annual General Meeting for the financial year ended on 31st March, 2005 was held on 16th May, 2005 after giving due notice to the Members of the Company and the resolutions passed thereat were duly recorded in the Minutes Book maintained for the purpose.
7. No extra ordinary general meeting was held during the financial year.
8. The Company has not advanced any loan to its Directors and/or persons or firms or companies referred to in Section 295 of the Act.
9. The Company has not entered into any contract falling under Section 297 of the Act.
10. The Company has made necessary entries in the Register maintained for the purpose of Section 301(3), in register maintained under Section 301 of the Act.

11. As there were no instances falling within the purview of Section 314 of the Act, the Company was not required to obtain any approvals from the Board of Directors, Members or Central Government.
12. The Company has not issued any duplicate share certificate during the financial year.
13. (i) The Company has delivered the Share Certificates on transfer of shares in accordance with the provisions of the Act, however, there was no allotment/transmission of securities during the financial year.
(ii) The Company has not deposited any amount in a separate Bank Account, however, the entire final dividend has been disbursed to the Members within five days from the date of declaration of such dividend.
(iii) The Company has paid dividends to all the Members within a period of 30 days from the date of declaration and that there is no Unclaimed/Unpaid dividend, which is required to be transferred to a Special Account.
(iv) No amount is lying in the Books of Accounts of the Company in respect of Unpaid dividend, application money due for refund, matured deposits, matured debentures and the interest accrued thereon, which have remained unclaimed or unpaid for a period of seven years, required to be transferred to the Investor Education and Protection Fund.
(v) The Company has duly complied with the requirements of Section 217 of the Act.
14. The Board of Directors of the Company is duly constituted. There was no appointment of Additional Directors, Alternate Directors and Directors to fill casual vacancy during the financial year.
15. The Company has not appointed any Managing Director, Wholtime Director or Manager during the financial year.
16. The Company has not appointed any sole-selling agents during the financial year.
17. The Company has not obtained any approval of the Central Government, Company Law Board, Regional Director, Registrar of Companies or other prescribed authorities under the various provisions of the Act during the financial year, as it was not required to do so.
18. The Directors have disclosed their interest in other firms/companies to the Board of Directors pursuant to the provisions of the Act and the Rules made thereunder.
19. The Company has not issued any shares/debentures/other securities during the financial year.
20. The Company has not bought back any shares during the financial year.
21. The Company has neither preference capital nor debentures, thus redemption of preference shares or debentures is not applicable.

22. The Company was not required to keep in abeyance rights to dividend, rights shares and bonus shares as there was no transfer which was pending registration during the financial year.
23. The Company has not invited or accepted any public deposits including unsecured loans taken, falling under Section 58A of the Act during the financial year.
24. The Company has not made any borrowings during the financial year ended 31st March, 2006.
25. The Company has not made any loans or advances or given guarantees or provided securities to other bodies corporate during the financial year ended 31st March, 2006 and consequently no entries have been made in the Register kept for the purpose.
26. The Company has not altered the provisions of the Memorandum with respect to situation of the Registered Office of the Company from one State to another during the year under scrutiny.
27. The Company has not altered the provisions of the Memorandum with respect to the Objects of the Company during the year under scrutiny.
28. The Company has not altered the provisions of the Memorandum with respect to the Name of the Company during the year under scrutiny.
29. The Company has not altered the provisions of the Memorandum with respect to the Authorised Share Capital of the Company during the year under scrutiny.
30. The Company has not altered its Articles of Association during the year under review.
31. There was no prosecution initiated against or show cause notice received by the Company for alleged offences under the Act. Similarly, no fines, penalties or punishment was imposed on the Company under the Act during the financial year.
32. The Company has not received any amount as security from its employees in terms of Section 417(1) of the Act.
33. Since the Company has not constituted any provident fund under Section 418 of the Act, provisions of Section 418 are not applicable.

For PB & Associates
Company Secretaries
Pooja Bhatia
LLB, ACS
CP : 6485

New Delhi, 29th April, 2006

ANNEXURE – 'A'

Registers maintained by the Company (As on March 31, 2006)

Sl. No.	Particulars	Relevant Section of the Act
1.	Minutes Book of the meetings of the Board of Directors of the Company	193
2.	Minutes Book of General Body Meetings of the Members of the Company	193
3.	Copies of Annual Returns	159
4.	Register of Members	150
5.	Register of Particulars of Directors, Managing Director, Manager and Secretary	303
6.	Register of Directors' Shareholding	307
7.	Register(s) of contracts, companies and firms in which Directors are interested	301
8.	Books of Accounts	209
9.	Register of Share Transfer	

ANNEXURE – 'B'

A. Forms & Returns filed with the Registrar of Companies, New Delhi (During the Year ended on March 31, 2006)

Sl. No.	Particulars of Forms & Returns Filed	Date of Filing	Whether filed within prescribed time	Additional Fees paid
1.	Annual Accounts u/s 220 for the year ended 31st March, 2005	14.06.2005	Yes	No
2.	Compliance Certificate u/s 383A for the year ended 31st March, 2005	14.06.2005	Yes	No
3.	Annual Return u/s 159 made up to 16th May, 2005 being the date of AGM	15.07.2005	Yes	No

B. Forms & Returns filed with the Regional Director, Central Government or other authorities : Nil

REPORT OF THE AUDITORS TO THE MEMBERS

- We have audited the attached Balance Sheet of Bay Islands Hotels Limited as at 31st March, 2006 and the related Profit and Loss Account and Cash Flow Statement for the year ended on that date annexed thereto, which we have signed under reference to this report. These financial statements are the responsibility of the management of the Company. Our responsibility is to express an opinion on these financial statements based on our audit.
- We have conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
- 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.
- In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books and the above mentioned Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement therewith.
- In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report have been prepared in compliance with the applicable accounting standards referred to in Section 211(3C) of the Companies Act, 1956 of India (the Act).
- On the basis of written representations received from the Directors as on 31st March, 2006 and taken on record by the Board of Directors of the Company, none of the Directors of the Company is disqualified as on 31st March, 2006 from being appointed as a Director in terms of Clause (g) of sub-section (1) of Section 274 of the Act.
- In our opinion and to the best of our information and according to the explanations given to us, the said financial statements together with the statement of significant accounting policies and the notes thereon / attached thereto give, in the prescribed manner, the information required by the Act

and also give respectively, a true and fair view in conformity with the accounting principles generally accepted in India:

- In the case of Balance Sheet, of the state of affairs of the Company as at 31st March, 2006.
 - In the case of Profit and Loss Account, of the profit for the year ended on that date.
 - In the case of Cash Flow Statement, of the cash flows for the year ended on that date.
- As required by the Companies (Auditor's Report) Order, 2003 as amended by the Companies (Auditors' Report) (Amendment) Order, 2004, issued by the Central Government of India in terms of Section 227(4A) of the Act and on the basis of such checks as we considered appropriate, and according to the information and explanations given to us, we further report that :
 - (a) The Company has maintained proper records to show full particulars, including quantitative details and situation of its fixed assets.
 - (b) The Fixed Assets of the Company have been physically verified by the management during the year, which is considered to be reasonable and no material discrepancies between book records and physical inventory were noticed on such verification.
 - (c) In our opinion and according to the information and explanations given to us, a substantial part of fixed assets has not been disposed of by the Company during the year.
 - (ii) As the Company does not hold any inventory, clause (ii) of Para 4 of the Order is considered as not applicable.
 - (iii) The Company has neither granted nor taken any loans, secured or unsecured to / from companies, firms or other parties covered in the Register maintained under Section 301 of the Act. Accordingly, clauses (iii)(b), (iii)(c) and (iii)(d) of the Order are considered as not applicable.
 - (iv) In our opinion, there are adequate internal control procedures commensurate with the size of the Company and the nature of

its business for the purchase of fixed assets. Further, on the basis of our examination and according to the information and explanations given to us, we have neither come across nor have we been informed of any major weaknesses in the above said internal control procedures commensurate with the size of the Company and nature of its business.

- (v) In our opinion and according to the information and explanations given to us, there are no transactions that need to be entered in the Register maintained under Section 301 of the Act. Accordingly, clause (v)(b) of the Order is considered as not applicable.
- (vi) The Company has not accepted any deposits within the meaning of the provisions of Sections 58A and 58AA of the Act and the rules framed thereunder.
- (vii) As required under item No.(vii) of the said Order, since the Company has Paid-up Capital less than Rs.50,00,000/-, internal audit system is not necessary.
- (viii) The Central Government of India has not prescribed the maintenance of cost records by the Company under Section 209(1)(d) of the Act.
- (ix) According to the information and explanations given to us and the books and records as produced and examined by us in accordance with generally accepted auditing practices in India:
 - (a) The Company is regular in depositing the undisputed amount of statutory dues to the Government Accounts.
 - (b) There is no amount of statutory dues not deposited by the Company on account of any dispute.
- (x) The Company has neither accumulated losses as at 31st March, 2006 nor has it incurred any cash loss either during the financial year ended on that date or in the immediately preceding financial year.
- (xi) Based on our audit procedures and information and explanations given by the management, the Company has no dues to any financial institution or bank during the financial year under audit.
- (xii) The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

- (xiii) In our opinion, considering the nature of the activities carried on by the Company during the year, the provisions of any special statute applicable to chit fund / nidhi / mutual benefit fund / societies are not applicable to it.
- (xiv) In our opinion and according to the information and explanations given to us, the Company has not dealt or traded in shares, securities, debentures or other investments during the year.
- (xv) The Company has not given any guarantee for the loans taken by others from banks or financial institutions during the year.
- (xvi) Term loans were not availed by the Company and hence no such liability stood at the end of the year under audit.
- (xvii) Based on the information and explanations given to us and on overall examination of the Balance Sheet of the Company, in our opinion, there are no funds raised during the year on a short term basis which have been used for long-term investment and vice versa.
- (xviii) The Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under Section 301 of the Act during the year.
- (xix) As the Company has not issued any debentures and no debentures are outstanding at the year-end, hence clause (xix) of the Order is considered as not applicable.
- (xx) The Company has not raised any money by public issue during the year under audit.
- (xxi) During the course of our examination of the books of account carried out in accordance with the generally accepted auditing practices in India and the information and explanations given to us, we have neither come across any instance of fraud on or by the Company, either noticed or reported during the year, nor have we been informed of such case by the management.

For and on behalf of
S.B.DANDEKAR & COMPANY

V.VENKATESAN
Chartered Accountant
Membership No:13351

Port Blair, 29th April, 2006

BALANCE SHEET AS AT 31ST MARCH, 2006

	Schedule	(Rs.)	As at 31st March, 2006 (Rs.)	(Rs.)	As at 31st March, 2005 (Rs.)
I. SOURCES OF FUNDS					
Shareholders' Funds					
(a) Capital	1	11,87,500		11,87,500	
(b) Reserves & Surplus	2	7,82,84,839	7,94,72,339	7,72,92,874	7,84,80,374
			7,94,72,339		7,84,80,374
II. APPLICATION OF FUNDS					
1. Fixed Assets	3				
(a) Gross Block		10,34,42,743		10,34,42,743	
(b) Less : Depreciation		2,51,47,211		2,40,33,934	
(c) Net Block			7,82,95,532		7,94,08,809
2. Current Assets, Loans & Advances					
(a) Cash and Bank Balances	4	37,348		70,967	
(b) Loans and Advances	5	6,01,090		4,04,275	
		6,38,438		4,75,242	
Less :					
Current Liabilities and Provisions					
(a) Liabilities	6	11,780		16,34,729	
(b) Provisions	7	2,70,809		2,70,809	
		2,82,589		19,05,538	
Net Current Assets			3,55,849		(14,30,296)
3. Deferred Tax Asset (Net)	8		8,20,958		5,01,861
Total			7,94,72,339		7,84,80,374
Notes to the Accounts	12				
Significant Accounting Policies	13				

The Schedules referred to above form an integral part of the Balance Sheet.

This is the Balance Sheet referred to in our Report of even date.

For and on behalf of
S. B. Dandekar & Company
V. Venkatesan
Chartered Accountant
Port Blair, 29th April, 2006

On behalf of the Board
Mohan Bhatnagar Director
M. Riaz Ahmed Director
New Delhi, 28th April, 2006

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2006

	Schedule	For the year ended 31st March, 2006 (Rs.)	For the year ended 31st March, 2005 (Rs.)
I. INCOME			
Operating Licence Fee		<u>33,93,168</u>	<u>44,20,608</u>
		<u>33,93,168</u>	<u>44,20,608</u>
II. EXPENDITURE			
Operating and Administrative Expenses	9	<u>2,94,940</u>	<u>2,15,625</u>
Depreciation		<u>2,87,217</u>	<u>3,04,339</u>
		<u>5,82,157</u>	<u>5,19,964</u>
III. PROFIT/(LOSS)			
Profit Before Taxation		<u>28,11,011</u>	<u>39,00,644</u>
Taxation for the year	10	<u>7,22,177</u>	<u>14,09,941</u>
Profit After Taxation		<u>20,88,834</u>	<u>24,90,703</u>
Profit Brought Forward from Previous Year		<u>40,73,509</u>	<u>20,40,418</u>
Available for Appropriation		<u>61,62,343</u>	<u>45,31,121</u>
IV. APPROPRIATIONS			
General Reserve		<u>1,56,663</u>	<u>1,86,803</u>
Proposed Dividend		<u>2,37,500</u>	<u>2,37,500</u>
Tax on Proposed Dividend		<u>33,309</u>	<u>33,309</u>
Profit Carried Forward		<u>57,34,871</u>	<u>40,73,509</u>
		<u>61,62,343</u>	<u>45,31,121</u>
Basic and Diluted Earnings Per Share (Rs.)	11	<u>175.90</u>	<u>209.74</u>
Notes to the Accounts	12		
Significant Accounting Policies	13		

The Schedules referred to above form an integral part of the Profit and Loss Account.

This is the Profit & Loss Account referred to in our Report of even date.

For and on behalf of

S. B. Dandekar & Company

V. Venkatesan

Chartered Accountant

Port Blair, 29th April, 2006

On behalf of the Board

Mohan Bhatnagar Director

M. Riaz Ahmed Director

New Delhi, 28th April, 2006

CASH FLOW STATEMENT

(Figures for the previous year have been rearranged to conform with the revised presentation)

	For the year ended 31st March, 2006 (Rs.)	For the year ended 31st March, 2005 (Rs.)
A. NET PROFIT BEFORE TAX	<u>28,11,011</u>	<u>39,00,644</u>
Adjustments for :		
Depreciation	<u>2,87,217</u>	<u>3,04,339</u>
Fixed Assets - Loss on Sale / Write off (Net)	<u>—</u>	<u>8,181</u>
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	<u>30,98,228</u>	<u>42,13,164</u>
Adjustments for :		
Trade and other Receivables	<u>(1,96,815)</u>	<u>(2,48,047)</u>
Trade Payables	<u>(16,22,949)</u>	<u>(24,59,734)</u>
CASH GENERATED FROM OPERATIONS	<u>12,78,464</u>	<u>15,05,383</u>
Income Tax Paid	<u>(10,41,274)</u>	<u>(11,98,652)</u>
NET CASH FROM OPERATING ACTIVITIES	<u>2,37,190</u>	<u>3,06,731</u>
B. CASH FLOW FROM INVESTING ACTIVITIES		
Sale of Fixed Assets	<u>—</u>	<u>20,000</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>—</u>	<u>20,000</u>
C. CASH FLOW FROM FINANCING ACTIVITIES		
Dividends Paid	<u>(2,37,500)</u>	<u>(2,37,500)</u>
Income Tax on Dividend Paid	<u>(33,309)</u>	<u>(30,430)</u>
NET CASH FLOW USED IN FINANCING ACTIVITIES	<u>(2,70,809)</u>	<u>(2,67,930)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	<u>(33,619)</u>	<u>58,801</u>
OPENING CASH AND CASH EQUIVALENTS	<u>70,967</u>	<u>12,166</u>
CLOSING CASH AND CASH EQUIVALENTS	<u>37,348</u>	<u>70,967</u>
CASH AND CASH EQUIVALENTS COMPRISE :		
Cash and Bank Balances	<u>—</u>	<u>70,967</u>

Per our Report attached to the Balance Sheet

For and on behalf of

S. B. Dandekar & Company

V. Venkatesan

Chartered Accountant

Port Blair, 29th April, 2006

On behalf of the Board

Mohan Bhatnagar Director

M. Riaz Ahmed Director

New Delhi, 28th April, 2006

SCHEDULES TO THE ACCOUNTS

	As at 31st March, 2006 (Rs.)	As at 31st March, 2005 (Rs.)		As at 31st March, 2006 (Rs.)	As at 31st March, 2005 (Rs.)			
1. CAPITAL			2. RESERVES & SURPLUS					
Authorised			Revaluation Reserve					
90,000 Equity Shares of Rs. 100/- each	90,00,000	90,00,000	At the commencement of the year	6,85,15,126	6,93,41,186			
30,000 - 13.5% Redeemable Cumulative Preference Shares of Rs. 100/- each	30,00,000	30,00,000	Less : Depreciation	8,26,060	8,26,060			
	1,20,00,000	1,20,00,000	Subsidy Reserve					
Issued, Subscribed & Paid-up			At the commencement of the year					
11,875 Equity Shares of Rs.100/- each fully paid-up	11,87,500	11,87,500		43,38,099	43,38,099			
	11,87,500	11,87,500	General Reserve					
			At the commencement of the year					
				3,66,140	1,79,337			
			Add : Transferred from Profit & Loss Account					
				1,56,663	5,22,803			
			1,86,803					
			3,66,140					
The above shares are held by the Holding Company - ITC Limited			Balance in Profit & Loss Account					
			57,34,871					
			40,73,509					
			7,82,84,839					
			7,72,92,874					
3. FIXED ASSETS								
Particulars	Original Cost/ Professional Valuation as at 01.04.2005 (Rs.)	Additions during the year (Rs.)	Withdrawals during the year (Rs.)	Original Cost/ Professional Valuation as at 31.03.2006 (Rs.)	Depreciation for the year (Rs.)	Depreciation on withdrawals (Rs.)	Depreciation upto 31.03.2006 (Rs.)	Net Block as at 31.03.2006 (Rs.)
1. Land	5,70,00,000	—	—	5,70,00,000	—	—	—	5,70,00,000
2. Building	3,89,89,750	—	—	3,89,89,750	10,81,283	—	1,78,28,895	2,11,60,855
3. Plant & Machinery	70,45,674	—	—	70,45,674	31,994	—	69,10,997	1,34,677
4. Furniture & Fitting	4,07,319	—	—	4,07,319	—	—	4,07,319	—
Total	10,34,42,743	—	—	10,34,42,743	11,13,277	—	2,51,47,211	7,82,95,532
Previous Year	10,36,54,864	—	2,12,121	10,34,42,743	11,30,399	1,83,940	2,40,33,934	7,94,08,809

12. NOTES TO THE ACCOUNTS

- The Hotel operations are under an Operating Licence Agreement with ITC Limited.
- The Land and Building were revalued as on 31st March, 1999 at Rs.5,70,00,000/- and Rs.3,89,89,750/- respectively, by an approved valuer and accordingly the gross block reflects the revised values in respect of these assets, in the books of accounts.
- In view of the Company's current financial performance and the future profit projections, the Company expects to fully recover the deferred tax assets.
- Related party disclosures under Accounting Standard 18
 - Holding Company : ITC Limited
 - Key Management Personnel :
Board of Directors
 Nakul Anand
 S.C. Sekhar
 Mohan Bhatnagar
 M. Riaz Ahmed
 C. M. Jadwet
 G.H.C. Jadwet
 - Summary of transactions during the year (Rupees) :

Transaction with	Holding Company
1. Rent Received	33,93,168
2. Expenses Reimbursed	14,66,965
3. Dividend Payment	2,37,500
4. Balance as on March 31, 2006 Creditors / Payables	2,526

- Previous Year's figures have been regrouped / rearranged wherever necessary.

13. SIGNIFICANT ACCOUNTING POLICIES**1. BASIS OF PREPARATION OF FINANCIAL STATEMENTS**

To prepare Financial Statements in accordance with the historical cost convention, generally accepted accounting principles in India and relevant presentational requirements of the Companies Act, 1956.

2. FIXED ASSETS

To state Fixed Assets at cost of acquisition inclusive of inward freight, duties and taxes and incidental expenses related to acquisition.

3. DEPRECIATION

To calculate depreciation on Fixed Assets in a manner that amortises the cost of the assets after commissioning, over their estimated useful lives or lives based on the rates specified in Schedule XIV to Companies Act, 1956, whichever is lower, by equal annual installments.

4. REVALUATION OF ASSETS

To review the original book value of Fixed Assets, from time to time, and revalue such of those Fixed Assets as have appreciated in value significantly, in order to relate them more closely to current replacement values, to adjust the provision for depreciation on such revalued Fixed Assets, where applicable, in order to make allowance for consequent additional diminution in value on considerations of age, condition and unexpired useful life of such Fixed Assets; to transfer to Revaluation Reserve, the difference between the written up value of the Fixed Assets revalued and depreciation adjustment and to charge Revaluation Reserve Account with depreciation on that portion of the value which is written up.

5. REVENUE RECOGNITION

Income from operating licence fees is booked on accrual basis in accordance with the provisions of operating licence agreement / arrangements with the licensee viz., ITC Limited.

6. PROPOSED DIVIDEND

To provide for Dividend as proposed by the Directors in the books of account, pending approval at the Annual General Meeting.

7. TAXES ON INCOME

To provide and determine current tax as the amount of tax payable in respect of taxable income for the period.

To provide and recognise deferred tax on timing differences between taxable income and accounting income subject to consideration of prudence.

Not to recognise Deferred tax assets on unabsorbed depreciation and carry forward of losses unless there is virtual certainty that there will be sufficient future taxable income available to realize such assets.

On behalf of the Board

Mohan Bhatnagar Director
M. Riaz Ahmed Director

New Delhi, 28th April, 2006

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE
(As per Schedule VI, Part IV of the Companies Act, 1956)

I. Registration Details

Registration No. State Code
Balance Sheet Date
Date Month Year

II. Capital raised during the year (Amount in Rs. Thousands)

Public Issue
Rights Issue
Bonus Issue
Private Placement

III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)

Total Liabilities
Total Assets

Sources of Funds

Paid-up Capital
Reserves & Surplus
Secured Loans
Unsecured Loans

Application of Funds

Net Fixed Assets
Investments
Net Current Assets
Deferred Tax Asset

IV. Performance of Company (Amount in Rs. Thousands)

Turnover
Total Expenditure
+ - Profit/Loss before Tax ☒
+ - Profit/Loss after Tax ☒
(Please tick appropriate box + for profit, - for loss)

Earnings per Share in Rs.
Dividend Rate %

V. Generic Names of Three Principal Products / Services of Company (as per monetary terms)

Item Code No.
Product Description

*** No item code has been assigned to 'Hotels' under the Indian Trade Classification.

REPORT OF THE DIRECTORS FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2006

Your Directors submit their report for the Financial Year ended 31st March, 2006.

FINANCIAL RESULTS

	(Rs. in lakhs)	
Year Ended March 31,	2006	2005
Total Income	16234.44	13028.43
Total Expenditure	14574.17	12317.31
Operating Profit (PBIDT)	1660.27	711.12
Depreciation	602.20	619.87
Profit / (Loss) before Tax	1058.08	91.25
Provision for Tax	20.36	(112.66)
Profit / (Loss) after Tax	1037.72	203.91
Profit / (Loss) brought forward	(2324.74)	(2528.65)
Balance carried to Balance Sheet	(1287.02)	(2324.74)

BUSINESS REVIEW

The year 2005 marked a significant shift with strategic outsourcing being viewed in the US as a key driver for value creation. Outsourcing continued to grow in the UK market with many companies off-shoring application management and support and infrastructure services in addition to customer care services. The year also saw several European companies, particularly those in Scandinavia and Germany, exploring off-shoring of work in a bigger way in pursuit of their business goals. Research indicates that India's standing as a preferred offshore destination has been further reinforced.

The IT-ITES sector witnessed steady growth in 2005 on the back of healthier spending across key markets viz. US, Western Europe and Japan. The portfolio of services sourced globally continued to expand into higher value, more complex activities, further reinforcing the growing maturity of the global delivery model. Consequently, there is a rush among IT-ITES companies to garner scale, build knowledge capital and establish global delivery capability. As a result, significant consolidation is taking place in all sectors of the IT industry.

While the overall economic environment has been conducive to growth, the specific business dynamics in respect of your Company's IT services business was challenging with certain key customers undergoing organisational restructuring and redesign leading to changes in IT strategy and staff. Consequently the revenues and margins of your Company were adversely affected.

However, the success of the Company and its wholly owned subsidiaries in US and UK (ITC Infotech) in acquiring several new customers in US and Europe, many of whom are in the Fortune 500 / 1000 list, is very encouraging. It also demonstrates the positive effects of the internal restructuring completed during the year to bring sharper focus on select business verticals, greater thrust and accountability for new customer acquisition and to progressively overcome the risks of a narrow customer base.

ITC Infotech has expanded its operations by setting up a representative office in Kuala Lumpur, Malaysia and a branch office in Prague, Czech Republic and is now a 1250 strong team of software engineers.

'Global Services Research' has recognized ITC Infotech as one amongst the Top 5 Specialty Application Development Providers globally and placed it amongst Top 100 Global Services Companies. Other analysts like 'AMR Research' have recognised ITC Infotech as one of the key Offshore Testing Services Providers amongst the Emerging IT Companies in India. Further 'Forrester Research' has profiled ITC Infotech amongst leading Offshore SAP Services Providers.

Your Company believes that the business environment is vibrant, the India brand is climbing new peaks and confidence in the off-shoring model is high. In this business environment and the competitive landscape in the global outsourcing market, strong relationships, diversity of services, a global delivery footprint, effective management of scale and deep domain understanding would be the key differentiators in the highly competitive global IT-ITES industry.

Your Company will continue to focus on these challenges to attain a superior position in the marketplace. It has built a healthy pipeline of customers around testing, package implementation and IT infrastructure services and plans to build upon these new engines of growth in the ensuing years. Going forward your Company plans to focus on strategic capability building in identified technology practices and new customer acquisitions in its vertical business domains. Towards this your Company is also exploring possibilities of inorganic growth and strategic alliances.

WHOLLY OWNED SUBSIDIARIES

i) ITC INFOTECH LTD., UK

During the year under review, ITC Infotech Ltd., UK, a wholly owned subsidiary of your Company, has registered a Turnover of GBP 14.31 million (previous year – GBP 13.58 million) and a net profit of GBP 0.40 million (previous year – GBP 1.10 million). The company declared a dividend of GBP 0.26 per share (previous year- GBP 1.00 per share), aggregating GBP 178312, for the financial year ended 31st March, 2006.

ii) ITC INFOTECH (USA), INC

During the year under review, ITC Infotech (USA), Inc., a wholly owned subsidiary of your Company, registered total Revenues of US\$ 6.51 million (previous year – US\$ 4.92 million) and a net profit of US\$ 0.16 million (previous year – net loss US\$ 0.49 million). The company has recorded its maiden net profit since it became a subsidiary of your Company.

JOINT VENTURE - CLI3L E-SERVICES LIMITED

In the IT Enabled Services segment, CLI3L e-Services Limited (CLI3L), a joint venture of your Company, posted a robust performance with total income and post tax profits growing by 29% and 51% respectively. The results reflect the growing customer confidence in the company's service delivery processes and the quality of its talent base and infrastructure. The post tax profit margins of the company, at 25% compares favourably with industry averages.

CLI3L registered a total income of Rs. 133.73 crores (previous year Rs. 103.85 crores) and a PAT of Rs. 32.86 crores (previous year Rs. 21.79 crores). The Company declared a total dividend of 125% i.e. Rs. 12.50 per share (previous year- nil).

TALENT MANAGEMENT

A competent talent pool is the key source of competitive advantage in the IT business. The Company has grown its talent base with the average headcount increasing by 30% in the year under review. Given the challenging talent market, the Company continues to reinforce its human resource management systems and processes with particular focus on recruitment and training & development.

OTHER INFORMATION

The particulars of conservation of Energy, Technology Absorption, Foreign Exchange Earnings and Outgo in terms of Section 217(1)(e) of the Companies Act, 1956 (Act) are given in Annexures "A" and "B". The particulars of employees in terms of Section 217 (2A) of the Act, read with Companies (Particulars of Employees) Rules, 1975, as amended, is given in Annexure "C". The Directors' Responsibility Statement as required in terms of Section 217(2AA) is given in Annexure "D".

DIRECTORS

In accordance with the provisions of Section 256 of the Companies Act, 1956 and Article 143 of the Articles of Association of the Company, Mr. A. Nayak and Mr. B. B. Chatterjee will retire by rotation at the ensuing Annual General Meeting, and being eligible, offer themselves for re-election.

Mr. S. Verma resigned as Managing Director of the Company with effect from close of business on 13th May, 2006. Your Board of Directors places on record its appreciation for the contribution made by Mr. Verma during his tenure as Managing Director of the Company.

Mr. S. Puri was appointed by the Board of Directors as Additional Director of the Company on 13th May, 2006 in terms of Section 260 of the Companies Act, 1956. Mr. Puri will vacate office at the ensuing Annual General Meeting of your Company and has filed his consent to act as Director of the Company, if appointed. Notice under Section 257 of the Companies Act, 1956 has been received for appointment of Mr. Puri as Director of the Company. Appropriate resolution seeking your approval for Mr. Puri's appointment is included in the Notice convening the 10th Annual General Meeting of the Company.

The Board of Directors of your Company at their meeting held on 13th May, 2006 appointed Mr. S. Puri as Managing Director of the Company, subject to your approval and such other approvals as may be necessary, for a period of two years with effect from 14th May, 2006. Appropriate resolution seeking your approval to Mr. Puri's appointment is included in the Notice convening the 10th Annual General Meeting of the Company.

AUDIT COMMITTEE

The Audit Committee of the Company comprises Mr. B. B. Chatterjee (Chairman of the Committee), Mr. A. Nayak and Mr. K. Vaidyanath, all non-Executive Directors of your Company. The Managing Director, the Head of Finance, the Statutory Auditors and the Internal Auditors are Permanent Invitees to the Committee. The Company Secretary serves as the Secretary of the Committee.

AUDITORS

The Auditors, M/s. Price Waterhouse retire at the ensuing Annual General Meeting and, being eligible, offer themselves for re-appointment.

ACKNOWLEDGEMENTS

Your Directors place on record their appreciation of the vital contribution made by employees at all levels.

Bangalore, 13th May, 2006

Registered Office:

Virginia House

37 J. L. Nehru Road

Kolkata 700 071, India.

On behalf of the Board

Anup Singh
Chairman

ANNEXURE 'A' TO THE REPORT OF DIRECTORS
FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2006

INFORMATION AS PER THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1998

A. CONSERVATION OF ENERGY

Since the Company is engaged in providing information technology solutions and services, it is not a major consumer of energy.

B. TECHNOLOGY ABSORPTION

I. RESEARCH AND DEVELOPMENT (R & D) : Not Applicable

1. Specific areas in which R & D carried out by the Company
2. Benefits derived as a result of the above R & D
3. Future plan of action
4. Expenditure on R & D for
 - (a) Capital
 - (b) Recurring
 - (c) Total
 - (d) Total R & D expenditure as a percentage of Total Turnover

II. TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

1. Efforts in brief made towards technology absorption, adaptation and innovation.

The Company operates in various state-of-the-art technology areas and has developed the necessary related skills.

The Technology Services Group of the Company continuously scans the market for new technologies, designs, systems and processes and institutes appropriate systems to ensure effective absorption and deployment of such technologies within the organisation.

2. Benefit derived as a result of the above efforts

Expansion of business in various new technology areas and productivity improvements through the use of contemporary software tools.

On behalf of the Board

Anup Singh
Chairman

Bangalore, 13th May, 2006

ANNEXURE 'B' TO THE REPORT OF DIRECTORS
FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2006

INFORMATION AS PER THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1998

FOREIGN EXCHANGE EARNINGS AND OUTGO

(a) Activities related to exports; initiatives taken to increase exports, development of new export markets for products and services; and export plans

The Company has exported software and professional services to various countries. The Company aims to maximise its exports by maintaining constant contact with prospective customers, focussed business development and participation in international exhibitions to promote its services.

(b) Total foreign exchange used and earned

The foreign exchange earnings (FOB-realisation basis) of the Company during the year were Rs. 11,351.34 lakhs (previous year Rs. 8,283.41 lakhs) while the outgoings (on payment basis) were Rs. 4,546.40 lakhs (previous year Rs. 4,722.15 lakhs).

On behalf of the Board

Anup Singh
Chairman

Bangalore, 13th May, 2006

ANNEXURE 'C' TO THE REPORT OF DIRECTORS
FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2006

Particulars of Employees under Section 217 (2A) of the Companies Act, 1956 and forming part of the Directors' Report

Name	Age	Designation/ Nature of Duties	Gross Remu- neration (Rs.)	Net Remu- neration (Rs.)	Qualifications	Experience (Years)	Date of Joining	Previous Employment/ Position Held
1	2	3	4	5	6	7	8	9
Employed throughout the year and in receipt of remuneration aggregating Rs. 24,00,000/- or more								
AITHANI K.S.	47	V.P.-Key Accounts	3474050	1553294	M.Tech.	23	1-Oct-00	ITC Infotech Ltd. U.K. Chief Executive Officer
BABU V.V.R.	51	Senior Vice President	4696248	2029102	B.Sc., M.Sc.(Tech), M.Phil.	29	1-Oct-00	ITC Ltd. Divisional Head, India Operations (ISD)
BASU A.	46	G.M.-IT Services	2928622	1301331	B.E., M.Tech.	23	1-Jul-03	ITC Ltd. Computer Audit Manager
GANESH J.	46	V.P.-Key Strategic Accounts	3150917	1974820	B.E., PGDBM	21	4-Apr-02	Talisma Corp. Pvt. Ltd. CIO
GHOSH T.	44	G.M.-IT Services	3094358	1845510	M.Sc., M.Tech.	20	1-Oct-00	ITC Ltd., Software Development Manager
GUPTA S.K.	50	Business Practice	2710264	1761510	B.SC., M.Tech.	28	1-Oct-04	Vmokasha Technologies Exe. - Vice President
JANARDHANAN S.	48	V.P.-Technology Services	3642669	2164790	B.Sc., M.Sc.	26	1-Oct-00	ITC Ltd. Head, ITC IT Services
LAKSHMINARAYANAN G.	49	G.M.-Quality & Processes	2821876	1230698	B.Sc.	29	1-Oct-00	ITC Ltd., Software Development Manager
MITRA A.K.	54	Technology Practice Head -Custom Software Development	2767028	1651151	B.E., M.Tech.	29	1-Oct-00	ITC Ltd. General Manager - IT
NATARAJAN V.	37	G.M.-Engineering Services	2643556	1746177	B.E., MBA	13	7-Aug-03	Mahindra Holidays Corporate Marketing Manager
NATU P.	38	G.M.-Outsourced	2602375	1451608	B.Sc.	15	6-Nov-02	MPHASIS BFL Limited Manager Business Development
PRABHAKAR L.	40	Services On Loan To Joint Venture Company	3051770	1965383	B.E., PGDPM & IR	18	16-Oct-03	Carborundum Universal Limited DGM - HR&TQM
RAJASEKHAR V. V.	41	G.M.-IT Services	3203144	1656008	B.E., MBA	17	1-Dec-00	ITC Ltd. Manager IT Projects
RAMACHANDRAN S.	43	G.M.-Strategic Planning Group	2575427	1128079	B.E.	21	1-Oct-00	ITC Ltd., Manager Continuous Improvement
SAHAY R.	37	G.M.-Talent Management	2878642	1442313	B.E., PGDPM & IR	13	1-Oct-00	ITC Ltd. Human Resource Manager
SINHA A.K.	54	V.P.-Delivery	3840552	1715878	B.Sc. Engg., PGDBM	30	31-Oct-03	Infogain India Pvt. Ltd. Noida, Managing Director
SREENIVASAN V.	43	V.P.-Strategic Relations	4049713	1851824	B.E.	21	1-Oct-00	ITC Ltd., Head Software Development Centre
SUBBAIAH S.	47	Business Practice Head - CPG & RETAIL	2887307	1837249	B.Sc., M.Sc.	26	24-Jan-05	Symphony Services Corp. Vice President - Head, Global Operating Center
SURESH D.	42	G.M.-IT Audit	2408769	1085590	M.Tech.	21	1-Dec-00	ITC Ltd., Chief Information Officer - ILTD
TALWAR A.	47	V.P.-Talent Management	3350590	1533612	B.Tech., MBA	22	9-Apr-01	Reliance Telecom Ltd. Kolkata, Vice President - HRD
VERMA A.	38	G.M.-IT Services	2864324	1357228	B.E., MBA	17	1-Jul-02	Microsoft Corporation India Pvt. Ltd., Manager - Enterprise Partners
Employed for a part of the year and in receipt of remuneration aggregating Rs.2,00,000 /- or more per month								
CHAKRABORTY U.	50	V.P.-IT Services	1506698	996545	PGDM, M.Sc.	26	26-Sep-05	Convergys India Pvt. Ltd. Director - IT
DUBE K.	45	V.P. - Key Accounts	1372416	691947	B.Sc., M.Sc.	24	3-Nov-04	G.E. Capital Vice President
GHOSH D.	44	Business Practice Head - Manufacturing	1962286	1313696	B.Tech.	22	8-Jun-05	Geometric Software Solutions Co. Ltd., Head Engineering Services Division
HEGDE M.	45	Principal Consultant	1933393	1300873	M.Tech., MBA	18	26-Aug-02	Mind Tree Consulting Pvt. Ltd., Principal Consultant
MAKA N.	45	Technology Practice Head - CRM & Testing	2299523	1470746	M.Tech.	22	10-May-05	Siebel Systems Director
SIKKA U.S.	48	V.P.-Quality	1781835	1101749	B.Tech., PGDBM	23	31-Oct-03	Goldstones Technologies Vice President - Technologies
SINHA A.	49	G.M.-Product Solution Delivery	720815	414021	B.Tech.	28	1-Oct-00	ITC Ltd. Manager CPC Group

Notes:

1. Gross remuneration comprises salary, allowances, medical reimbursement, leave travel assistance, Company's contribution to provident, pension and gratuity funds, monetary value of other perquisites computed on the basis of the Income Tax Act & Rules, leave encashment & performance bonus, wherever applicable.
2. Net Remuneration comprises cash income less (a) Income tax & surcharge deducted at source and (b) managers own contribution to PF.
3. All appointments are / were contractual, other terms & conditions are as per Company's Rules.
4. None of the above employees is a relative of any Director of the Company.

On behalf of the Board
Anup Singh
Chairman

Bangalore, 13th May, 2006

ANNEXURE 'D' TO THE REPORT OF DIRECTORS

FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2006

INFORMATION AS REQUIRED IN TERMS OF SECTION 217(2AA) OF THE COMPANIES ACT, 1956 (ACT)**DIRECTORS' RESPONSIBILITY STATEMENT**

The Board of Directors states :

- That in the preparation of the Annual Accounts for the year ended 31st March, 2006, the applicable accounting standards have been followed and there are no material departures.
- That the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of

the Company at the end of the financial year ended 31st March, 2006 and of the Profit of the Company for that period;

- That the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- That the Directors have prepared the Annual Accounts for the year ended 31st March, 2006 on a going concern basis.

On behalf of the Board

Anup Singh
Chairman

Bangalore, 13th May, 2006

REPORT OF THE AUDITORS TO THE MEMBERS OF ITC INFOTECH INDIA LIMITED

1. We have audited the attached Balance Sheet of ITC INFOTECH INDIA LIMITED, as at 31st March, 2006, and the related Profit and Loss Account and Cash Flow Statement for the year ended on that date, annexed thereto, which we have signed under reference to this report. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004, issued by the Central Government of India in terms of sub-section (4A) of Section 227 of 'The Companies Act, 1956' of India (the 'Act') and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
 - (a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - (c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - (d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Act;
 - (e) On the basis of written representations received from the Directors, as on 31st March, 2006 and taken on record by the Board of Directors, none of the Directors is disqualified as on 31st March, 2006 from being appointed as a Director in terms of clause (g) of sub-section (1) of Section 274 of the Act;
 - (f) In our opinion and to the best of our information and according to the explanations given to us, the said financial statements together with the notes thereon and attached thereto give in the prescribed manner the information required by the Act and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2006;
 - (ii) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
 - (iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

S. Gopalakrishnan
Partner

Membership Number 18863

For and on behalf of

Price Waterhouse
Chartered AccountantsPlace : Bangalore
Date : 13th May, 2006**ANNEXURE TO AUDITORS' REPORT**

[Referred to in paragraph 3 of the Auditors' Report of even date to the members of ITC INFOTECH INDIA LIMITED on the financial statements for the year ended 31st March, 2006]

1. (a) The Company is maintaining proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) The fixed assets are physically verified by the management according to a phased programme, designed to cover all the items over a period of three years, which in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. Pursuant to the programme, a portion of the fixed assets has been physically verified by the management during the year and no material discrepancies between the book records and the physical inventory have been noticed.
- (c) In our opinion and according to the information and explanations given to us, a substantial part of fixed assets has not been disposed of by the Company during the year.
2. The Company has neither granted nor taken any loans, secured or unsecured, to/from companies, firms or other parties covered in the Register maintained under Section 301 of the Act.
3. In our opinion and according to the information and explanations given to us, having regard to the explanation that certain items purchased are of special nature for which suitable alternative sources do not exist for obtaining comparative quotations, there is an adequate internal control systems commensurate with the size of the Company and the nature of its business for the purchase of fixed assets and for
- the sale of services. The activities of the Company did not involve purchase of inventory and sale of goods during the year. Further, on the basis of our examination of the books and records of the Company, and according to the information and explanations given to us, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the aforesaid internal control system.
4. In our opinion and according to the information and explanations given to us, there are no contracts or arrangements referred to in Section 301 of the Act, the particulars of which needs to be entered into the Register maintained under that section.
5. The Company has not accepted any deposits from the public within the meaning of Sections 58A and 58AA of the Act and the rules framed thereunder.
6. In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.
7. (a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is regular in depositing the undisputed statutory dues including provident fund, income tax, sales tax, service tax, customs duty, cess and other material statutory dues as applicable with the appropriate authorities in India. Investor education and protection fund, employees' state insurance, wealth tax & excise duty are not applicable to the Company for the current year.

- (b) According to the information and explanations given to us and the records of the Company examined by us, there are no dues of income tax, sales tax, service tax, customs duty and cess which have not been deposited on account of any dispute. Wealth tax and excise duty are not applicable to the Company for the current year.
8. The accumulated losses of the Company as at 31st March, 2006 is more than fifty percent of its net worth. However, the Company has not incurred cash losses in the financial year ended on that date or in the immediately preceding financial year.
9. The Company has neither taken any loans from a financial institution or bank nor issued any debentures during the year nor were there any such amounts due for repayment as at the balance sheet date.
10. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
11. In our opinion, and according to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions during the year.
12. In our opinion, and according to the information and explanations given to us, on an overall basis, the unsecured loans in the nature of term loans taken from the holding company, have been applied for the purposes for which they were obtained.
13. On the basis of an overall examination of the balance sheet of the Company, in our opinion and according to the information and explanations given to us, there are no funds raised on a short-term

basis which have been used for long-term investment.

14. The Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under Section 301 of the Act during the year.
15. The Company has not raised any money by public issues during the year.
16. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us we have neither come across any instance of fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by the management.
17. The other clauses (ii)(a), (ii)(b), (ii)(c), (iii)(b), (iii)(c), (iii)(d), (iii)(f), (iii)(g), (v)(b), (viii), (xiii), (xiv) and (xix) of paragraph 4 of the Companies (Auditor's Report) Order, 2003 as amended by the Companies (Auditor's Report) (Amendment) Order, 2004, are not applicable in the case of the Company for the current year, since in our opinion there is no matter which arises to be reported in the aforesaid Order.

S. Gopalakrishnan
Partner

Membership Number 18863
For and on behalf of

Price Waterhouse
Chartered Accountants

Place : Bangalore
Date : 13th May, 2006

BALANCE SHEET AS AT 31ST MARCH, 2006

	Schedule	As at 31st March, 2006 (Rs.)	As at 31st March, 2005 (Rs.)
I. SOURCES OF FUNDS :			
1. Shareholders' Funds			
Capital	1	252,000,000	252,000,000
2. Loan Funds			
Unsecured Loans	2	1,080,900,000	1,114,900,000
Total		1,332,900,000	1,366,900,000
II. APPLICATION OF FUNDS :			
1. Fixed Assets	3		
(a) Gross Block		454,437,402	406,067,343
(b) Less: Depreciation		229,169,113	176,500,770
(c) Net Block		225,268,289	229,566,573
(d) Capital Work-in-Progress		1,942,331	-
		227,210,620	229,566,573
2. Investments	4	449,519,077	449,519,077
3. Deferred Tax - Net	5	62,145,071	53,438,843
4. Current Assets, Loans and Advances			
(a) Sundry Debtors	6	393,806,701	428,516,243
(b) Cash and Bank Balances	7	13,659,400	71,454,775
(c) Other Current Assets	8	102,348,738	19,372,576
(d) Loans and Advances	9	73,400,395	54,080,623
		583,215,234	573,424,217
Less:			
5. Current Liabilities and Provisions			
(a) Liabilities	10	107,236,169	145,105,083
(b) Provisions	11	10,655,678	26,417,535
		117,891,847	171,522,618
Net Current Assets		465,323,387	401,901,599
6. Profit and Loss Account	12	128,701,845	232,473,908
Total		1,332,900,000	1,366,900,000
Notes to the Accounts	18		
Segment Reporting	19		
Related Party Disclosures	20		
Significant Accounting Policies	21		

The Schedules referred to above form an integral part of the Balance Sheet.
This is the Balance Sheet referred to in our Report of even date.

S. Gopalakrishnan, Partner
For and on behalf of Price Waterhouse
Chartered Accountants
Place : Bangalore
Date : 13th May, 2006

On behalf of the Board

S. Verma Managing Director
B. B. Chatterjee Director
S. V. Shah Company Secretary

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2006

	Schedule	For the year ended 31st March, 2006 (Rs.)	For the year ended 31st March, 2005 (Rs.)
I. INCOME			
Sales and Services	13	1,415,675,001	1,230,795,494
Other Income	14	207,769,138	72,047,788
		<u>1,623,444,139</u>	<u>1,302,843,282</u>
II. EXPENDITURE			
Personnel Expenses	15	742,557,777	458,044,658
Operating and Administrative Expenses	16	714,859,017	773,686,179
Depreciation and Amortisation		60,219,577	61,987,860
		<u>1,517,636,371</u>	<u>1,293,718,697</u>
III. PROFIT / (LOSS) BEFORE TAXATION		105,807,768	9,124,585
Provision for Taxation	17	2,035,705	(11,266,145)
IV. PROFIT / (LOSS) AFTER TAXATION, CARRIED FORWARD		<u>103,772,063</u>	<u>20,390,730</u>
Earnings Per Share (Face value Rs. 10 each) (Basic and Diluted)	18 (xi)	4.12	0.81
Notes to the Accounts	18		
Segment Reporting	19		
Related Party Disclosures	20		
Significant Accounting Policies	21		
The Schedules referred to above form an integral part of the Profit and Loss Account. This is the Profit and Loss Account referred to in our Report of even date.			

S. Gopalakrishnan, *Partner*
For and on behalf of Price Waterhouse
Chartered Accountants
Place : Bangalore
Date : 13th May, 2006

On behalf of the Board

S. Verma *Managing Director*
B. B. Chatterjee *Director*
S. V. Shah *Company Secretary*

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2006

	For the year ended 31st March, 2006 (Rs.)	For the year ended 31st March, 2005 (Rs.)
(Figures for the previous year have been rearranged to conform with the revised presentation)		
A. NET PROFIT / (LOSS) BEFORE TAX	105,807,768	9,124,585
ADJUSTMENTS FOR :		
Depreciation	60,219,577	61,987,860
Income from Long Term Investments	(201,318,275)	(57,205,887)
Fixed Assets - (Profit) / Loss on Sale / Write off (Net)	415,133	18,325
Unrealised (Gain) / Loss on exchange (Net)	(751,483)	2,323,806
Interest etc.	(832,496)	(977,397)
Liability no longer required written back	(9,811,841)	(342,562)
	<u>(152,079,385)</u>	<u>5,804,145</u>
OPERATING PROFIT / (LOSS) BEFORE WORKING CAPITAL CHANGES	(46,271,617)	14,928,730
ADJUSTMENTS FOR :		
Trade and Other Receivables	20,103,233	(213,829,738)
Trade Payables	(43,818,930)	57,382,347
	<u>(23,715,697)</u>	<u>(156,447,391)</u>
CASH USED IN OPERATIONS	(69,987,314)	(141,518,661)
Income Tax Paid	12,639,911	(3,083,455)
NET CASH USED IN OPERATING ACTIVITIES	<u>(82,627,225)</u>	<u>(138,435,206)</u>
B. CASH FLOW FROM INVESTING ACTIVITIES :		
Purchase of Fixed Assets	(58,282,257)	(15,967,457)
Sale of Fixed Assets	3,500	10,257
Purchase of Long Term Investments	—	(16,084,250)
Interest Received	817,984	967,140
Income from Long Term Investments Received	116,292,623	45,913,257
NET CASH USED IN INVESTING ACTIVITIES	<u>58,831,850</u>	<u>14,838,947</u>
C. CASH FLOW FROM FINANCING ACTIVITIES :		
Proceeds from Long Term Borrowings	512,400,000	619,200,000
Repayments of Long Term Borrowings	(546,400,000)	(442,800,000)
NET CASH FLOW USED IN FINANCING ACTIVITIES	<u>(34,000,000)</u>	<u>176,400,000</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	<u>(57,795,375)</u>	<u>52,803,741</u>
OPENING CASH AND CASH EQUIVALENTS	71,454,775	18,651,034
CLOSING CASH AND CASH EQUIVALENTS	<u>13,659,400</u>	<u>71,454,775</u>
CASH AND CASH EQUIVALENTS COMPRISE :		
Cash and Bank Balances	13,625,830	71,411,029
Unrealised Gain on Foreign Currency Cash and Cash Equivalents	33,570	43,746
	<u>13,659,400</u>	<u>71,454,775</u>
This is the Cash Flow Statement referred to in our Report of even date.		

S. Gopalakrishnan, *Partner*
For and on behalf of Price Waterhouse
Chartered Accountants
Place : Bangalore
Date : 13th May, 2006

On behalf of the Board

S. Verma *Managing Director*
B. B. Chatterjee *Director*
S. V. Shah *Company Secretary*

SCHEDULES TO THE ACCOUNTS

	As at 31st March, 2006 (Rs.)	As at 31st March, 2005 (Rs.)		As at 31st March, 2006 (Rs.)	As at 31st March, 2005 (Rs.)
1. CAPITAL			2. UNSECURED LOANS		
Authorised: 26,000,000 Equity Shares of Rs. 10 each	260,000,000	260,000,000	Other than Short Term From Other than Banks	1,080,900,000	1,114,900,000
Issued, subscribed and paid-up: 25,200,000 Equity Shares of Rs. 10 each	252,000,000	252,000,000	(Interest-free Loan from the Holding Company, ITC Limited)	1,080,900,000	1,114,900,000
(All Equity Shares are held by the Holding Company, ITC Limited)	252,000,000	252,000,000			

3. FIXED ASSETS

Description	GROSS BLOCK				DEPRECIATION AND AMORTISATION				NET BLOCK	
	As at 1st April, 2005 (Rs.)	Additions (Rs.)	With- drawals (Rs.)	As at 31st March, 2006 (Rs.)	As at 1st April, 2005 (Rs.)	For the year (Rs.)	On Withdrawals (Rs.)	As at 31st March, 2006 (Rs.)	As at 31st March, 2006 (Rs.)	As at 31st March, 2005 (Rs.)
Leasehold Improvements	28,369,934	14,553,463	—	42,923,397	6,856,082	3,275,546	—	10,131,628	32,791,769	21,513,852
Plant and Machinery	46,049,887	9,440,547	86,216	55,404,218	27,198,663	7,769,267	7,947	34,959,983	20,444,235	18,851,224
Computers etc.	124,931,620	21,208,560	7,852,033	138,288,147	92,670,254	11,340,660	7,511,667	96,499,247	41,788,900	32,261,366
Capitalised Software	178,001,596	6,224,066	—	184,225,662	34,917,914	31,657,698	—	66,575,612	117,650,050	143,083,682
Furniture and Fixtures	28,714,306	4,913,290	31,618	33,595,978	14,857,857	6,176,406	31,620	21,002,643	12,593,335	13,856,449
	406,067,343	56,339,926	7,969,867	454,437,402	176,500,770	60,219,577	7,551,234	229,169,113	225,268,289	229,566,573
Capital Work-in-Progress	—	—	—	—	—	—	—	—	1,942,331	—
Total	406,067,343	56,339,926	7,969,867	454,437,402	176,500,770	60,219,577	7,551,234	229,169,113	227,210,620	229,566,573
Previous Year	390,150,732	17,566,579	1,649,968	406,067,343	114,545,431	61,987,860	32,521	176,500,770	229,566,573	

Note : The capitalised softwares have useful lives ranging between 3 to 5 years. Amortisation is based on the straight line method in respect of software for internal use and on man hours deployed for revenue generating activities.

	As at 31st March, 2006 (Rs.)	As at 31st March, 2005 (Rs.)		As at 31st March, 2006 (Rs.)	As at 31st March, 2005 (Rs.)
4. INVESTMENTS			7. CASH AND BANK BALANCES		
Long Term			Cash and Cheques on Hand	3,854,818	3,850,761
Unquoted (at Cost)			Balances with Scheduled Banks		
Trade Investment			On Current Accounts	9,404,582	67,204,014
CLIL e-Services Limited			On Deposit Accounts	400,000	400,000
14,999,999 Equity Shares of	149,999,990	149,999,990		13,659,400	71,454,775
Rs. 10 each, fully paid-up					
Subsidiary Companies			8. OTHER CURRENT ASSETS		
ITC Infotech Limited, U.K.			Good and Unsecured		
685,815 Equity Shares of GBP 1 each,	68,685,837	68,685,837	Deposits with Government,		
fully paid-up			Public Bodies and Others	5,999,838	8,063,840
ITC Infotech (USA), Inc.			Interest accrued on Loans, Advances, etc.	30,618	16,106
47,000 Common Shares without par value	230,833,250	230,833,250	Dividend Receivable	96,318,282	11,292,630
	449,519,077	449,519,077		102,348,738	19,372,576
5. DEFERRED TAX - NET			9. LOANS AND ADVANCES		
Deferred Tax Assets			Good and Unsecured		
On employees' separation and retirement	3,586,701	9,666,836	Loans to Employees	40,593,973	31,287,883
On provision for doubtful debts / advances	883,493	454,598	Advances recoverable in cash		
On unabsorbed depreciation	60,284,438	48,735,838	or in kind or for value		
	64,754,632	58,857,272	to be received	29,990,673	21,874,969
Deferred Tax Liabilities			Advance Tax (Net of Provision for Income Tax)	2,815,749	917,771
On fiscal allowances on fixed assets	2,609,561	5,418,429		73,400,395	54,080,623
	2,609,561	5,418,429			
	62,145,071	53,438,843			
6. SUNDRY DEBTORS			10. LIABILITIES		
Over six months old			Sundry Creditors		
Good and Unsecured			- Dues to small scale industrial undertakings	—	—
- From Others	28,509,385	22,008,188	- Dues to other than small scale		
Doubtful and Unsecured			industrial undertakings	96,374,826	113,433,719
- From Others	2,624,755	1,242,326	Advance from Customers	—	5,579,375
Other Debts			Unearned Revenue	—	19,674,536
Good and Unsecured			Other Liabilities	10,861,344	6,417,453
- From Holding Company	12,367,039	211,967		107,236,169	145,105,083
- From Subsidiaries	133,408,734	114,726,124			
- From Others *	219,521,543	291,569,964			
	396,431,456	429,758,569			
Less: Provision for Doubtful Debts	2,624,755	1,242,326	11. PROVISIONS		
	393,806,701	428,516,243	Provision for Pension	680,691	16,547,370
			Provision for Leave Encashment	9,974,987	9,870,165
				10,655,678	26,417,535

* Includes Unbilled Revenue Rs. 5,498,914 (2005 - Rs. 7,080,380)

	As at 31st March, 2006 (Rs.)	As at 31st March, 2005 (Rs.)
12. PROFIT AND LOSS ACCOUNT		
Loss brought forward	232,473,908	252,864,638
Less: Profit from Profit & Loss Account	103,772,063	20,390,730
	<u>128,701,845</u>	<u>232,473,908</u>
13. SALES AND SERVICES		
Exports	1,155,702,417	1,062,241,936
Domestic	259,972,584	168,553,558
	<u>1,415,675,001</u>	<u>1,230,795,494</u>
14. OTHER INCOME		
Interest on Loans, Deposits, etc. - Gross (Tax Deducted at Source Rs. 3,457) (2005 - Rs. 2,501)	832,496	977,397
Gain / (Loss) on Exchange - Net	(4,857,378)	11,213,313
Income from Long Term Investment		
- Trade	187,499,987	—
- Subsidiary	13,818,288	57,205,887
(Tax Deducted at source Rs. Nil) (2005 - Rs. Nil)		
Profit/(Loss) on Sale of Fixed Assets	3,500	(4,212)
Liabilities no longer required written back	9,811,841	342,562
Miscellaneous Income	660,404	2,312,841
	<u>207,769,138</u>	<u>72,047,788</u>
15. PERSONNEL EXPENSES		
Salaries and Bonus	649,502,771	387,606,523
Contribution to Provident and Other Funds	53,283,118	27,562,194
Staff Welfare Expenses	21,296,137	23,196,160
Reimbursement of Contractual Remuneration (including Payment to Subsidiary Companies Rs. 10,912,266) (2005 - Rs. 11,461,215)	18,475,751	19,679,781
	<u>742,557,777</u>	<u>458,044,658</u>
16. OPERATING AND ADMINISTRATIVE EXPENSES		
Rent	31,123,432	27,406,410
Rates and Taxes	10,614,825	5,714,159
Insurance	5,929,053	5,720,985
Travelling and Conveyance	245,599,270	319,961,642
Communication	24,307,370	23,145,442
Power and Fuel	14,340,540	12,580,045
Outsourcing Charges	263,109,381	237,124,821
(including Payment to Subsidiary Companies Rs. 249,259,100) (2005 - Rs.224,531,789)		
Software and Related Expenses	28,479,358	50,577,969
Business Development Expenses	10,623,712	4,666,939
Repairs and Maintenance		
- Buildings	5,457,301	5,453,855
- Machinery	1,930,057	3,438,608
- Others	7,098,772	6,903,391
Legal, Professional and Consultancy Expenses	31,729,852	31,939,841
Doubtful and Bad Debts	1,382,429	644,693
Fixed Assets Discarded (Net)	418,633	14,113
Auditors' Remuneration and Expenses	1,145,730	997,515
Training and Development	6,316,497	17,678,687
Miscellaneous Expenses	25,252,805	19,717,064
	<u>714,859,017</u>	<u>773,686,179</u>
17. PROVISION FOR TAXATION		
Current Tax	—	—
Fringe Benefit Tax	10,741,933	—
Deferred Tax	(8,706,228)	(11,266,145)
	<u>2,035,705</u>	<u>(11,266,145)</u>

18. NOTES TO THE ACCOUNTS

(i) Nature of Operations

ITC Infotech India Limited ("the Company") is a wholly owned subsidiary of ITC Limited ("the Holding Company") providing information technology solutions and software development services.

(ii) Commitments and Contingencies

(a) Estimated amount of contracts remaining to be executed on capital account, net of advances is Rs. 16,273,858 (2005 - Rs. 987,631).

(b) Counter guarantees outstanding - Rs. 400,000 (2005 - Rs. 400,000).

(iii) As a matter of prudence, the Company has not recognised deferred tax assets amounting to Rs. 103,448,580 (2005 - Rs. 63,342,430) in respect of accumulated losses as at 31st March, 2006 estimated at Rs. 307,333,868 (2005 - Rs. 173,102,221).

(iv) Considering the growth in revenues, profit earned during current year and potential for future earnings no provision for diminution in the value of investment in ITC Infotech (USA) Inc. ("12A"), is considered necessary, as in the opinion of management such diminution is of a temporary nature.

(v) The Company's significant leasing arrangements are in respect of operating leases for premises (residential, office etc). These leasing arrangements, which are not non-cancellable, range between 11 months and 9 years generally, and are usually renewable by mutual consent on mutually agreeable terms. The aggregate lease rentals payable are charged as Rent under Schedule 16 to the Accounts.

(vi) Based on the pattern of usage of the computers, the Company has re-assessed the useful life of the assets and amortized the value over the useful life/ remaining useful life of the asset. Consequent to such re-assessment, depreciation for the year is lower by Rs. 10,210,819.

(vii) Exchange difference in respect of forward exchange contracts to be recognised in the Profit and Loss Account in the subsequent accounting period amounts to Rs. 41,945 (credit) [2005 - Rs. 424,755 (credit)].

(viii) Interest in Joint Venture

The Company's interest, as a venturer, in jointly controlled entity (Incorporated Joint Venture) is:

Name	Country of Incorporation	Ownership interest as at 31st March, 2006	Ownership interest as at 31st March, 2005
CLI3L e-Services Limited	India	50% minus 1 share	50% minus 1 share

The Company holds 14,999,999 equity shares out of the total issued and paid up equity shares of 30,000,000 shares of Rs. 10 each in the above Joint Venture.

The Company's interest in the Joint Venture is reported as Long Term Investment (Schedule - 4) and stated at cost. However, the Company's share of each of the assets, liabilities, income and expenses, etc. (each without elimination of the effect of transactions between the Company and the Joint Venture) related to its interest in the Joint Venture are:

	As at 31st March, 2006 (Rs.)	As at 31st March, 2005 (Rs.)
(a) Assets and Liabilities		
I. Assets		
1. Fixed Assets (Net)	125,257,807	148,161,454
2. Investments	97,808,424	46,441,585
3. Current Assets, Loans and Advances		
a) Sundry Debtors	114,235,328	98,582,001
b) Cash and Bank Balances	1,310,681	1,812,515
c) Other Current Assets	18,363,301	20,636,632
d) Loans and Advances	5,574,292	4,337,447
	<u>362,549,833</u>	<u>319,971,634</u>
II. Liabilities		
1. Secured Loans	—	4,419,819
2. Current Liabilities and Provisions		
a) Liabilities	51,729,622	49,685,038
b) Provisions	95,959,341	1,512,024
	<u>147,688,963</u>	<u>55,616,881</u>
III. Net Assets	<u>214,860,870</u>	<u>264,354,753</u>

	For the year ended 31st March, 2006	For the year ended 31st March, 2005
	(Rs.)	(Rs.)
(b) Income and Expenses		
I. Income		
1. Sale of Services	664,826,291	516,032,138
2. Other Income	3,815,589	3,201,097
	<u>668,641,880</u>	<u>519,233,235</u>
II. Expenses		
1. Personnel Expenses	257,832,290	196,885,749
2. Operating and Administration Expenses	199,301,080	175,705,921
3. Depreciation	45,818,215	36,955,797
4. Interest	8,235	691,060
5. Provision for Taxation	1,379,070	49,000
	<u>504,338,890</u>	<u>410,287,527</u>
III. Profit After Tax	164,302,990	108,945,708
(c) Others	As at	As at
	31st March, 2006	31st March, 2005
	(Rs.)	(Rs.)
1. Contingent Liabilities	664,878	—
2. Capital Commitments	<u>3,270,993</u>	<u>1,230,456</u>
(ix) Retirement benefits in respect of pension, gratuity, etc. are provided for based on actuarial valuations as at the Balance Sheet date.		
(x) Quantitative details		
The Company is engaged in providing information technology solutions and software development services. The purchase, production and sale of such software cannot be expressed in any generic unit. Hence, it is not possible to give the quantitative details of sales and the information as required under Paragraphs 3 and 4C of Part II of Schedule VI of the Companies Act, 1956.		
	For the year ended 31st March, 2006	For the year ended 31st March, 2005
	Rs.	Rs.
(xi) Earnings per share		
Earnings per share has been computed as under:		
(a) Profit / (Loss) after Taxation	103,772,063	20,390,730
(b) Weighted average number of Equity Shares	25,200,000	25,200,000
(c) Earnings per share (Face value of Rs. 10 per share) (Basic and Diluted)	4.12	0.81
(xii) Auditors' Remuneration and Expenses (including service tax, where applicable)		
Audit Fees	757,620	661,200
Tax Audit Fees	137,750	110,200
Fees for other services	95,200	82,650
Reimbursement of Expenses	155,160	143,465
	<u>1,145,730</u>	<u>997,515</u>
(xiii) Value of Imports during the year (C.I.F. Basis)		
Capital Goods	14,890,191	3,170,385
	<u>14,890,191</u>	<u>3,170,385</u>
(xiv) Expenditure In Foreign Currency during the year (On Payment Basis)		
Travel	171,186,126	216,187,928
Professional, Consultancy and Account Management Fees	240,060,558	223,952,495
Software and Related Expenses	23,634,009	28,027,357
Others	4,869,475	877,335
	<u>439,750,168</u>	<u>469,045,115</u>

(xv) Earnings in foreign exchange during the year
(F.O.B. – Realisation Basis)

Sale of services including reimbursement of expenses	1,124,612,456	782,427,829
Dividend	10,521,774	45,913,257
	<u>1,135,134,230</u>	<u>828,341,086</u>

(xvi) Previous year's figures have been regrouped / rearranged wherever necessary.

19. SEGMENT REPORTING

The Company operates in a single business segment - information technology, which is its primary segment.

The geographical segments are secondary segments and have been identified accordingly as India and Rest of the World. In view of only one business segment, disclosure of information relating to primary segment is not applicable.

	31st March, 2006 Rs.	31st March, 2005 Rs.
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SECONDARY SEGMENT INFORMATION
(GEOGRAPHICAL SEGMENTS) :

Segment Revenue		
India	259,972,584	168,553,558
Rest of the World	1,155,702,417	1,062,241,936
Total Revenue	<u>1,415,675,001</u>	<u>1,230,795,494</u>

Segment Assets *		
India	594,566,065	530,763,156
Rest of the World	662,563,117	720,828,940
Total Assets	<u>1,257,129,182</u>	<u>1,251,592,096</u>

Capital Expenditure *		
India	56,339,926	17,566,579
Rest of the World	—	—

Total Capital Expenditure	<u>56,339,926</u>	<u>17,566,579</u>
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* Fixed Assets and Capital Expenditure have been considered on the basis of physical location.

20. RELATED PARTY DISCLOSURES

1. HOLDING COMPANY :

ITC Limited

2. ENTERPRISES WHERE CONTROL EXISTS :

Wholly Owned Subsidiaries :

ITC Infotech Limited, UK

ITC Infotech (USA), Inc.

3. OTHER RELATED PARTIES WITH WHOM THE COMPANY HAD TRANSACTIONS, etc.

i) Fellow Subsidiary Companies :

Fortune Park Hotels Limited (from 1st April, 2004)

Srinivasa Resorts Limited (from 1st April, 2004)

Landbase India Limited

Surya Nepal Private Limited

Wimco Limited

ii) Associates :

International Travel House Limited

iii) Joint Ventures :

CLi3L e-Services Limited

4. KEY MANAGEMENT PERSONNEL :

Non-Executive Directors

Mr. A. Singh - Chairman

Mr. A. Nayak

Mr. B. B. Chatterjee

Mr. K. Vaidyanath

Mr. S. Sivakumar

Management Committee Members

Mr. S. Verma - Managing Director

Mr. A. K. Mukerji

Mr. A. Sinha (w.e.f. 16th March, 2006)

Mr. A. Talwar

Mr. K. S. Aithani

Mr. S. Janardhanan (w.e.f. 16th March, 2006)

Mr. U. S. Sikka (up to 31st October, 2005)

Mr. V. Sreenivasan

Mr. V. V. R. Babu

5. DISCLOSURE OF TRANSACTIONS BETWEEN THE COMPANY AND RELATED PARTIES AND THE STATUS OF OUTSTANDING BALANCES AS ON 31ST MARCH

	Holding Company		Subsidiaries		Fellow Subsidiaries		Associates		Joint Ventures		Key Management Personnel	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Sale of Services	226,930,696	139,466,108	417,517,173	408,676,010	3,602,069	—	461,000	—	20,098,953	18,080,623	—	—
Purchase of Goods / Services	2,129,812	2,997,182	251,561,937	224,531,789	—	22,413	79,696,446	81,631,289	—	—	—	—
Rent paid	1,837,446	2,530,323	—	—	—	—	—	—	—	—	—	—
Remuneration to Key Managerial Personnel	—	—	—	—	—	—	—	—	—	—	17,583,006	17,185,130
Reimbursement of Contractual Remuneration	15,432,485	14,478,732	10,912,266	11,461,215	—	—	—	—	—	—	—	—
Remuneration of managers on deputation recovered	—	—	—	—	—	—	—	—	9,024,191	6,832,237	—	—
Dividend income	—	—	13,818,288	57,205,886	—	—	—	—	187,499,987	—	—	—
Expenses recovered	10,010,422	10,548,494	6,197,524	25,094,010	291,664	—	21,566	—	—	597,044	—	—
Expenses reimbursed	23,926,667	20,828,404	22,319,449	98,403,800	—	17,725	—	—	—	—	—	—
Loans given	—	—	—	—	—	—	—	—	—	—	—	200,000
Receipt towards Loan Repayment	—	—	—	—	—	—	—	—	—	—	163,229	142,258
Interest recovered on Loans	—	—	—	—	—	—	—	—	—	—	33,726	37,020
Loans received	512,400,000	619,200,000	—	—	—	—	—	—	—	—	—	—
Loan repaid	546,400,000	442,800,000	—	—	—	—	—	—	—	—	—	—
Advances refunded	—	603,933	—	—	—	—	—	—	—	—	—	—
Receipt towards refund of Advances	—	4,943,000	—	—	—	—	—	—	—	—	—	—
Balances as on 31st March,												
i) Debtors / Receivables	16,808,439	211,967	190,189,218	114,726,124	2,428,247	—	171,500	—	4,913,911	3,923,825	—	—
ii) Loans Taken	1,080,900,000	1,114,900,000	—	—	—	—	—	—	—	—	—	—
iii) Loans Given	—	—	—	—	—	—	—	—	—	—	3,171,788	2,741,975
iv) Creditors / Payables	4,441,399	—	56,780,485	—	—	17,725	6,996,941	10,494,648	—	—	661,388	503,790
v) Dividend Receivable	—	—	13,818,288	—	—	—	—	—	82,499,994	—	—	—

21. SIGNIFICANT ACCOUNTING POLICIES

IT IS CORPORATE POLICY

Convention

To prepare financial statements in accordance with applicable Accounting Standards in India. A summary of important accounting policies, which have been applied consistently, is set out below. The financial statements have also been prepared in accordance with relevant presentational requirements of the Companies Act, 1956.

Basis of Accounting

To prepare financial statements in accordance with the historical cost convention.

Revenue Recognition

To recognise revenues from services performed on a "time and material" basis, as and when the services are performed.

To recognise revenues from services performed on "time bound fixed-price engagements" using the percentage of completion method of accounting, if work completed can be reasonably estimated. The cumulative impact of any revision in estimates of the percentage of work completed is reflected in the period in which the change becomes known. Provisions for estimated losses on such engagements are made during the period in which a loss becomes probable and can be reasonably estimated.

To recognise revenue from trading in software packages / licenses upon delivery to customer.

To treat amounts received or billed in advance of services performed as unearned revenue. Unbilled revenue, included in debtors, represents amounts recognised based on services performed in advance of billing in accordance with contract terms.

Fixed Assets

To state fixed assets at actual cost less accumulated depreciation. The actual cost capitalized includes material cost, freight, installation cost, duties and taxes, finance charges and other incidental expenses incurred during the construction / installation stage.

To capitalize software where it is expected to provide future enduring economic benefits. Capitalization costs include license fees and costs of implementation / system integration services. The costs are capitalized in the year in which the relevant software is implemented for use.

Capital Work in Progress

To treat cost of assets not put to use before the year-end as capital work in progress.

Depreciation

To calculate depreciation on fixed assets on the straight-line method over their estimated useful lives at the rates, which are not less than those prescribed under Schedule XIV of the Companies Act, 1956.

The cost of and the accumulated depreciation for fixed assets sold, retired or otherwise disposed off are removed from the stated values and the resulting gains and / or losses are included in the profit and loss account.

The estimated useful lives of fixed assets are as follows:

Buildings	25 years
Plant and Machinery - Computers / Computer Accessories	3 to 5 years
Other Equipment	5 years
Furniture & Fixtures	5 years
Motor Vehicles	5 years
Leasehold improvements	Shorter of lease period or estimated useful lives

Capitalised software costs are amortised over a period of five years or over the estimated useful lives, as is appropriate.

Investments

To state long-term investments, including in Joint Ventures, at cost. Where applicable, provision is made where there is a permanent diminution in the value of long-term investments.

Proposed Dividend

To provide for Dividends as proposed by the Directors in the books of accounts, pending approval at the Annual General Meeting.

Research and Development

To charge off all revenue expenditure incurred on research and development in the year it is incurred. Assets purchased for research and development activities are included in fixed assets.

Taxes on Income

To provide and determine Current tax as the amount of tax payable in respect of taxable income for the period.

To provide and recognise Deferred tax on timing differences between taxable income and accounting income subject to consideration of prudence.

Not to recognise Deferred tax assets on unabsorbed depreciation and carry forward losses unless there is virtual certainty that there will be sufficient future taxable income available to realise such assets.

Foreign Currency Translation

To account for transactions in foreign currency at the exchange rate prevailing on the date of transactions. Gains / losses arising out of fluctuations in the exchange rates are recognized in the Profit and Loss Account in the period in which they arise except in respect of Fixed Assets where exchange variance is adjusted in the carrying amount of the respective Fixed Assets.

To account for differences between the forward exchange rates and the exchange rates at the date of transactions, as income or expense over the life of the contracts, except in respect of liabilities incurred for acquiring Fixed Assets, in which case such differences are adjusted in the carrying amount of the respective Fixed Assets.

To account for profit / loss arising on cancellation or renewal of forward exchange contracts as income / expense for the period, except in case of forward exchange contracts relating to liabilities incurred for acquiring Fixed Assets, in which case such profit / loss are adjusted in the carrying amount of the respective Fixed Assets.

To account for gains / losses on foreign exchange rate fluctuations relating to current assets and liabilities at the Balance Sheet date.

Employee Benefits

To make regular monthly contributions to various Provident Funds, Pension Funds and Gratuity Funds which are charged to revenue. To administer through duly constituted and approved independent trusts, various Funds in respect of Employee Benefit Schemes.

Claims

To disclose claims against the Company not acknowledged as debts after a careful evaluation of the facts and legal aspects of the matter involved.

Segment Reporting

To identify segments having regard to the dominant source and nature of risks and returns and the internal organisation and management structure.

S. Gopalakrishnan
Partner

For and on behalf of
Price Waterhouse
Chartered Accountants
Place : Bangalore
Date : 13th May, 2006

S. Verma
B. B. Chatterjee
S. V. Shah

On behalf of the Board

Managing Director
Director
Company Secretary

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE
(As per Schedule VI, Part IV of the Companies Act, 1956)

I. Registration Details

Registration No. State Code
Balance Sheet Date
Date Month Year

II. Capital raised during the year (Amount in Rs. Thousands)

Public Issue
Rights Issue
Bonus Issue
Private Placement

III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)

Total Liabilities
Total Assets

Sources of Funds

Paid-up Capital
Reserves & Surplus
Secured Loans
Unsecured Loans

Application of Funds

Net Fixed Assets
Investments
Net Current Assets
Misc. Expenditure
Accumulated Losses
Deferred Tax - Net

IV. Performance of Company (Amount in Rs. Thousands)

Turnover (Including other Income)
Total Expenditure

✓ Profit/Loss Before Tax
+ -
✓ Profit / Loss After Tax
+ -

(Please tick appropriate box + for Profit, - for Loss)

✓ Earnings per Share in Rs.
+ -
Dividend Rate (%)

V. Generic Names of Principal Products / Services of Company (as per monetary terms)Item Code No. (ITC Code)

Product Description

*No item code has been assigned to "Computer Software Services" under the Indian Trade Classification.

STATEMENT REGARDING SUBSIDIARY COMPANIES**PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956**

Sl. No.	Name of the Subsidiary Company	Number of Shares held by the Company	Extent of Holding	Profits / (Losses) so far it concerns the members of the Holding Company and not dealt with in the Books of Account of the Holding Company		Profits / (Losses) so far it concerns the members of the Holding Company and dealt with in the Books of Account of the Holding Company	
				For the Financial Year of the Subsidiary	For the Previous Financial Year(s) since it became a Subsidiary	For the Financial Year of the Subsidiary	For the Previous Financial Year(s) since it became a Subsidiary
1	ITC INFOTECH LIMITED, UK	6,85,815	100%	GBP 218016	GBP 801246	GBP 178312	1296190
2	ITC INFOTECH (USA), INC.	47,000	100%	US\$ 163001	US\$ (3089664)	NIL	NIL

The financial year of both the subsidiaries ended on 31.03.2006.

On behalf of the Board

S. Verma *Managing Director*
B. B. Chatterjee *Director*
S. V. Shah *Company Secretary*

Bangalore, 13th May, 2006

REPORT OF THE DIRECTORS

Principal activities

The Company is engaged in providing IT services, software development and support services.

Business Review

Outsourcing continued to grow in the UK market, with many companies off-shoring application management and support and infrastructure services in addition to customer care services. The year also saw several European companies, particularly those in Scandinavia and Germany, exploring off-shoring of work to India in a bigger way in pursuit of their business goals. Your Company has therefore continued to leverage the offshore development capabilities of its holding company while extending its geographic coverage to countries in Europe outside of the UK.

During the year under review, your Company faced significant challenges with certain key customers undergoing organisational restructuring and redesign leading to changes in IT strategy and staff. Consequently revenue growth for the year has been muted at 5.4% with the turnover reaching GBP 14.31 million (Previous Year GBP 13.58 million) and gross profit at GBP 3.57 million (Previous Year 3.58 million) remaining at about the same levels as the previous year.

The temporary setback in business from existing clients made it imperative for the Company to further diversify its client portfolio. Your Company organized its sales force around the selected business verticals into separate teams for Account Management and New Business Development. In tandem with this, your Company grew the strength of its sales team and increased its business promotion activities. As a result operating costs increased from GBP 2.03 million in the previous year to GBP 3 million in the year under review with consequential impact on profits for the year.

By the end of the year your Company successfully re-established relationships with existing clients. The success of your Company in acquiring several new customers, many of whom are in the Fortune 500/1000 list, is very encouraging. Your Company now has a strong sales funnel with good potential for growth. Your Company expanded its operations by establishing a Representative Office in Kuala Lumpur, Malaysia and a Branch Office in Prague, Czech Republic.

Going forward, your Company will focus on expanding its presence in Europe. While the focus on the UK market will continue, your Company will grow its business in markets such as Germany and Scandinavia, which are relatively untapped, and where the Company has had success in acquiring customers. Your Company will also explore diverse channels of market access, including strategic tie-ups with System Integrators and Independent Software Vendors. It is expected that these new initiatives will position your Company well for the future.

Key Performance Indicators

	Year ended 31st March 2006 GBP (million)	Year ended 31st March 2005 GBP (million)
Total Income	14.31	13.58
Cost of Sales	10.74	10.00
Gross Profit	3.57	3.58
Operating Profit	0.56	1.55
Profit before Tax	0.60	1.58
Profit after Tax	0.40	1.10

Financial risk management objectives and policies

The objective of financial risk management is to protect the value of the Company's financial assets against possible erosion due to adverse materialisation of risks related to credit, liquidity, interest rate and foreign currency exposures.

The existence of financial assets exposes the Company to a number of financial risks. The main risks are market risk due to the currency risk, credit risk and liquidity risk.

a) Market risk – currency risk

The company is exposed to translation and transaction foreign exchange risk. Approximately 46% of its sales are in US dollars and the Company pays its major supplier, its parent company, mostly in US dollars. It limits its exposure by holding foreign currency in currency bank accounts. It does not currently hold any hedging instruments but foreign exchange management is kept under regular review.

b) Credit risk

The Company's principal financial assets are cash and trade debtors. The credit risk associated with cash is nil and so the principal credit risk arises on trade debtors. However the Company's customers are mostly blue chip companies and the Company has no history of significant bad debts.

c) Liquidity risk

The Company seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably.

Dividend

Your Directors are pleased to recommend the interim dividend of GBP 0.26 per share, aggregating GBP 178,312 as the final dividend for the year ended 31st March, 2006.

Directors

The Directors in office at the end of the year are listed below. All served on the Board throughout the year.

The interests of the Directors in the shares of the Company as at 31st March, 2006 and 1st April, 2005 were as follows :

	2006 and 2005 Ordinary Shares
A. Singh	-
S. Verma	-
B. B. Chatterjee	-

The Company is a wholly owned subsidiary of ITC Infotech India Limited, which is incorporated in India.

ITC Infotech India Limited has nominated Mr. S. Puri for appointment as Director of the Company in place of Mr. S. Verma, and consequently Mr. Verma will cease to be a Director of the Company with effect from close of business on 13th May, 2006. An appropriate resolution for appointment of Mr. Puri as a Director of the Company is included in the Notice convening the Annual General Meeting of the Company for the financial year ended 31st March, 2006.

Directors' responsibilities for the financial statements

UK Company law requires the Directors to prepare financial statements for each financial year, which give a true and fair view of the affairs of the Company and of the profit or loss of the Company for that year. In preparing those financial statements, the Directors are required to :

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business;

The Directors are responsible for keeping proper accounting records, for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the directors are aware : (i) there is no relevant audit information of which the company's auditors are unaware; and (ii) they have taken all steps that ought to have been taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that audit information.

Auditors

Grant Thornton UK LLP offer themselves for reappointment in accordance with Section 385 of the Companies Act, 1985.

Approved by the Board on 13th May, 2006 and signed on behalf of the Board by

S Verma
Director

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF ITC INFOTECH LIMITED

We have audited the financial statements of ITC Infotech Limited for the year ended 31st March, 2006 which comprise the principal accounting policies, profit and loss account, balance sheet, cash flow statement and notes 1 to 19, excluding the supplementary information disclosed in Indian Rupees. These financial statements have been prepared under the accounting policies set out therein.

We have not audited the supplementary information stated in Indian Rupees included in these financial statements. The information has been included at the request of the parent company and is for information only.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Report of the Directors and the financial statements in accordance with United Kingdom law and accounting standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of Directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the report of the Directors is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

We read the Report of the Directors and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements, excluding the supplementary information, give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31st March, 2006 and of its profit for the year then ended;
- the financial statements, excluding the supplementary information, have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Report of the Directors is consistent with the financial statements for the year ended 31st March, 2006.

Grant Thornton UK LLP
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS
CENTRAL MILTON KEYNES
13th May, 2006

PRINCIPAL ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared under the historical cost convention.

The principal accounting policies of the Company are set out below and remain unchanged from the previous year except that in preparing the financial statements for the current year, the Company has adopted the following Financial Reporting Standards:

FRS 21' Events after the Balance Sheet date

The adoption of FRS 21 has resulted in a change in accounting policy in respect of proposed equity dividends. If the Company declares dividends to the holders of equity instruments after the balance sheet date, the company does not recognise those dividends as a liability at the balance sheet date. The aggregate amount of equity dividends proposed before approval of the financial statements, which have not been shown as liabilities at the balance sheet date, are disclosed in the notes to the financial statements. Previously, proposed equity dividends were recorded as liabilities at the balance sheet date. The impact of the adoption of FRS 21 on the results for the current and prior year is explained in note 16.

FRS 25' Financial Instruments: Disclosure and Presentation

The adoption of FRS 25 has resulted in a change in accounting policy in respect of the presentation of dividends and distributions. Dividends and distributions relating to equity instruments are now debited direct to equity. Previously, equity dividends were shown on the face of the profit & loss account. The definition of an equity instrument is given by way of the definition of a financial liability as detailed in the accounting policy for financial instruments detailed below.

Financial Instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities.

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the balance sheet. Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability.

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited direct to equity.

Turnover

Turnover is the total amount receivable by the company for goods supplied and services provided, excluding VAT and trade discounts.

Turnover from services performed on a "time and materials" basis is recognised as income as and when the services are performed.

Turnover from software projects performed on a "time bound fixed price" basis is recognised as income at the point which the "milestone" agreed with the customer is achieved.

Fixed assets

All fixed assets are initially recorded at cost.

Depreciation

Depreciation is calculated to write down the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Leasehold improvements	– 25%
Fixtures and fittings	– 25%
Computer equipment	– 25%

Leased assets

All leases are operating leases and the payments made under them are charged to the profit and loss account on a straight-line basis over the lease term.

Deferred taxation

Deferred tax is recognised on all timing differences where the transactions or events that give the company an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the balance sheet date.

Foreign currencies

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities are translated at the rate of exchange ruling at the balance sheet date. All exchange differences are dealt with through the profit and loss account.

Recruitment costs

Legal costs and other charges incurred to obtain visas and other required immigration papers for recruits, recruitment fees and relocation costs are included in prepayments and amortised over the lesser of 2 years or the expected employment period of the employees.

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2006

	Note	2006 £	Unaudited 2006 Rs.	Restated 2005 £	Unaudited Restated 2005 Rs
Turnover	1	14,311,045	1,109,034,432	13,581,922	1,118,199,638
Cost of sales		10,743,816	832,592,021	10,005,394	823,744,088
Gross profit		3,567,229	276,442,411	3,576,528	294,455,550
Other operating charges	2	3,009,862	233,249,256	2,029,507	167,089,311
Operating profit	3	557,367	43,193,155	1,547,021	127,366,239
Interest receivable	5	37,544	2,909,472	30,060	2,474,840
Profit on ordinary activities before taxation		594,911	46,102,627	1,577,081	129,841,079
Tax on profit on ordinary activities	6	198,583	15,389,190	485,693	39,987,105
Profit for the financial year	16	396,328	30,713,437	1,091,388	89,853,974

All of the activities of the company are classed as continuing.

The company has no recognised gains or losses other than the results for the year as set out above.

The comparatives have been restated to reflect the adoption of FRS 21 and FRS 25 in the year.

The accompanying accounting policies and notes form part of these financial statements

BALANCE SHEET AS AT 31ST MARCH 2006

	Note	2006 £	Unaudited 2006 Rs.	Restated 2005 £	Unaudited Restated 2005 Rs
Fixed assets					
Tangible assets	8	51,813	4,015,248	45,548	3,749,967
Current assets					
Debtors	9	4,815,067	373,143,617	3,572,932	294,159,492
Loans and advances		64,296	4,982,619	79,752	6,565,982
Deferred tax recoverable	10	20,000	1,549,900	20,000	1,646,600
Cash at bank		753,989	58,430,378	1,370,920	112,867,843
		5,653,352	438,106,514	5,043,604	415,239,917
Creditors: amounts falling due within one year	11	3,252,615	252,061,399	2,895,767	238,408,497
Net current assets		2,400,737	186,045,115	2,147,837	176,831,420
Total assets less current liabilities		2,452,550	190,060,363	2,193,385	180,581,387
Capital and reserves					
Called-up equity share capital	15	685,815	53,147,233	685,815	56,463,149
Profit and loss account	16	1,766,735	136,913,130	1,507,570	124,118,238
Shareholders' funds	17	2,452,550	190,060,363	2,193,385	180,581,387

The comparatives have been restated to reflect the adoption of FRS 21 and FRS25 in the year and to be comparable with the classification of current assets in the current year.

These financial statements were approved by the Directors on 13th May, 2006 and are signed on their behalf by :

S Verma Director

Date : 13th May, 2006

H S Garewal Chief Executive Officer

The accompanying accounting policies and notes form part of these financial statements

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2006

	Note	2006 £	Unaudited 2006 Rs.	2005 £	Unaudited 2005 Rs
Net cash (outflow)/ inflow from operating activities	18	(112,322)	(8,704,393)	1,411,926	116,243,868
Returns on investments and servicing of finance					
Interest received		37,544	2,909,472	30,060	2,474,840
Net cash inflow from returns on investments and servicing of finance		37,544	2,909,472	30,060	2,474,840
Taxation		(371,055)	(28,754,907)	(292,743)	(24,101,531)
Capital expenditure					
Payments to acquire tangible fixed assets		(34,826)	(2,698,841)	(31,063)	(2,557,417)
Receipts from sale of fixed assets		891	69,048	1,109	91,303
Net cash outflow from capital expenditure		(33,935)	(2,629,793)	(29,954)	(2,466,114)
Equity dividends paid		(137,163)	(10,629,447)	(548,652)	(45,170,519)
(Decrease)/increase in cash	18	(616,931)	(47,809,068)	570,637	46,980,544

The accompanying accounting policies and notes form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2006

Supplementary information - Indian Rupee amounts

The financial statements of ITC Infotech Limited are prepared in accordance with accounting principles generally accepted in the United Kingdom, the country of incorporation, and are presented in GBP. The supplementary information requested by the parent company has been arrived at by applying the year end interbank exchange rate of GBP 1 = Rs. 77.495 (2005: GBP 1 = Rs. 82.330) as provided by the parent company. The supplementary information has not been audited and has not been prepared in accordance with SSAP 20, which governs the UK GAAP rules for currency conversion.

1. Turnover

The turnover and profit before tax are attributable to the one principal activity of the company.

An analysis of turnover is given below:

	2006	Unaudited 2006	2005	Unaudited 2005
	£	Rs.	£	Rs
United Kingdom	8,647,294	670,122,049	7,671,401	631,586,444
India	1,290,970	100,043,720	1,355,872	111,628,942
US	2,945,409	228,254,470	2,516,288	207,165,991
Malaysia	379,047	29,374,247	494,095	40,678,841
Europe	865,857	67,099,588	1,287,624	106,010,084
Other	182,468	14,140,358	256,642	21,129,336
	<u>14,311,045</u>	<u>1,109,034,432</u>	<u>13,581,922</u>	<u>1,118,199,638</u>

2. Other operating charges

Administrative expenses	<u>3,009,862</u>	<u>233,249,256</u>	<u>2,029,507</u>	<u>167,089,311</u>
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3. Operating profit

Operating profit is stated after charging:

Depreciation of owned fixed assets	27,976	2,168,000	30,320	2,496,246
Auditors' remuneration:				
Audit fees	16,150	1,251,544	13,500	1,111,455
Non audit fees	5,600	433,972	9,645	794,073
Operating lease costs:				
Land and buildings	66,830	5,178,991	76,465	6,295,363
Plant and equipment	<u>3,492</u>	<u>270,613</u>	<u>7,723</u>	<u>635,835</u>

4. Directors and employees

The average number of staff employed by the company during the financial year amounted to:

	2006 No.	2005 No.
Staff	<u>79</u>	<u>92</u>

The aggregate payroll costs of the above were:

Wages and salaries	3,936,573	305,064,725	3,757,126	309,324,184
Social security costs	<u>329,127</u>	<u>25,505,697</u>	<u>280,902</u>	<u>23,126,662</u>
	<u>4,265,700</u>	<u>330,570,422</u>	<u>4,038,028</u>	<u>332,450,846</u>

Remuneration in respect of Directors was nil (2005: nil).

	2006 £	Unaudited 2006 Rs.	2005 £	Unaudited 2005 Rs
5. Interest receivable				
Bank interest receivable	<u>37,544</u>	<u>2,909,472</u>	<u>30,060</u>	<u>2,474,840</u>
6. Taxation on ordinary activities				
(a) Analysis of charge in the year				
Current tax:				
In respect of the year:				
UK Corporation tax based on the results for the year at 30% (2005 - 30%)	<u>198,583</u>	<u>15,389,190</u>	<u>485,610</u>	<u>39,980,271</u>
Over / Under provision in prior year	<u>—</u>	<u>—</u>	<u>7,083</u>	<u>583,144</u>
Total current tax	<u>198,583</u>	<u>15,389,190</u>	<u>492,693</u>	<u>40,563,415</u>
Deferred tax:				
Origination and reversal of timing differences	<u>—</u>	<u>—</u>	<u>(7,000)</u>	<u>(576,310)</u>
Tax on profit on ordinary activities	<u>198,583</u>	<u>15,389,190</u>	<u>485,693</u>	<u>39,987,105</u>
(b) Factors affecting current tax charge				
The tax assessed on the profit on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 30% (2005 - 30%).				
Profit on ordinary activities before taxation	<u>594,911</u>	<u>46,102,628</u>	<u>1,577,081</u>	<u>129,841,079</u>
Profit on ordinary activities multiplied by rate of tax	<u>178,473</u>	<u>13,830,765</u>	<u>473,124</u>	<u>38,952,299</u>
Expenses not deductible for tax purposes	<u>22,212</u>	<u>1,721,319</u>	<u>14,550</u>	<u>1,197,902</u>
Movement in capital allowances	<u>(2,102)</u>	<u>(162,894)</u>	<u>(2,064)</u>	<u>(169,929)</u>
Adjustments to tax charge in respect of previous periods	<u>—</u>	<u>—</u>	<u>7,083</u>	<u>583,143</u>
Total current tax [note 6(a)]	<u>198,583</u>	<u>15,389,190</u>	<u>492,693</u>	<u>40,563,415</u>

7. Dividends

Dividends on shares classed as equity

Paid during the year

Equity Dividends on ordinary shares

Proposed after the year-end (not recognised as a liability)

Equity dividends on ordinary shares

The restatement of the comparative is explained in note 16.

	<u>137,163</u>	<u>10,629,447</u>	<u>548,652</u>	<u>45,170,519</u>
	<u>178,312</u>	<u>13,818,288</u>	<u>137,163</u>	<u>11,292,630</u>

8. Tangible fixed assets

	Leasehold improvements £	Unaudited Leasehold improvements Rs.	Fixtures and fittings £	Unaudited Fixtures and fittings Rs.	Computer equipment £	Unaudited Computer equipment Rs.	Total £	Unaudited Total Rs.
Cost								
At 1st April 2005	26,576	2,059,507	33,855	2,623,592	179,889	13,940,498	240,320	18,623,597
Additions	4,528	350,897	5,951	461,173	24,347	1,886,771	34,826	2,698,841
Disposals	—	—	—	—	(1,478)	(114,538)	(1,478)	(114,538)
At 31st March 2006	<u>31,104</u>	<u>2,410,404</u>	<u>39,806</u>	<u>3,084,765</u>	<u>202,758</u>	<u>15,712,731</u>	<u>273,668</u>	<u>21,207,900</u>
Depreciation								
At 1st April 2005	25,011	1,938,227	30,037	2,327,717	139,724	10,827,911	194,772	15,093,855
Charge for the year	1,304	101,053	2,137	165,607	24,535	1,901,340	27,976	2,168,000
On disposals	—	—	—	—	(893)	(69,203)	(893)	(69,203)
At 31st March 2006	<u>26,315</u>	<u>2,039,280</u>	<u>32,174</u>	<u>2,493,324</u>	<u>163,366</u>	<u>12,660,048</u>	<u>221,855</u>	<u>17,192,652</u>
Net book value								
At 31st March 2006	<u>4,789</u>	<u>371,124</u>	<u>7,632</u>	<u>591,441</u>	<u>39,392</u>	<u>3,052,683</u>	<u>51,813</u>	<u>4,015,248</u>
At 31st March 2005	<u>1,565</u>	<u>121,280</u>	<u>3,818</u>	<u>295,876</u>	<u>40,165</u>	<u>3,112,587</u>	<u>45,548</u>	<u>3,529,742</u>

For simplicity, the brought forward Rupee amounts at 31 March 2005 have been translated at the 31 March 2006 exchange rate.

9. Debtors

	2006 £	Unaudited 2006 Rs.	Restated 2005 £	Unaudited Restated 2005 Rs.
Trade debtors	<u>4,450,164</u>	<u>344,865,459</u>	<u>3,434,315</u>	<u>282,747,154</u>
Amounts owed by group undertakings	<u>81,413</u>	<u>6,309,100</u>	<u>—</u>	<u>—</u>
Prepayments and accrued income	<u>283,490</u>	<u>21,969,058</u>	<u>138,617</u>	<u>11,412,338</u>
	<u>4,815,067</u>	<u>373,143,617</u>	<u>3,572,932</u>	<u>294,159,492</u>

10. Deferred taxation

The Deferred tax included in the Balance sheet is as follows:

	2006 £	Unaudited 2006 Rs.	2005 £	Unaudited 2005 Rs.
Deferred tax asset	<u>20,000</u>	<u>1,549,900</u>	<u>20,000</u>	<u>1,646,600</u>
The movement in the deferred taxation account during the year was:				
Balance brought forward	20,000	1,549,900	13,000	1,070,290
Profit and loss account movement arising during the year	—	—	7,000	576,310
Balance carried forward	<u>20,000</u>	<u>1,549,900</u>	<u>20,000</u>	<u>1,646,600</u>
The balance of the deferred taxation account consists of the tax effect of timing differences in respect of:				
Excess of depreciation over taxation allowances on fixed assets	<u>20,000</u>	<u>1,549,900</u>	<u>20,000</u>	<u>1,646,600</u>

11. Creditors: amounts falling due within one year

Trade creditors	565,060	43,789,325	364,451	30,005,251
Amounts owed to group undertakings	1,356,836	105,148,006	1,140,401	93,889,214
Corporation tax	102,214	7,921,074	274,686	22,614,898
Other taxation and social security	494,423	38,315,310	290,269	23,897,847
Other creditors	<u>734,082</u>	<u>56,887,684</u>	<u>825,960</u>	<u>68,001,287</u>
	<u>3,252,615</u>	<u>252,061,399</u>	<u>2,895,767</u>	<u>238,408,497</u>

12. Leasing commitments

At 31st March 2006 the company had annual commitments under non-cancellable operating leases as set out below.

	2006				2005			
	Land & Buildings £	Unaudited Land & Buildings Rs.	Other Items £	Unaudited Other Items Rs.	Land & Buildings £	Unaudited Land & Buildings Rs.	Other Items £	Unaudited Other Items Rs.
Operating leases which expire:								
Within 1 year	—	—	—	—	—	—	1,622	133,539
Within 2 to 5 years	<u>35,441</u>	<u>2,746,500</u>	<u>359</u>	<u>27,821</u>	<u>38,310</u>	<u>3,154,062</u>	<u>359</u>	<u>29,556</u>
	<u>35,441</u>	<u>2,746,500</u>	<u>359</u>	<u>27,821</u>	<u>38,310</u>	<u>3,154,062</u>	<u>1,981</u>	<u>163,095</u>

13. Capital commitments

There were no capital commitments at 31st March 2006 or 31st March 2005.

14. Contingent liabilities

There were no contingent liabilities at 31st March 2006 or 31st March 2005.

15. Share capital

	2006 £	Unaudited 2006 Rs.	2005 £	Unaudited 2005 Rs.
Authorised share capital:				
1,629,700 Ordinary shares of £1 each	<u>1,629,700</u>	<u>126,293,602</u>	<u>1,629,700</u>	<u>134,173,201</u>
Allotted, called up and fully paid:				
	2006 No	2006 £	2005 No	2005 Rs.
Ordinary shares of £1 each	<u>685,815</u>	<u>685,815</u>	<u>685,815</u>	<u>685,815</u>
Equity shares				
Ordinary shares of £1 each	<u>685,815</u>	<u>685,815</u>	<u>685,815</u>	<u>685,815</u>
				<u>56,463,149</u>

16. Profit and loss account

	£	Unaudited Rs.
At 1st April, 2004	964,834	79,434,783
Profit for the year	1,091,388	89,853,974
Equity dividends paid	(548,652)	(45,170,519)
At 31st March, 2005 (as restated)	<u>1,507,570</u>	<u>124,118,238</u>
At 1st April, 2005 (as previously stated)	1,370,407	106,199,693
Prior year adjustment	<u>137,163</u>	<u>10,629,447</u>
At 1st April, 2005 (as restated)	<u>1,507,570</u>	<u>116,829,140</u>
Profit for the financial year	396,328	30,713,437
Equity dividends paid	(137,163)	(10,629,447)
At 31st March, 2006	<u>1,766,735</u>	<u>136,913,130</u>

The prior year adjustment above resulted from the change in accounting policy for dividends on the adoption of FRS 21 during the year. For the year ended 31st March 2005, the change in accounting policy has resulted in a net increase in retained profit for the year of £137,163 because the dividend proposed after the year end is no longer accrued at 31st March 2005. The balance sheet at 31st March 2005 has therefore been restated to reflect the de-recognition of a liability for those proposed equity dividends. For the year ended 31st March 2006, the change in accounting policy has resulted in a net decrease in retained profit for the year of that proposed dividend of £137,163 now treated as an appropriation of this year's profits.

	2006 £	Unaudited 2006 Rs.	2005 £	Unaudited 2005 Rs
17. Reconciliation of movements in shareholders' funds				
Profit for the financial year	396,328	30,713,437	1,091,388	89,853,974
Equity dividends paid	(137,163)	(10,629,447)	(548,652)	(45,170,519)
Net addition shareholders' funds	259,165	20,083,990	542,736	44,683,455
Opening shareholders' funds (previously reported before prior year adjustment, £2,056,222)	2,193,385	169,976,373	1,650,649	135,897,932
Closing shareholders' funds	2,452,550	190,060,363	2,193,385	180,581,387

18. Notes to the statement of cash flows

	2006 £	Unaudited 2006 Rs	2005 £	Unaudited 2005 Rs		
Reconciliation of operating profit to net cash (outflow)/Inflow from operating activities						
Operating profit	557,367	43,193,155	1,547,021	127,366,239		
Depreciation	27,976	2,168,000	30,320	2,496,246		
Profit on disposal of fixed assets	(306)	(23,713)	(4)	(329)		
Increase in debtors	(1,056,853)	(81,900,823)	(1,362,554)	(112,179,071)		
Increase in creditors	359,494	27,858,988	1,197,143	98,560,783		
Net cash (outflow)/inflow from operating activities	<u>(112,322)</u>	<u>(8,704,393)</u>	<u>1,411,926</u>	<u>116,243,868</u>		
Reconciliation of net cash flow to movement in net funds						
Decrease/(increase) in cash in the period	(616,931)	(47,809,068)	570,637	46,980,544		
Movement in net funds in the period	(616,931)	(47,809,068)	570,637	46,980,544		
Net funds at 1st April 2005	1,370,920	106,239,446	800,283	65,887,299		
Net funds at 31st March 2006	<u>753,989</u>	<u>58,430,378</u>	<u>1,370,920</u>	<u>112,867,843</u>		
Analysis of changes in net funds						
	At 1 April 2005 £	At 1 April 2005 Rs.	Cash flows £	Cash flows Rs.	At 31 March 2006 £	At 31 March 2006 Rs.
Net cash:						
Cash in hand and at bank	1,370,920	106,239,446	(616,931)	(47,809,068)	753,989	58,430,378
Net funds	<u>1,370,920</u>	<u>106,239,446</u>	<u>(616,931)</u>	<u>(47,809,068)</u>	<u>753,989</u>	<u>58,430,378</u>

19. Controlling related party

The immediate parent undertaking is ITC Infotech India Limited, which is incorporated in India and is a wholly owned subsidiary of ITC Limited. This is the smallest group of undertakings for which consolidated accounts are being drawn up including this company.

The ultimate parent undertaking and controlling related party is ITC Limited, which is incorporated in India. This is the largest group of undertakings for which consolidated accounts are being drawn up including this company.

As a wholly owned subsidiary of ITC Infotech India Limited, which is itself a wholly owned subsidiary of ITC Limited, the company is exempt from the requirements of FRS8 to disclose transactions with other members of the group headed by ITC Limited.

REPORT OF THE DIRECTORS

Your Directors present their Report together with the Audited Financial Statements for the year ended 31st March, 2006.

Principal Activities

The Company is engaged in providing IT services, software development and support services.

Business Review

The year 2005 marked a significant shift with strategic outsourcing being viewed in the US as a key driver for value creation. The trend is not only to outsource positions or projects, but entire functions on the back of innovative deal structures and revenue models. The US as the world's largest outsourcing market has become even bigger, and your Company is well positioned to capture a slice of the larger pie.

Consequently, the Company continued to focus on marketing the offshore development capabilities of its holding company. With sharper focus on select business verticals and investments in a stronger sales force, your Company was successful in acquiring several new customers, many of whom are in the Fortune 500 / 1000 list.

As a result, the total revenues grew by 32% to US \$ 6.51 million (previous year US\$ 4.92 million) in the year under review. Correspondingly, gross profits grew by 48% to US \$ 2.33 million (previous year US \$ 1.57 million). Despite increase in general and administrative expenses due to investments in strengthening the marketing team and distribution width, your Company has been successful in recording a net profit of US \$ 0.16 million (previous year- net loss US \$ 0.49 million) for the first time since it became a wholly owned subsidiary of ITC Infotech India Limited.

Your Company is pleased to report stability in existing client engagements and an increasingly robust funnel in a business environment that remains favourable. However, the rising demand for IT services has also led to intense competition for skilled resources. Consequently, growth and market penetration will be dependent on proactive planning and deployment of resources and seamless execution. As its sales funnel gets stronger, your Company will focus on improving its demand planning processes to enable superior resource planning and deployment, increase the strength of its sales force and improve geographic representation in the key US markets. While such actions are expected to improve client acquisition and penetration, they would also result in modest improvements in profitability in the short term. Your Company therefore looks forward to an exciting and challenging year ahead.

Directors

ITC Infotech India Limited has nominated Mr. S. Puri for appointment as Director of the Company in place of Mr. S. Verma, and consequently Mr. Verma will cease to be a Director of the Company with effect from close of business on 13th May, 2006. An appropriate resolution for appointment of Mr.Puri as a Director of the Company is included in the Notice convening the Annual Meeting of the Company for the financial year ended 31st March, 2006.

Auditors

M/s. Amper, Politziner & Mattia, P.C., Certified Public Accountants and Auditors of the Company, offer themselves for reappointment.

On behalf of the Board

S.Verma
Director

13th May, 2006

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors

ITC Infotech (USA), Inc.

We have audited the accompanying Balance Sheets of ITC Infotech (USA), Inc. as of March 31, 2006 and 2005, and the related Statements of Operations and Accumulated Deficit, and Cash Flows for the years then ended. These financial statements are the responsibility of the management of ITC Infotech (USA), Inc. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. Our audits included consideration of internal controls over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing and opinion on the effectiveness of the Company's internal control over financial

reporting. Accordingly we express no such opinion. 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 audits provide a reasonable basis for our opinion.

The Indian Rupee equivalent figures have been included in the financial statements as required by the parent company.

In our opinion, the financial statements, referred to above, present fairly, in all material respects, the financial position of ITC Infotech (USA), Inc. as of March 31, 2006 and 2005, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles applicable in the United States of America.

Edison, New Jersey
April 21, 2006

Amper, Politziner & Mattia, P.C.

BALANCE SHEETS

	March 31, 2006 \$	March 31, 2006 Rs.	March 31, 2005 \$	March 31, 2005 Rs.
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	691,171	30,836,594	401,798	17,576,654
Accounts receivable, net of allowance for doubtful accounts of \$113,259 (Rs. 5,053,050) and \$143,990 (Rs. 6,298,843) for 2006 and 2005, respectively	1,175,891	52,462,377	725,143	31,721,381
Advances to employees	66,582	2,970,556	122,111	5,341,746
Due from ITC Infotech Ltd, (UK)	—	—	63,573	2,781,001
Total current assets	1,933,644	86,269,527	1,312,625	57,420,781
EQUIPMENT				
Computer equipment	138,340	6,172,039	107,913	4,720,654
Office equipment	40,187	1,792,943	35,691	1,561,303
Leasehold Improvements	8,185	365,174	8,185	358,053
	186,712	8,330,156	151,789	6,640,010
Less accumulated depreciation	131,971	5,887,886	116,753	5,107,360
	54,741	2,442,270	35,036	1,532,650
Computer software	17,030	759,778	16,526	722,930
Less accumulated depreciation	16,371	730,392	16,186	708,057
	659	29,386	340	14,873
Capitalized software	13,590	606,318	18,121	792,703
Other assets/Security Deposits	34,383	1,533,998	47,520	2,078,762
	2,037,017	90,881,498	1,413,642	61,839,769
LIABILITIES AND STOCKHOLDER'S EQUITY				
CURRENT LIABILITIES:				
Accounts payable	344,345	15,362,952	297,507	13,014,444
Accrued expenses and other current liabilities	349,568	15,595,960	192,130	8,404,727
Accrued payroll and payroll taxes	283,232	12,636,396	209,230	9,152,766
Due to ITC Infotech Ltd, (UK)	139,929	6,242,932	—	—
Due to ITC Infotech India Ltd.	325,443	14,519,640	283,276	12,391,909
Total current liabilities	1,442,517	64,357,880	982,143	42,963,846
Stockholder's equity:				
Capital stock, no par value; 50,000 shares authorized; 47,000 shares issued and outstanding at March 31, 2006 and 2005	200,000	8,923,000	200,000	8,749,000
Additional paid-in capital	4,500,000	200,767,500	4,500,000	196,852,500
Accumulated deficit	(4,105,500)	(183,166,882)	(4,268,501)	(186,725,577)
	594,500	26,523,618	431,499	18,875,923
	2,037,017	90,881,498	1,413,642	61,839,769

The accompanying notes are an integral part of these statements

On behalf of the Board
S.Verma
Director
A. Rishi
President
13th May, 2006

STATEMENTS OF OPERATIONS AND
ACCUMULATED DEFICIT

	For the year ended 31st March, 2006 \$	For the year ended 31st March, 2006 Rs.	For the year ended 31st March, 2005 \$	For the year ended 31st March, 2005 Rs.
Revenues				
Service Fees	4,965,521	221,536,719	3,939,895	172,350,707
Account Management Fee	1,110,206	49,531,841	917,948	40,155,635
Project Fees	435,814	19,443,842	63,700	2,786,557
Total Revenues	6,511,541	290,512,402	4,921,543	215,292,899
Cost of revenues, principally employment costs	4,184,775	186,703,737	3,350,559	146,570,203
Gross profit	2,326,766	103,808,665	1,570,984	68,722,695
General and administrative expenses	2,197,336	98,034,146	2,054,594	89,878,215
Operating income (loss)	129,430	5,774,519	(483,610)	(21,155,519)
Other income, net	45,615	2,035,113	106	4,637
Income (loss) before income tax expense	175,045	7,809,633	(483,504)	(21,150,882)
Income tax expense	12,044	537,343	6,161	269,513
Net income (loss)	163,001	7,272,290	(489,665)	(21,420,395)
Accumulated deficit at beginning of year	(4,268,501)	(190,439,172)	(3,778,836)	(165,305,181)
Accumulated deficit at end of year	(4,105,500)	(183,166,883)	(4,268,501)	(186,725,576)

The accompanying notes are an integral part of these statements

On behalf of the Board
S. Verma A. Rishi
Director President
13th May, 2006

STATEMENTS OF CASH FLOWS

	2006 \$	2006 Rs.	2005 \$	2005 Rs.
Cash flows from operating activities				
Net income (loss)	163,001	7,272,290	(489,665)	(21,420,395)
Adjustments to reconcile net income(loss) to net cash provided by (used in) operating activities				
Depreciation	19,526	871,152	23,617	1,033,126
Bad debt expense	10,759	480,013	48,318	2,113,671
(Increase) decrease in assets				
Accounts receivable	(461,507)	(20,590,135)	(168,260)	(7,360,534)
Advances to employees	55,529	2,477,426	(75,102)	(3,285,337)
Other assets/ security deposits	18,019	803,918	52,074	2,277,977
Increase (decrease) in liabilities				
Accounts payable	46,838	2,089,677	74,775	3,271,032
Accrued expenses and other liabilities	169,169	7,547,476	44,378	1,941,316
Accrued payroll and payroll taxes	74,002	3,301,599	108,376	4,740,908
Due to ITC Infotech India Ltd. and ITC Infotech Ltd. (UK), net	229,057	10,219,378	348,408	15,241,108
Net cash provided by (used in) operating activities	324,393	14,472,794	(33,081)	(1,447,128)
Cash flows from investing activities				
Capital expenditures	(35,020)	(1,562,417)	(10,431)	(456,304)
Net cash used in investing activities	(35,020)	(1,562,417)	(10,431)	(456,304)
Cash flows from financing activities				
Proceeds from issuance of common stock	—	—	350,000	15,310,750
Net cash provided by financing activities	—	—	350,000	15,310,750
NET INCREASE IN CASH AND CASH EQUIVALENTS	289,373	12,910,376	306,488	13,407,318
Cash and cash equivalents at beginning of year	401,798	17,926,218	95,310	4,169,336
Cash and cash equivalents at end of year	691,171	30,836,594	401,798	17,576,654

Supplemental disclosures of cash flow information:
Income taxes paid were \$12,044 (Rs. 537,388/-) and \$6,161
(Rs. 269,512.95/-) during 2006 and 2005, respectively.

The accompanying notes are an integral part of these statements

On behalf of the Board
S. Verma A. Rishi
Director President
13th May, 2006

NOTES TO FINANCIAL STATEMENTS

March 31, 2006 and 2005

NOTE 1 – BUSINESS BACKGROUND AND PRINCIPAL TRANSACTIONS WITH AFFILIATES

ITC Infotech (USA), Inc. (the “Company”) is principally engaged in the information technology services business. Its customers are commercial entities and software developers throughout the United States of America. The work is usually performed under contracts which specify fixed hourly rates (at rates which depend upon the skill level of the employee staffed at the customer's location) and which vary in length, but are typically less than one year in duration. The Company generates revenue through specific projects, whereby the Company and its overseas affiliates undertake the responsibility to deliver specific software solutions (“Project Business”) on a contractual basis. Substantially all of these contracts for Project Business were co-sourced, in terms of the marketing agreement with its affiliates (see Note 3), or fulfilled with resources drawn from affiliates, on a contractual basis, to supplement the resources on the Company's rolls. The Company either receives fees from affiliates for client account management in respect of work contracted between ITC Infotech India with clients in the United States, or incurs subcontract costs for technical services provided by affiliates to support customer contracts entered into by the Company. The Company continues to be dependent on such support from its affiliates.

The Company is a wholly-owned subsidiary of ITC Infotech India Ltd. (“Infotech India”), an Indian Company. Infotech India made an investment of \$ 350,000 (Rs. 15,310,750) in the common stock of the Company during the fiscal year 2005.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**Basis of Presentation**

The Financial Statements of ITC Infotech (USA), Inc., are prepared in accordance with accounting principles generally accepted in the USA, the country of incorporation and are presented in U.S. Dollars. As required by the parent company, the Indian Rupee equivalent figures, arrived at by applying the year end interbank exchange rate of US\$ 1 = Rs. 44.615 (2005: US\$ 1 = Rs. 43.745) as provided by the parent company have been included.

Recognition of Revenue**Service Revenue**

Service revenues are based upon hours worked by Company employees on customer assignments and are recognized as and when work is performed.

Substantially all customers are billed weekly, biweekly, or monthly.

Project Revenue

Revenues on the Project Business are recognized as earned, typically in the month the service is performed. Costs associated with the use of subcontractors to fulfill such Project Business are recognized in the same period.

In accordance with AICPA Statement of Position 97-2 (“SOP 97-2”), “Software Revenue Recognition,” and AICPA Statement of Position 98-9 (“SOP 98-9”), the Company recognizes software revenues on delivery when a non-cancellable agreement has been executed, fees are fixed and determinable and collection is considered probable unless there is significant uncertainty about customer acceptance, in which case revenues are recognized upon such acceptance. Losses on contracts are recognized when determinable.

Account Management Fees

Fees for client account management in respect of work contracted by Infotech India with clients in the United States are billed monthly at a predetermined rate applied on the amount billed by Infotech India to its clients.

Cash and Cash Equivalents

For purposes of reporting cash flows, the Company considers all cash accounts which are not subject to withdrawal restrictions or penalties, and certificates of deposit with maturities of ninety days or less, when purchased, to be cash or cash equivalents.

Accounts Receivable

Credit is extended based on evaluation of a customer's financial condition and, generally, collateral is not required. Accounts receivable are generally due within 30 days and are stated at amounts due from customers net of an allowance for doubtful accounts. Accounts outstanding longer than the contractual payment terms are considered past due. The Company creates an allowance for accounts receivable when they become uncollectible, despite best efforts to collect.

Equipment and Software

Equipment and purchased software are stated at cost. Depreciation is provided under various methods based upon the estimated useful lives of the assets, with such lives ranging from one to four years.

Income Taxes

The Company accounts for income taxes pursuant to Statement of Financial Accounting Standards No. 109 (“SFAS No. 109”), “Accounting for Income Taxes.” SFAS No. 109 requires recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements or tax returns. Under this method, deferred tax assets and liabilities are determined based on the differences between the financial reporting and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. Future tax benefits, such as net operating loss carryforwards, are recognized to the extent that realization of these benefits is considered to be more likely than not. If the future realization of such benefits is more likely than not, then a valuation allowance is provided.

Use of Estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Although actual results could differ from those estimates, in the opinion of management such estimates would not materially affect the financial statements.

Prepaid Immigration Fees

Legal costs and other recruitment charges incurred to obtain visas and other required immigration papers for recruits, and for employees are included in prepaid expenses. These charges are amortized over the lesser of two years or the expected employment period of the employees.

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation.

Advertising Costs

Advertising costs are expensed as incurred.

Long-Lived Assets

The Company follows Statement of Financial Accounting Standards No. 144 (“SFAS No. 144”), “Accounting for the Impairment or Disposal of Long-Lived Assets,” which supersedes SFAS No. 121, “Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of.” Accordingly, whenever events or circumstances indicate that the carrying amount of an asset may not be recoverable, the Company assesses the recoverability of the asset. No impairment charge have been required to be recorded in 2006 or 2005.

Capitalized Software Costs

Costs incurred for development of computer software for internal use of the Company are capitalized. Any costs incurred in the preliminary stages of development and in the operating stages of the software are expensed immediately. Capitalized software costs are amortized over a period of five years or over the estimated useful lives, whichever is lower.

NOTE 3 – RELATED PARTY TRANSACTIONS

The Company has entered into various transactions with its affiliates as follows :

	Year ended March 31			
	2006	2006	2005	2005
	\$	Rs.	\$	Rs.
Transactions with Infotech India				
Revenues for account management	1,095,957	48,896,122	862,338	37,722,976
Costs for project consultations	957,807	42,732,559	1,313,077	57,440,553
Project/other expenses reimbursements	2,570,609	114,687,721	1,408,144	61,599,259
Transactions with Infotech UK				
Service revenues	2,159,480	96,345,200	962,533	42,106,006
Project/other expenses reimbursements	148,753	6,636,615	84,966	3,716,838

NOTE 4 – ACCOUNTS RECEIVABLE

Accounts receivable consist of trade accounts receivable. Changes in the Company's allowance for doubtful accounts in 2006 and 2005 are as follows:

	2006 \$	2006 Rs.	2005 \$	2005 Rs.
Beginning balance	143,990	6,424,114	123,000	5,380,635
Bad debt expense	10,759	480,013	48,318	2,113,671
Accounts written off	(41,490)	(1,851,076)	(27,328)	(1,195,463)
Ending balance	113,259	5,053,050	143,990	6,298,843

NOTE 5 – COMMITMENTS AND CONTINGENT LIABILITIES**Leases**

The Company has leased office space and an apartment under non-cancellable operating leases expiring through fiscal 2007. The Company's Principal office lease contains a renewal option that allows the Company to extend the lease term for five years. Total rent expense under these leases was approximately \$142,000 (Rs. 6,316,681) and \$131,000 (Rs. 5,730,595) for the years ended March 31, 2006 and 2005, respectively.

In addition, the Company has entered into various non-cancellable operating leases for the rental of computer and office equipment.

The future minimum lease payments at March 31, 2006 are as follows:

	Offices		Equipment		Total	
	\$	Rs.	\$	Rs.	\$	Rs.
2007	1,50,000	6,692,250	3,600	160,614	153,600	6,852,864
2008	—	—	3,600	160,614	3,600	160,614
2009	—	—	3,600	160,614	3,600	160,614
2010	—	—	3,600	160,614	3,600	160,614
Total minimum lease payments	150,000	6,692,250	14,400	642,456	164,400	7,334,706

NOTE 6 – INCOME TAXES

The Provision for income taxes consisted of :

	Years ended March 31			
	2006 \$	2006 Rs.	2005 \$	2005 Rs.
Current tax provision				
State and local taxes	12,044	537,343	6,161	269,513

The Company's current expected Federal income tax obligation has been offset by the utilization of net operating loss carry forwards. The Company's current expected New Jersey state income tax obligation has been offset by the utilization of state net operating loss carry forwards.

Deferred tax assets and liabilities consisted of the following:

	Year ended March 31			
	2006 \$	2006 Rs.	2005 \$	2005 Rs.
Net operating losses	1,705,600	76,095,344	1,729,000	75,635,105
Others	54,000	2,409,210	54,000	2,362,230
Valuation allowance	(1,759,600)	(78,504,554)	(1,783,000)	(77,997,335)
Net Deferred tax asset	—	—	—	—

The Company has made profits during the fiscal year ended March 31, 2006, after incurring losses for the past several years. As a matter of prudence, the Company has not yet recognized any deferred tax assets and has recorded a full valuation allowance at the balance sheet date.

At March 31, 2006, the Company had net operating loss carry forwards ("NOLs"), for Federal income tax purposes, of approximately \$4,264,000 (Rs. 189,528,680/-) available to offset future taxable income, which expire by the year 2025. At March 31, 2006 the Company has total deferred tax assets of approximately \$1,759,600 (Rs. 78,504,554/-) consisting primarily of the benefit of the NOLs. Limitation of the utilisation of NOLs to offset future taxable income could occur following a corporate "Ownership Change" as defined in the internal revenue code. Operating loss carry forwards ("NOLs") for Federal Income Tax purposes will expire as follows

	\$	Rs.
2020	591,000	25,853,295
2021	648,000	28,346,760
2022	1,895,000	82,896,775
2023	245,000	10,717,525
2024	360,000	15,748,200
2025	525,000	22,966,125
	4,264,000	186,528,680

NOTE 7 – CONCENTRATION OF CUSTOMER SALES

A significant portion of the Company's sales are to several key customers, some of which are also agencies providing software consulting services to commercial entities and software developers. Three such key customers accounted for approximately 65% and approximately 61% of the Company's net sales for the years ended March 31, 2006 and 2005, respectively. Accounts receivable from three different customers approximated 42% (12%, 14%, and 6%) of total accounts receivable at March 31, 2006. Accounts receivable from three different customers approximated 67% (10%, 46% and 11%) of total accounts receivable at March 31, 2005.

NOTE 8 – ACCOUNTING PRONOUNCEMENT – MULTIPLE-DELIVERABLE REVENUE ARRANGEMENTS

The Company follows Emerging Issues Task issue No. 00-21 ("EITF 00-21"), "Multiple-Deliverable Revenue Arrangements." EITF 00-21 addresses how to account for arrangements that may involve the delivery or performance of multiple products, services, and/or rights to use assets. The consensus mandates how to identify whether goods or services or both to be delivered separately in a bundled sales arrangement should be accounted for separately because they are separate units of accounting. The guidance can affect the timing of revenue recognition for such arrangements, even though it does not change rules governing the timing or pattern of revenue recognition of individual items accounted for separately.

The adoption of EITF 00-21 had no material impact on its financial position, cash flows or results of operations.

On behalf of the Board
S. Verma Director
A. Rishi President
13th May, 2006

REPORT OF THE DIRECTORS FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2006

1. Your Directors hereby submit their Report and Accounts for the financial year ended 31st March, 2006.

2. COMPANY PERFORMANCE

a. Profit Before Tax	Rs. 27,50,017/-
b. Income Tax (including Fringe Benefit Tax)	Rs. 46,900/-
c. Profit After Tax	Rs. 27,03,117/-
d. Add : Profit brought forward from previous year	Rs.1,18,27,173/-
e. Surplus available for Appropriation	Rs.1,45,30,290/-
f. Transferred to General Reserve	Nil
g. Balance carried forward	Rs.1,45,30,290/-

3. DIRECTORS

In accordance with the provisions of Article 92 of the Articles of Association of the Company, Mr. Biswa Behari Chatterjee will retire by rotation at the ensuing Annual General Meeting, and being eligible, offers himself for re-election. Your Board of Directors have recommended his re-election.

4. DIRECTORS' RESPONSIBILITY STATEMENT

As required under the provisions of Section 217 (2AA) of the Companies Act, 1956, your Directors confirm having :

- followed in the preparation of the Annual Accounts, the applicable Accounting Standards, and there are no material departures;
- selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of your Company at the end of the financial year, and of the profit of your Company for that period;

- taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of your Company and for preventing and detecting fraud and other irregularities; and;
- prepared the Annual Accounts on a going concern basis.

5. PARTICULARS OF EMPLOYEES

None of the employees of your Company are covered under the provisions of Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975.

6. AUDITORS

The Auditors, Messrs. Basu, Chatterjee & Co., Chartered Accountants, retire at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

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

Considering the nature of business of your Company, no comment is required on conservation of energy and technology absorption. There has been no foreign exchange earnings or outflow during the year under review.

Virginia House
37, J. L. Nehru Road
Kolkata 700 071
20th April, 2006

On behalf of the Board
P. Chatterjee *Director*
S. Dutta *Director*

AUDITORS' REPORT TO THE MEMBERS OF WILLS CORPORATION LIMITED

- We have audited the attached Balance Sheet of **Wills Corporation Limited**, as at 31st March 2006, the Profit and Loss Account and the cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
- We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
- As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraph 4 and 5 of the said Order.
- Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
 - 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;
 - in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;

- in our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement, dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
- on the basis of written representations received from the Directors as on 31st March 2006 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March 2006 from being appointed as a Director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;
- in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India :
 - in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March 2006;
 - in the case of the Profit and Loss Account, of the Profit for the year ended on that date; and
 - in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Kolkata
20th April, 2006

For Basu, Chatterjee & Co.
Chartered Accountants
Sourabh Chakravarti
Partner
Membership No.54001

ANNEXURE TO THE AUDITORS' REPORT TO THE MEMBERS OF WILLS CORPORATION LTD.

(Referred to in paragraph 3 thereof)

1. (a) The Company is maintaining proper records to show full particulars, including quantitative details and situation of fixed assets.
- (b) In our opinion, the fixed assets have been physically verified by the management at reasonable intervals, having regard to the size of the Company and nature of its assets. No material discrepancies between the book records and the physical inventory was noticed.
- (c) During the year, in our opinion, and according to information and explanations given to us, a substantial part of the fixed assets has not been disposed off by the Company.
2. According to information and explanations given to us and as per the books and records of the Company examined by us, there was no stock held by the Company at any time during the year.
3. (a) The Company has not granted any loans, secured or unsecured, to companies, firms or other parties covered in the Register maintained under section 301 of the Companies Act, 1956. As the company has not granted any loans, secured or unsecured to parties covered in the Register mentioned under section 301 of the Companies Act, 1956, paragraphs (iii) (b), (c) and (d) of the Order are not applicable.
- (b) The Company has not taken any loans, secured or unsecured from companies, firms or other parties covered in the Register maintained under section 301 of the Companies Act, 1956. As the Company has not taken any loans, secured or unsecured from parties covered in the Register mentioned under section 301 of the Companies Act, 1956, paragraphs (iii) (f) and (g) of the Order are not applicable.
4. In our opinion and according to the information and explanations given to us, there are adequate internal control systems commensurate with the size of the Company and nature of its business for purchase of fixed assets and for sale of goods and services. Further on the basis of our examination, and according to the information and explanations given to us, we have neither come across, nor have we been informed of any instance of major weakness in the aforesaid internal control system.
5. In our opinion, and according to the information and explanations given to us, there are no contracts or arrangements that need to be entered into the Register maintained under section 301 of the Companies Act, 1956.
6. The Company has not accepted any deposit from the public.
7. In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
8. (a) According to the information and explanations given to us and according to the books and records examined by us, in our opinion, the Company has been regular in depositing undisputed statutory dues including sales tax, income tax, cess and other material statutory dues as applicable, to it with the appropriate authorities during the year.
- (b) According to the information and explanation given to us, there are no undisputed dues, including sales tax, income tax, cess which were outstanding for more than six months as at 31st March 2006.
- (c) According to the information and explanation given to us, there are no disputed dues, including sales tax, income tax, cess which were outstanding as at 31st March 2006.
9. The Company does not have accumulated losses as at 31st March 2006, and has not incurred cash losses during the financial year ended on that date and in the immediately preceding financial year.
10. According to the information and explanations given to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
11. In our opinion and according to the information and explanations given to us, the Company is not a dealer or trader in securities.
12. According to information and explanations given to us, the Company has not given any guarantees for loans taken by others from banks and financial institutions.
13. The Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under section 301 of the Companies Act, 1956, during the year.
14. The Company has not raised any money by public issue during the year.
15. According to the information and explanations given to us, during the year, no fraud on or by the Company has been noticed or reported.
16. The nature of the Company's activities during the year ended 31st March 2006, indicate that the provisions of clauses 4(viii), (xi), (xiii), (xvi), (xvii), (xix) of the Companies (Auditor's Report) Order, 2003 are not applicable.

For Basu, Chatterjee & Co.
Chartered Accountants
Sourabh Chakravarti
Partner
Membership No.54001

Kolkata
20th April 2006

BALANCE SHEET AS AT 31ST MARCH, 2006

	Schedule	(Rs.)	As at 31st March, 2006 (Rs.)	(Rs.)	As at 31st March, 2005 (Rs.)
I. SOURCES OF FUNDS					
1. Shareholders' Funds					
(a) Share Capital	1		4,88,56,260		4,88,56,260
(b) Reserves and Surplus					
General Reserve		7,72,576		7,72,576	
Profit and Loss Account		1,45,30,290	1,53,02,866	1,18,27,173	1,25,99,749
TOTAL			6,41,59,126		6,14,56,009
II. APPLICATION OF FUNDS					
1. Fixed Assets (Net)	2		49,39,487		50,32,642
2. Investments	3		5,88,75,188		5,52,51,850
3. Current Assets, Loans and Advances	4	24,21,276		32,07,540	
4. Less: Current Liabilities and Provisions	5	20,76,825		20,36,023	
5. Net Current Assets			3,44,451		11,71,517
TOTAL			6,41,59,126		6,14,56,009
Notes to the Accounts	7				
Significant Accounting Policies	8				

The Schedules referred to above form an integral part of the Balance Sheet.
This is the Balance Sheet referred to in our Report of even date.

For Basu, Chatterjee & Co.,
Chartered Accountants
Sourabh Chakravarti
Partner
Kolkata, 20th April, 2006

On behalf of the Board
P. Chatterjee Director
S. Dutta Director
T. K. Ghosal Secretary

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2006

	Schedule	For the year ended 31st March, 2006		For the year ended 31st March, 2005	
		(Rs.)	(Rs.)	(Rs.)	(Rs.)
I. INCOME					
Interest			—		11,432
Dividend from Current Investments			25,87,601		22,94,855
Profit on Sale of Current Investments (net)			39,822		17,415
Lease Rental			4,80,000		4,80,000
Miscellaneous Income			3,59,100		3,60,000
			<u>34,66,523</u>		<u>31,63,702</u>
II. EXPENDITURE					
Salaries and Wages			4,86,083		3,97,083
Operating and Establishment Expenses	6		94,756		1,21,132
Excess of cost over fair value of Current Investments			8,534		—
Auditors' Remuneration - Audit Fees (including Service Tax)		20,203		19,836	
- Other Services		<u>13,775</u>	33,978	<u>13,610</u>	33,446
Depreciation			93,155		93,155
			<u>7,16,506</u>		<u>6,44,816</u>
III. PROFIT					
Profit before Taxation			27,50,017		25,18,886
Provision for Taxation			45,000		80,000
Provision for Fringe Benefit Tax			1,900		—
Profit after Taxation			27,03,117		24,38,886
Profit brought forward			1,18,27,173		2,09,39,051
			<u>1,45,30,290</u>		<u>2,33,77,937</u>
Available for appropriation					
IV. APPROPRIATIONS					
Interim Dividend Paid			—		1,00,00,000
Dividend Tax Paid			—		13,06,875
Transfer to General Reserve			—		2,43,889
Profit Carried forward			<u>1,45,30,290</u>		<u>1,18,27,173</u>
			<u>1,45,30,290</u>		<u>2,33,77,937</u>
Earnings Per Share (Face Value Rs.10.00 each)	7(2)		0.55		0.50
Notes to the accounts	7				
Significant Accounting Policies	8				

The Schedules referred to above form an integral part of the Profit and Loss Account.
This is the Profit and Loss Account referred to in our Report of even date.

For Basu, Chatterjee & Co.,
Chartered Accountants
Sourabh Chakravarti
Partner
Kolkata, 20th April, 2006

On behalf of the Board
P. Chatterjee Director
S. Dutta Director
T. K. Ghosal Secretary

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2006

	For the Year ended 31st March, 2006 (Rs.)	For the year ended 31st March, 2005 (Rs.)
A. NET PROFIT BEFORE TAX	27,50,017	25,18,886
ADJUSTMENTS FOR :		
Depreciation	93,155	93,155
Dividend from Current Investments	(25,87,601)	(22,94,855)
Excess of cost over fair value of Current Investments	8,534	—
Profit on sale of Current Investments	(39,822)	(17,415)
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	2,24,283	2,99,771
ADJUSTMENTS FOR:		
Trade and other Receivables	89,884	2,10,000
Trade Payables	40,802	18,956
CASH GENERATED FROM OPERATIONS	3,54,969	5,28,727
Income Tax Refund(Net)	6,30,910	18,707
NET CASH FROM OPERATING ACTIVITIES	9,85,879	5,47,434
B. CASH FLOW FROM INVESTING ACTIVITIES :		
Purchase of Long Term Investments	—	(650)
Sale of Long Term Investments	—	650
Purchase of Current Investments	(78,01,92,433)	(38,37,40,300)
Sale of Current Investments	77,91,87,983	39,46,18,051
NET CASH USED IN INVESTING ACTIVITIES	(10,04,450)	1,08,77,751
C. CASH FLOW FROM FINANCING ACTIVITIES :		
Dividend Paid	—	(1,00,00,000)
Dividend Tax Paid	—	(13,06,875)
NET CASH FLOW USED IN FINANCING ACTIVITIES	—	(1,13,06,875)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	(18,571)	1,18,310
OPENING CASH AND CASH EQUIVALENTS	1,73,776	55,466
CLOSING CASH AND CASH EQUIVALENTS	1,55,205	1,73,776

This is the Cash Flow Statement referred to in our Report of even date.

For Basu, Chatterjea & Co.
Chartered Accountants
Sourabh Chakravarti
Partner
Kolkata, 20th April, 2006

On behalf of the Board

P. Chatterjee Director
S. Dutta Director
T. K. Ghosal Secretary

SCHEDULES TO THE ACCOUNTS

1. SHARE CAPITAL

	As at 31st March, 2006 (Rs.)	As at 31st March, 2005 (Rs.)
Authorised :		
50,00,000 Ordinary Shares of Rs. 10/- each	5,00,00,000	5,00,00,000
	<u>5,00,00,000</u>	<u>5,00,00,000</u>
Issued, Subscribed and Paid up :		
48,85,626 Ordinary Shares of Rs. 10/- each, fully paid up	4,88,56,260	4,88,56,260
	<u>4,88,56,260</u>	<u>4,88,56,260</u>

(All the shares are held by the Holding Company, ITC Limited)

2. FIXED ASSETS

	Original Cost as at 31st March, 2005 (Rs.)	Original Cost as at 31st March, 2006 (Rs.)	Depreciation up to 31st March, 2005 (Rs.)	Depreciation for the year (Rs.)	Depreciation up to 31st March, 2006 (Rs.)	Net Book Value as at 31st March, 2006 (Rs.)
Plant and Machinery	78,70,428	78,70,428	78,70,428	—	78,70,428	—
Building*	57,15,053	57,15,053	6,82,411	93,155	7,75,566	49,39,487
TOTAL	1,35,85,481	1,35,85,481	85,52,839	93,155	86,45,994	49,39,487
Previous Year	1,35,85,481	1,35,85,481	84,59,684	93,155	85,52,839	50,32,642

There was no addition /deduction to the Fixed Assets during the current year and previous year.

*Includes assets given on operating leases, which are not non-cancellable and are usually renewable by mutual consent on mutually agreeable terms.

The Gross Value of such assets is Rs. 57,15,053/- (2005-Rs. 57,15,053/-) and Accumulated Depreciation Rs. 7,75,566/- (2005 - Rs. 6,82,411/-) Depreciation for the year charged to Profit & Loss Account is Rs. 93,155/- (2005 - Rs. 93,155/-).

The aggregate lease rental is shown as Lease Rental.

SCHEDULES TO THE ACCOUNTS (Contd.)

3. INVESTMENTS

	As at 31st March, 2006 (Rs.)	As at 31st March, 2005 (Rs.)
UNQUOTED		
Current		
Other Investments		
Canliquid Fund - Institutional Daily Dividend Nil (2005 – 55,02,624.20) Units of Rs. 10/- each (sold during the year)	—	5,52,51,850
Canfloating Rate Short Term - Weekly Dividend 18,39,686.98 (2005 – Nil) Units of Rs. 10/- each (Purchased during the year)	1,88,75,188	—
Kotak FMP Series 23 - Growth 40,00,000.00 (2005 - Nil) Units of Rs. 10 each (Purchased during the year)	4,00,00,000	—
TOTAL	5,88,75,188	5,52,51,850

4. CURRENT ASSETS, LOANS AND ADVANCES

	As at 31st March, 2006 (Rs.)	As at 31st March, 2005 (Rs.)
A. CURRENT ASSETS		
Cash and Bank Balances		
Balance with Scheduled Bank		
– On Current Account	1,55,205	1,73,776
Other Current Assets		
(Unsecured, considered good)		
i) Deposits	56,563	56,563
ii) Others	4,351	94,235
	60,914	1,50,798
B. LOANS AND ADVANCES		
(Unsecured, considered good)		
Advance Payment of Income Tax (Net of provision)	22,05,141	28,82,966
Advance Payment of Fringe Benefit Tax (Net of provision)	16	—
	22,05,157	28,82,966
	24,21,276	32,07,540

5. CURRENT LIABILITIES AND PROVISIONS

	As at 31st March, 2006 (Rs.)	As at 31st March, 2005 (Rs.)
A. Current Liabilities		
Sundry Creditors for Supplies and Expenses		
– Total Outstanding dues of Creditors other than Small Scale Industrial Undertaking(s)	20,525	21,836
Security Deposit	20,00,000	20,00,000
B. Provision		
Provision for Retirement Benefits	56,300	14,187
	20,76,825	20,36,023

6. OPERATING AND ESTABLISHMENT EXPENSES

	For the year ended 31st March, 2006 Rs.	For the year ended 31st March, 2005 Rs.
Rates and Taxes	38,738	38,888
Insurance	3,963	4,235
Repairs and Maintenance	15,913	17,931
Travelling and Conveyance	9,610	1,050
Postage, Telephone, Telex, etc.	8,166	13,515
Printing and Stationery	2,716	85
Professional and Contractual Fees	—	35,268
Filing Fees	1,500	1,800
Miscellaneous Expenses	14,150	8,360
	94,756	1,21,132

SCHEDULES TO THE ACCOUNTS(Contd.)

7. NOTES TO ACCOUNTS

1. During the year, the following Current Investments were purchased and sold:-

- 80,061.60 units of Alliance Cash Manager - Weekly Dividend Option at cost of Rs. 8,00,616/-.
- 12,234.08 units of Birla Cash Plus Retail - Daily Dividend Option at cost of Rs. 2,00,265/-.
- 58,00,332.32 units of Chola Liquid Institutional - Dividend Reinvestment Plan Option at cost of Rs. 5,81,22,312/-.
- 1,16,96,885.79 units of Canliquid Fund Institutional - Daily Dividend Reinvestment Option at cost of Rs. 11,74,48,423/-.
- 49,892.28 units of Tata Liquid High Investment Fund - Daily Dividend Option at cost of Rs. 5,55,95,481/-.
- 55,53,300.51 units of Grindlays Floating Rate Fund - LT - Institutional Plan B - Monthly Dividend at cost of Rs. 5,57,93,678/-.
- 56,27,823.52 units of Grindlays Floating Rate Fund - LT - Institutional Plan B - Weekly Dividend at cost of Rs. 5,62,97,203/-.
- 57,42,121.10 units of HSBC Floating Rate Fund - LT - Institutional Option - Weekly Dividend at cost of Rs. 5,75,39,191/-.
- 55,89,724.01 units of Grindlays Floating Short Term - Institutional Plan - B - Daily Dividend at cost of Rs. 5,62,90,198/-.
- 55,60,941.84 units of Kotak Floater Short Term - Weekly Dividend at cost of Rs. 5,56,53,334/-.
- 55,39,280.77 units of HDFC Floating Rate Income Fund Short Term Plan Weekly Dividend at cost of Rs. 5,56,40,961/-.
- 56,33,198.19 units of HSBC Floating Rate Fund Short Term Institutional - Daily Dividend at cost of Rs. 5,64,06,340/-.
- 57,88,920.45 units of HDFC Cash Management Saving Plus Plan at cost of Rs. 5,79,96,650/-.
- 39,07,690.34 units of Canfloating Rate - Short Term Weekly Dividend at cost of Rs. 4,01,11,660/-.

2. Earnings per Share

	For the year ended 31st March, 2006	For the year ended 31st March, 2005
Profit after Taxation (Rs.)	27,03,117/-	24,38,886/-
Weighted average number of Ordinary shares outstanding	48,85,626	48,85,626
Basic and diluted earnings per share in Rupees (Face Value - Rs.10/- per share)	0.55	0.50

3. Provision for taxation included in the Profit and Loss Account represents current tax. The incidence of deferred tax being insignificant, is not considered.

4. Related Party Disclosures :

(a) Relationships :

Holding Company - ITC Limited

Key Management Personnel -

Mr. K. Vaidyanath - Non-Executive Chairman
Mr. P. Chatterjee - Non-Executive Director
Mr. B. B. Chatterjee - Non-Executive Director
Mr. S. Dutta - Non-Executive Director
Mr. T. K. Ghosal - Secretary

(b) Disclosure of transaction between the Company and related parties and the status of outstanding balances:

Particulars	For the year ended 31st March, 2006 (Rs.)	For the year ended 31st March, 2005 (Rs.)
Holding Company		
Purchase of Investment	—	650
Repairs and Maintenance	15,983	17,931
Postage, Telephone, Telex etc.	7,666	10,516
Rental Income	4,80,000	4,80,000
Miscellaneous Income	3,59,100	3,60,000
Interim Dividend Paid	—	1,00,00,000
Balance as at	31st March, 2006 (Rs.)	31st March, 2005 (Rs.)
Receivables	—	90,000
Payables	322	—
Security Deposit	20,00,000	20,00,000

5. Segment Reporting – The Company operates in a single business and geographical segment.

6. Figures for the previous year have been regrouped / re-arranged wherever necessary.

SCHEDULES TO THE ACCOUNTS (Contd.)

8. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Financial Statements are prepared on Accrual Basis under the historical cost convention.

Fixed Assets

Fixed Assets are stated at cost including any incidental acquisition expenses.

Depreciation

Depreciation is provided on "Straight Line" basis at the rates prescribed in Schedule XIV to the Companies Act, 1956.

Investments

Long Term Investments are stated at cost. Current Investments are stated at lower of cost and fair value. However, suitable provisions are considered for permanent diminution in value of Long Term Investments, if any. Income from Investments is included together with the related tax credit in the Profit and Loss Account.

Inventories

The inventories are valued at cost or below. The average cost is computed on the basis of weighted average method.

Foreign Currency Liabilities

Foreign Currency Liabilities are restated at the rates ruling at the year end and all exchange gains / losses arising therefrom are adjusted in the Profit & Loss Account except for those covered by forward contract rates where the gains / losses arising from such restatement are recognised over the period of such contracts.

Borrowing Costs

Borrowing cost that are directly attributable to the acquisition or construction of qualifying assets, are capitalised as part of cost of such assets. All other borrowing cost are charged to revenue.

Lease Rentals

Lease Rentals are being accounted for on an accrual basis.

Retirement Benefits

Liability for gratuity benefits payable to the employees is determined in accordance with Income Tax Rules and provided for. Liability for leave encashment is provided for at the year end on actual basis.

Taxes on Income

Current Tax is determined at the amount of tax payable in respect of taxable income for the period.

Deferred Tax is recognised, subject to the consideration of prudence, on timing differences, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred Tax Assets are not recognised unless there is virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such Deferred Tax Assets can be realised.

On behalf of the Board

Kolkata
20th April, 2006

P. Chatterjee *Director*
S. Dutta *Director*
T. K. Ghosal *Secretary*

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE
(As per Schedule VI, Part IV of the Companies Act, 1956)

I. Registration Details

Registration No. State Code
Balance Sheet Date
Date Month Year

II. Capital Raised during the Year (Amount in Rs. Thousands)

Public Issue Rights Issue
Bonus Issue Private Placement

III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)

Total Liabilities Total Assets

Sources of Funds

Paid-up Capital Reserves & Surplus
Secured Loans Unsecured Loans

Application of Funds

Net Fixed Assets Investments
Net Current Assets Misc. Expenditure
Accumulated Losses

IV. Performance of Company (Amount in Rs. Thousands)

Turnover (Including other Income) Total Expenditure
+ - Profit/Loss Before Tax + - Profit / Loss After Tax
☒ (Please tick appropriate box + for profit, - for loss)

Earning per Share in Rs. Dividend Rate (%)

V. Generic Names of Principal Products / Services of Company (as per monetary terms)

Item Code No. (ITC Code)

Product Description

**REPORT OF THE DIRECTORS FOR THE FINANCIAL YEAR ENDED
31ST MARCH, 2006**

1. Your Directors hereby submit their Report and Accounts for the financial year ended 31st March, 2006.

2. COMPANY PERFORMANCE

a. Profit Before Tax	Rs. 2,97,00,358/-
b. Income Tax (Fringe Benefit Tax)	Rs. 544/-
c. Profit After Tax	Rs. 2,96,99,814/-
d. Add: Profit Brought forward from previous year	Rs. 1,79,83,955/-
e. Surplus available for Appropriation	Rs. 4,76,83,769/-
f. Transferred to General Reserve	Nil
g. Balance carried forward	Rs. 4,76,83,769/-

3. DIRECTORS

In accordance with the provisions of Article 92 of the Articles of Association of the Company, Mr. Biswa Behari Chatterjee will retire by rotation at the ensuing Annual General Meeting, and being eligible, offers himself for re-election. Your Board of Directors have recommended his re-election.

4. RE-APPOINTMENT OF MANAGER UNDER SECTION 269 OF THE COMPANIES ACT, 1956

Mr. Jamuna Prasad was re-appointed as Manager of the Company by the Board of Directors for a period of one year with effect from 1st May, 2006, subject to the approval of the Members of the Company at the next General Meeting. Appropriate resolution seeking your approval to his re-appointment as Manager is appearing in the Notice convening the ensuing Annual General Meeting of the Company.

5. DIRECTORS' RESPONSIBILITY STATEMENT

As required under the provisions of Section 217 (2AA) of the Companies Act, 1956, your Directors confirm having :

- (i) followed in the preparation of the Annual Accounts, the applicable Accounting Standards, and there are no material departures;
- (ii) selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of your Company at the end of the financial year, and of the profit of your Company for that period;
- (iii) taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of your Company and for preventing and detecting fraud and other irregularities; and
- (iv) prepared the Annual Accounts on a going concern basis.

6. PARTICULARS OF EMPLOYEES

None of the employees of your Company are covered under the provisions of Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975.

7. AUDITORS

The Auditors, Messrs. Basu, Chatterjee & Co., Chartered Accountants, retire at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

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

Considering the nature of business of your Company, no comment is required on conservation of energy and technology absorption. There has been no foreign exchange earnings or outflow during the year under review.

Virginia House
37, J. L. Nehru Road
Kolkata - 700 071

On behalf of the Board

P. Chatterjee *Director*
S. Dutta *Director*

20th April, 2006.

AUDITORS' REPORT TO THE MEMBERS OF GOLD FLAKE CORPORATION LIMITED

1. We have audited the attached Balance Sheet of **Gold Flake Corporation Ltd.**, as at 31st March 2006, the Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that :
 - (i) we have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - (ii) in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;

- (iii) the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
- (iv) in our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statements, dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
- (v) on the basis of written representations received from the Directors, as on 31st March, 2006, and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March 2006 from being appointed as a Director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;
- (vi) in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India :
 - (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March 2006;
 - (b) in the case of the Profit and Loss Account, of the Profit for the year ended on that date; and
 - (c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For Basu, Chatterjee & Co.
Chartered Accountants

(Sourabh Chakravarti)
Partner

Kolkata
20th April, 2006

Membership No. 54001

ANNEXURE TO THE AUDITORS' REPORT TO THE MEMBERS OF GOLD FLAKE CORPORATION LTD.

(Referred to in paragraph 3 thereof)

1. (a) The Company is maintaining proper records to show full particulars, including quantitative details and situation of fixed assets.
- (b) In our opinion, the fixed assets have been physically verified by the management at reasonable intervals, having regard to the size of the Company and nature of its assets. No material discrepancies between the book records and the physical inventory was noticed.
- (c) During the year, in our opinion, and according to information and explanations given to us, a substantial part of the fixed assets has not been disposed off by the Company.
2. According to information and explanations given to us and as per the books and records of the Company examined by us, there was no stock held by the Company at any time during the year.
3. (a) The Company has not granted any loans, secured or unsecured, to companies, firms or other parties covered in the Register maintained under Section 301 of the Companies Act, 1956. As the Company has not granted any loans, secured or unsecured to parties covered in the Register mentioned under Section 301 of the Companies Act, 1956, paragraphs (iii) (b), (c) and (d) of the Order are not applicable.
- (b) The Company has not taken any loans, secured or unsecured from companies, firms or other parties covered in the Register maintained under section 301 of the Companies Act, 1956. As the Company has not taken any loans, secured or unsecured from parties covered in the Register mentioned under section 301 of the Companies Act, 1956, paragraphs (iii) (f) and (g) of the Order are not applicable.
4. In our opinion and according to the information and explanations given to us, there are adequate internal control systems commensurate with the size of the Company and nature of its business for purchase of fixed assets and for sale of goods and services. Further on the basis of our examination, and according to the information and explanations given to us, we have neither come across, nor have we been informed of any instance of major weakness in the aforesaid internal control system.
5. In our opinion, and according to the information and explanations given to us, there are no contracts or arrangements that need to be entered into the Register maintained under Section 301 of the Companies Act, 1956.
6. The Company has not accepted any deposit from the public.
7. In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
8. (a) According to the information and explanations given to us and according to the books and records examined by us, in our opinion, the Company has been regular in depositing undisputed statutory dues including sales tax, income tax, cess and other material statutory dues as applicable to it with the appropriate authorities during the year.
- (b) According to the information and explanations given to us, there are no undisputed dues, including sales tax, income tax, cess which were outstanding for more than six months as at 31st March 2006.
- (c) According to the information and explanations given to us, there are no disputed dues, including sales tax, income tax, cess which were outstanding as at 31st March 2006.
9. The Company does not have accumulated losses as at 31st March 2006, and has not incurred cash losses during the financial year ended on that date and in the immediately preceding financial year.
10. According to the information and explanations given to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
11. In our opinion and according to the information and explanations given to us, the Company is not a dealer or trader in securities.
12. According to the information and explanations given to us, the Company has not given any guarantees for loans taken by others from banks and financial institutions.
13. The Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under section 301 of the Companies Act, 1956, during the year.
14. The Company has not raised any money by public issue during the year.
15. According to the information and explanations given to us, during the year, no fraud on or by the Company has been noticed or reported.
16. The nature of the Company's activities during the year ended 31st March, 2006, indicate that the provisions of clauses 4 (viii), (xi), (xiii), (xvi), (xvii), (xix) of the Companies (Auditor's Report) Order, 2003 are not applicable.

For Basu, Chatterjea & Co.
Chartered Accountants

(Sourabh Chakravarti)

Partner

Membership No. 54001

Kolkata
20th April, 2006

BALANCE SHEET AS AT 31ST MARCH, 2006

	Schedule	As at 31st March, 2006 (Rs.)	As at 31st March, 2005 (Rs.)
I. SOURCES OF FUNDS			
1. Shareholders' Funds			
(a) Share Capital	1	15,99,83,850	15,99,83,850
(b) Reserves and Surplus			
General Reserve		31,45,069	31,45,069
Profit and Loss Account		4,76,83,769	1,79,83,955
TOTAL		21,08,12,688	18,11,12,874
II. APPLICATION OF FUNDS			
1. Fixed Assets (Net)	2	10,488	17,284
2. Investments	3	21,08,33,567	18,08,87,124
3. Current Assets, Loans and Advances	4	4,53,040	6,93,706
4. Less : Current Liabilities and Provisions	5	4,84,407	4,85,240
5. Net Current Assets / (Liabilities)		(31,367)	2,08,466
TOTAL		21,08,12,688	18,11,12,874

Notes to the Accounts

7

Significant Accounting Policies

8

The Schedules referred to above form an integral part of the Balance Sheet.

This is the Balance Sheet referred to in our Report of even date.

For Basu, Chatterjee & Co.
Chartered AccountantsSourabh Chakravarti
Partner
Kolkata, 20th April, 2006

On behalf of the Board

P. Chatterjee Director
S. Dutta Director
J. Prasad Secretary

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2006

	Schedule	For the year ended 31st March, 2006 (Rs.)	For the year ended 31st March, 2005 (Rs.)
I. INCOME			
Dividend Income		2,97,78,803	1,76,03,417
Profit on sale of Current Investments (Net)		89,614	47,507
		2,98,68,417	1,76,50,924
II. EXPENDITURE			
Salaries and Wages		55,000	40,500
Operating and Establishment Expenses	6	44,056	1,52,627
Excess of cost over fair value of Current Investment		28,229	22,728
Auditors' Remuneration			
— Audit Fees (Including Service Tax)		20,203	19,836
— Other Services		13,775	13,610
Depreciation		6,796	11,284
		1,68,059	2,60,585
III. PROFIT			
Profit before Taxation		2,97,00,358	1,73,90,339
Provision for Taxation		—	—
Provision for Fringe Benefit Tax		544	—
Profit after Taxation		2,96,99,814	1,73,90,339
Profit brought forward		1,79,83,955	5,88,67,025
Available for appropriation		4,76,83,769	7,62,57,364
IV. APPROPRIATIONS			
Interim Dividend Paid		—	5,00,00,000
Dividend Tax Paid		—	65,34,375
Transfer to General Reserve		—	17,39,034
Profit carried forward		4,76,83,769	1,79,83,955
		4,76,83,769	7,62,57,364
Earnings Per Share (Face Value Rs. 10.00 each)	7(4)	1.86	1.09

Notes to the Accounts

7

Significant Accounting Policies

8

The Schedules referred to above form an integral part of the Profit and Loss Account.

This is the Profit and Loss Account referred to in our Report of even date.

For Basu, Chatterjee & Co.
Chartered AccountantsSourabh Chakravarti
Partner
Kolkata, 20th April, 2006

On behalf of the Board

P. Chatterjee Director
S. Dutta Director
J. Prasad Secretary

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2006

	For the year ended 31st March, 2006 (Rs.)	For the year ended 31st March, 2005 (Rs.)
A. NET PROFIT BEFORE TAX	2,97,00,358	1,73,90,339
ADJUSTMENTS FOR :		
Depreciation	6,796	11,284
Dividend from Long Term Investments	(2,25,00,000)	(1,12,50,000)
Dividend from Current Investments	(72,78,803)	(63,53,417)
Excess of cost over fair value of Current Investments	28,229	22,728
Profit on Sale of Current Investments	(89,614)	(47,507)
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	(1,33,034)	(2,26,573)
ADJUSTMENTS FOR :		
Trade payables	(833)	4,836
CASH GENERATED FROM OPERATIONS	(1,33,867)	(2,21,737)
Income Tax (Paid) Refund Received	(41,509)	630
NET CASH FROM OPERATING ACTIVITIES	(1,75,376)	(2,21,107)
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Long Term Investments	—	(650)
Sale of Long Term Investments	—	650
Dividend from Long Term Investments Received	2,25,00,000	1,12,50,000
Purchase of Current Investments	(2,02,27,93,139)	(79,00,13,033)
Sale of Current Investments	2,00,01,86,884	83,58,45,588
NET CASH USED IN INVESTING ACTIVITIES	(1,06,255)	5,70,82,555
C. CASH FLOW FROM FINANCING ACTIVITIES		
Dividend Paid	—	(5,00,00,000)
Dividend Tax Paid	—	(65,34,375)
NET CASH FLOW USED IN FINANCING ACTIVITIES	—	(5,65,34,375)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	(2,81,631)	3,27,073
OPENING CASH AND CASH EQUIVALENTS	3,32,518	5,445
CLOSING CASH AND CASH EQUIVALENTS	50,887	3,32,518

This is the Cash Flow Statement referred to in our Report of even date.

For Basu, Chatterjea & Co.
Chartered Accountants

Sourabh Chakravarti
Partner
Kolkata, 20th April, 2006

On behalf of the Board

P. Chatterjee Director
S. Dutta Director
J. Prasad Secretary

SCHEDULES TO THE ACCOUNTS

1. SHARE CAPITAL

	As at 31st March, 2006 (Rs.)	As at 31st March, 2005 (Rs.)
Authorised :		
2,00,00,000 Ordinary Shares of Rs. 10/- each	<u>20,00,00,000</u>	<u>20,00,00,000</u>
	<u>20,00,00,000</u>	<u>20,00,00,000</u>
Issued, Subscribed and Paid up :		
1,59,98,385 Ordinary Shares of Rs. 10/- each, fully paid up	<u>15,99,83,850</u>	<u>15,99,83,850</u>
	<u>15,99,83,850</u>	<u>15,99,83,850</u>

(All the shares are held by the Holding Company, ITC Limited)

2. FIXED ASSETS

	Original Cost as at 31st March, 2005 (Rs.)	Original Cost as at 31st March, 2006 (Rs.)	Depreciation up to 31st March, 2005 (Rs.)	Depreciation for the year (Rs.)	Depreciation up to 31st March, 2006 (Rs.)	Net Book Value as at 31st March, 2006 (Rs.)
Plant and Machinery	41,21,637	41,21,637	41,04,889	6,699	41,11,588	10,049
Furniture and Fixture	5,090	5,090	4,554	97	4,651	439
Total	41,26,727	41,26,727	41,09,443	6,796	41,16,239	10,488
Previous Year	41,26,727	41,26,727	40,98,159	11,284	41,09,443	17,284

There was no addition /deduction to the Fixed Assets during the current year and previous year.

SCHEDULES TO THE ACCOUNTS (Contd.)

3. INVESTMENTS

	As at 31st March, 2006 (Rs.)	As at 31st March, 2005 (Rs.)
Unquoted		
Long Term		
Trade Investments		
ITC Filtrona Limited		
22,50,000 (2005 – 22,50,000) Equity Shares of Rs. 10/- each, fully paid up	2,25,00,000	2,25,00,000
Asia Tobacco Company Limited		
55,650 (2005 – 55,650) Equity Shares of Rs. 100/- each, fully paid up	83,47,500	83,47,500
1,39,125 (2005 – 1,39,125) Equity Shares of Rs. 100/- each, partly paid up	1,04,34,375	1,04,34,375
Sub Total	4,12,81,875	4,12,81,875
Current		
Other Investments		
Canliquid Fund - Institutional Daily Dividend Reinvestment	—	8,89,83,504
NIL (2005 – 88,62,016.15) Units of Rs. 10/- each (Sold during the year)		
Kotak Floater Short Term – Weekly Dividend	—	5,06,21,745
NIL (2005 – 50,58,229.08) Units of Rs. 10/- each (Sold during the year)		
Kotak FMP Series 23 - Growth	12,00,00,000	—
1,20,00,000.00 (2005 – Nil) Units of Rs. 10/- each (Purchased during the year)		
Canfloating Rate Short Term - Weekly Dividend	4,95,51,692	—
48,28,599.60 (2005 – Nil) Units of Rs. 10/- each (Purchased during the year)		
Sub Total	16,95,51,692	13,96,05,249
TOTAL	21,08,33,567	18,08,87,124

4. CURRENT ASSETS, LOANS AND ADVANCES

	As at 31st March, 2006 (Rs.)	As at 31st March, 2005 (Rs.)
A. CURRENT ASSETS		
Cash and Bank Balances		
Balances with Scheduled Banks		
– On Current Account	50,887	3,32,518
Other Current Assets		
(Unsecured, considered good)		
Deposits with Others	5,000	5,000
B. LOANS AND ADVANCES		
(Unsecured, considered good)		
Advance Payment of Income Tax (Net of provision)	3,97,153	3,56,188
	4,53,040	6,93,706

5. CURRENT LIABILITIES AND PROVISIONS

	As at 31st March, 2006 (Rs.)	As at 31st March, 2005 (Rs.)
Current Liabilities		
Sundry Creditors for Supplies and Expenses		
– Total Outstanding dues of Creditors other than		
Small Scale Industrial Undertaking(s)	20,203	21,036
Sundry Deposit	4,64,204	4,64,204
	4,84,407	4,85,240

6. OPERATING AND ESTABLISHMENT EXPENSES

	For the year ended 31st March, 2006 (Rs.)	For the year ended 31st March, 2005 (Rs.)
Rates and taxes	3,270	3,130
Professional and Contractual Fees	23,100	1,40,100
Filing Fees	3,000	2,100
Miscellaneous Expenses	14,686	7,297
	44,056	1,52,627

7. NOTES TO ACCOUNTS

- Uncalled liability in respect of partly paid up shares is Rs. 3,13,03,125/- (2005 – Rs. 3,13,03,125/-).
- Dividend Income represents Rs. 2,25,00,000/- (2005 – Rs. 1,12,50,000/-) from Long Term Investments.
- During the year, the following Current Investments were purchased and sold :-
 - 210,161.70 units of Alliance Cash Manager - Weekly Dividend Option at cost of Rs. 21,01,617/-.
 - 18,351.12 units of Birla Cash Plus Retail - Daily Dividend Option at cost of Rs. 3,00,397/-.
 - 1,90,41,536.61 units of Chola Liquid Institutional - Dividend Reinvestment Option at cost of Rs. 19,07,96,686/-.
 - 3,35,84,894.57 units of Canliquid Fund Institutional - Daily Dividend Option at cost of Rs. 33,72,25,926/-.
 - 80,456.91 units of Tata Liquid High Investment Fund - Daily Dividend Option at cost of Rs. 8,96,53,974/-.
 - 99,87,410.99 units of Grindlays Floating Rate Fund - LT- Institutional Plan B- Monthly Dividend at cost of Rs. 10,03,48,342/-.
 - 1,01,21,984.75 units of Grindlays Floating Rate Fund- LT- Institutional Plan B - Weekly Dividend at cost of Rs. 10,12,53,962/-.
 - 1,65,75,690.98 units of HSBC Floating Rate Fund - LT- Institutional Option- Weekly Dividend at cost of Rs. 16,61,21,194/-.
 - 1,01,24,223.64 units of Grindlays Floating Rate ST Super Institutional Plan -C- Daily Dividend at cost of Rs. 10,12,42,237/-.
 - 1,00,27,482.14 units of Kotak Floater Short Term - Weekly Dividend at cost of Rs. 10,03,53,934/-.
 - 99,62,735.19 units of HDFC Floating Rate Income Fund Short Term Plan at cost of Rs. 10,00,73,670/-.
 - 1,22,55,202.44 units of HSBC Floating Rate Fund Short Term Institutional - Daily Dividend at cost of Rs. 12,27,13,793/-.
 - 1,67,22,429.34 units of HDFC Cash Management Saving Plus Plan at cost of Rs. 16,75,34,672/-.
 - 20,62,257.41 units of Prudential ICICI Floating Rate Plan C-Daily Dividend at cost of Rs. 2,06,25,668/-.
 - 58,93,433.61 units of Prudential ICICI Floating Rate Plan D-Daily Dividend at cost of Rs. 5,89,34,336/-.
 - 40,49,673.88 units of Tata Floating Rate Short Term Institutional Plan - Daily Dividend at cost of Rs. 4,05,39,665/-.
 - 40,53,950.70 units of Templeton Floating Rate Income Short Term Plan - Daily Dividend at cost of Rs. 4,06,36,372/-.
 - 1,16,93,854.88 units of Canfloating Rate - Short Term Weekly Dividend at cost of Rs. 12,00,35,577/-.

	For the year ended 31st March, 2006	For the year ended 31st March, 2005
4. Earnings per share		
Profit after Taxation (Rs.)	2,96,99,814	1,73,90,339
Weighted average number of Ordinary Shares outstanding	1,59,98,385	1,59,98,385
Basic and diluted earnings per share in Rupees (Face Value- Rs. 10/- per share)	1.86	1.09
5. Remuneration of Manager :		
Salaries Rs. 55,000/- (2005 - Rs. Nil)		
6. Provision for taxation included in the Profit and Loss Account represents Current Tax. The incidence of Deferred Tax being insignificant, is not considered.		

SCHEDULES TO THE ACCOUNTS (Contd.)**7. Related Party Disclosures :****(a) Relationships**

Holding Company	- ITC Limited
Joint Venture	- ITC Filtrona Limited
Key Management Personnel	
Mr. K. Vaidyanath	Non-Executive Chairman
Mr. P. Chatterjee	Non-Executive Director
Mr. B. B. Chatterjee	Non-Executive Director
Mr. S. Dutta	Non-Executive Director
Mr. J. Prasad	Manager and Secretary

(b) Disclosure of transaction between the Company and Related Party :

Particulars	For the year ended 31st March, 2006 (Rs.)	For the year ended 31st March, 2005 (Rs.)
Joint Venture Company		
Dividend Received	2,25,00,000/-	1,12,50,000/-

8. Interest in Joint Ventures :

The Company's interests, as a venturer, in jointly controlled entity (incorporated Joint Ventures) is :

Name	Country of Incorporation	Percentage of Voting Power as at 31st March, 2006
ITC Filtrona Limited	India	50

The financial statements of ITC Filtrona Limited are drawn up to 31st December, 2005

The Company's interests in this Joint Venture is reported as Long Term Investment (Schedule 3) and stated at cost. However, the Company's share of each of the assets, liabilities, income and expenses, etc. (each without elimination of the effect of transactions between the Company and the Joint Venture) related to its interests in the Joint Ventures are :

	As at 31st March, 2006 (Rs.)	As at 31st March, 2005 (Rs.)
I ASSETS		
1. Fixed Assets (net)	4,50,34,820	4,57,80,518
2. Current Assets, Loans and Advances		
a) Inventories	8,20,76,950	6,86,26,729
b) Sundry Debtors	1,31,37,773	1,45,66,013
c) Cash and Bank Balances	6,45,76,717	5,93,75,555
d) Other Current Assets	10,47,506	11,85,470
e) Loans and Advances	1,19,83,148	1,30,45,620
II LIABILITIES		
1. Current Liabilities and Provisions		
a) Liabilities	8,23,90,413	6,46,41,411
b) Provisions	2,13,90,500	2,61,47,250
2. Deferred Tax (net)	53,60,695	71,56,334
III INCOME		
1. Sales	38,90,63,223	38,36,02,624
2. Other Income	28,04,931	19,71,283
IV EXPENSES		
1. Raw Materials, etc.	28,83,59,292	27,48,95,021
2. Excise Duties and Taxes on sale of Products and Services	2,77,56,333	3,73,98,041
3. Manufacturing, Selling, etc. Expense	3,06,09,336	2,91,31,667
4. Depreciation	81,73,407	77,34,309
5. Provision for Taxation (including Fringe Benefit Tax)	1,21,50,016	1,21,54,429
V OTHER MATTERS		
Capital Commitments	2,72,178	2,51,712

9. Segment Reporting - The Company operates in a single business and geographical segment.

10. Figures for the previous year have been regrouped / rearranged wherever necessary.

8. SIGNIFICANT ACCOUNTING POLICIES**Basis of Accounting**

The Financial Statements are prepared on accrual basis under the historical cost convention.

Fixed Assets

Fixed Assets are stated at cost including any incidental acquisition expenses.

Depreciation

Depreciation is provided on "Written Down Value" basis at the rates prescribed in Schedule XIV to the Companies Act, 1956.

Investments

Long Term Investments are stated at cost. Current Investments are stated at lower of cost and fair value. However, suitable provisions are considered for permanent diminution in value of Long Term Investments, if any. Income from Investments is included together with the related tax credit in the Profit and Loss Account.

Inventories

The inventories are valued at cost or below. The average cost is computed on the basis of weighted average method.

Foreign Currency Liabilities

Foreign Currency Liabilities are restated at the rates ruling at the year end and all exchange gains / losses arising therefrom are adjusted in the Profit and Loss Account except for those covered by forward contract rates where the gains / losses arising from such restatement are recognised over the period of such contracts.

Borrowing Costs

Borrowing costs that are directly attributable to the acquisition or construction of qualifying assets are capitalised as part of cost of such assets. All other borrowing cost are charged to revenue.

Lease Rentals

Lease Rentals are being accounted for on an accrual basis.

Taxes on Income

Current Tax is determined as the amount of tax payable in respect of taxable income for the period.

Deferred Tax is recognised, subject to the consideration of prudence, on timing differences, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred Tax Assets are not recognised unless there is virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such Deferred Tax Assets can be realised.

On behalf of the Board

Kolkata
20th April, 2006

P. Chatterjee Director
S. Dutta Director
J. Prasad Secretary

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE
(As per Schedule VI, Part IV of the Companies Act, 1956)

I. Registration DetailsRegistration No. State Code Balance Sheet Date
Date Month Year**II. Capital raised during the year (Amount in Rs. Thousands)**Public Issue Rights Issue Bonus Issue Private Placement **III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)**Total Liabilities Total Assets **Sources of Funds**Paid up Capital Reserves & Surplus Secured Loans Unsecured Loans **Application of Funds**Net Fixed Assets Investments Net Current Assets Misc. Expenditure Accumulated Losses **IV. Performance of Company (Amount in Rs. Thousands)**Turnover including other income Total Expenditure + - Profit / Loss Before Tax ☒ + - Profit / Loss After Tax ☒

(Please tick appropriate box + for profit, - for loss)

Earning Per Share in Rs. Dividend Rate (%) **V. Generic Names of Principal Products / Services of Company (As per monetary terms)**Item Code No. (ITC Code)Product Description

Audit Committee : Mr. K. Vaidyanath, Chairman, M/s. P. Chatterjee, B. B. Chatterjee, Members

REPORT OF THE DIRECTORS FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2006

Your Directors submit their Report and Accounts for the financial year ended 31st March, 2006.

FINANCIAL PERFORMANCE

During the year under review, your Company earned a gross income of Rs. 579.20 lakhs (previous year Rs. 1,088.12 lakhs) and incurred a net loss of Rs. 738.97 lakhs (previous year net loss Rs. 103.72 lakhs).

OPERATIONS

Classic Golf Resort

Classic Golf Resort continues to be popular and has been the venue for some very prestigious tournaments, amongst them being The BT PRO-AM Tournament, ITC Junior Sub Junior Tournament, World Championship Golf Tournament, BBC-Spirit of Golf Tournament, Mc Dowells Cup 2005, International Patent Attorney Golf Tournament, Vipul Pro-AM Golf Tournament, Standard Chartered Tournament, CII Tournament, Haryana Golf Tournament, Mayo Cup, Indian Airlines Golf Tournaments, Royal Selangor vs CGR Golf Tournament, Ritinjali Golf Tournament etc.

Resort Hotel and Golf Villas Project

The Plans for the proposed Resort Hotel and Golf Villas Projects at the Classic Golf Resort would be firmed up after receipt of the necessary approvals.

DEMAND FOR ADDITIONAL CONVERSION CHARGES

As reported in our last report, the matter pertaining to the exorbitant demand of additional conversion charges of Rs. 15.82 crores raised by Haryana Government in respect of the Classic Golf Resort is sub-judice and the Hon'ble High Court of Punjab & Haryana has reserved its judgement on 16th November, 2005 on the matter. Your Board of Directors, based on legal advice, is of the opinion that the said demand is untenable.

DIRECTORS

In accordance with Article 106 and 107 of the Articles of Association of the Company, M/s. S. S. H. Rehman and Rajiv Tandon will retire by rotation at the forthcoming Annual General Meeting and being eligible, offers themselves for re-appointment.

During the year, Mr. Nakul Anand was appointed as Additional Director of the Company. As per the provisions of the Companies Act, 1956 Mr. Nakul Anand will vacate his office as Additional Director at the fourteenth Annual General Meeting.

Having regard to the first experience of Mr. Nakul Anand in Hotel Industry, your Directors recommend his appointment as Director of the Company.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

The applicable information pursuant to Section 217 (1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report

of Board of Directors) Rules, 1988 is given below:

(a) *Conservation of Energy*

The dedicated electricity feeder at the Classic Golf Resort continues to yield considerable savings. Efforts to conserve electricity by operating only necessary lighting, fittings and fixtures, and by judicious use of diesel generating sets continues.

(b) *Technology Absorption*

The provisions of Clause B of Rule 2 are not attracted as the Company has not imported any technology during the year under review.

(c) *Foreign Exchange Earnings and Outgo*

i) **Earnings** : During the year under review, gross foreign exchange earnings of the Company were Rs. 5.83 lakhs (previous year Rs. 12.51 lakhs).

ii) **Outgo** : Foreign exchange outgo during the year under review was Rs. 26.55 lakhs (previous year Rs. 31.65 lakhs).

AUDITORS

The Auditors of your Company M/s. Lovelock and Lewes, Chartered Accountants, retire at the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment.

PARTICULARS OF EMPLOYEES

None of the employees fall under the purview of the provisions of Section 217(2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975.

DIRECTORS' RESPONSIBILITY STATEMENT

In terms of Section 217(2AA) of the Companies Act, 1956, your Directors confirm having:

- followed in preparation of annual accounts, the applicable accounting standards alongwith proper explanations relating to material departures, if any;
- selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of your Company at the end of the financial year and of the loss of your Company for that period;
- taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- prepared the Annual Accounts on a going concern basis.

On behalf of the Board

Place : New Delhi
Date : 28th April, 2006

S. C. Sekhar *Managing Director*
M. Riaz Ahmed *Director*

AUDITORS' REPORT TO THE MEMBERS OF LANDBASE INDIA LIMITED

- We have audited the Balance Sheet of Landbase India Limited as at March 31, 2006 and the Profit and Loss Account and Cash Flow Statement for the year ended on that date annexed thereto, which we have signed under reference to this report. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
- We have conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
- As required by the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004, issued by the Central Government of India in terms of

sub-section (4A) of Section 227 of "The Companies Act, 1956" of India (the "Act") and on the basis of such checks of the books and records of the company as we considered appropriate and according to the information and explanations given to us, we further report that :

- The Company is maintaining proper records showing full particulars including quantitative details and situation of fixed assets.
 - The fixed assets are physically verified, to the extent practicable, by the management according to a phased programme designed to cover all the items over a period of three years, which in our opinion, is reasonable having regard to the size of the company and the nature of its assets. Pursuant to the programme, the fixed assets have been physically verified by the management during the year and no material discrepancies between the book records and the physical inventory have been noticed.
 - In our opinion, and according to the information and explanations given to us, a substantial part of fixed assets has not been disposed off by the Company during the year.

- 3.2 (a) The inventory has been physically verified by the management during the year. In our opinion, the frequency of verification is reasonable.
- (b) In our opinion, the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) On the basis of our examination of the inventory records, in our opinion, the company is maintaining proper records of inventory. The discrepancies noticed on physical verification of inventory as compared to book records were not material.
- 3.3 (a) The Company has not granted any loans, secured or unsecured, to companies, firms or other parties covered in the Register maintained under Section 301 of the Act.
- (b) The Company has not taken any loans, secured or unsecured, from companies, firms or other parties covered in the Register maintained under Section 301 of the Act.
- 3.4 In our opinion and according to the information and explanations given to us, having regard to the explanation that certain items purchased are of special nature for which suitable alternative sources do not exist for obtaining comparative quotations, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of inventory, fixed assets and for the sale of goods and services. Further, on the basis of our examination of the books and records of the Company, and according to the information and explanations given to us, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the aforesaid internal control system.
- 3.5 In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements referred to in Section 301 of the Act have been entered in the Register required to be maintained under that section.
- 3.6 The Company has not accepted any deposits from the public within the meaning of Sections 58A and 58AA of the Act and the rules framed thereunder.
- 3.7 In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.
- 3.8 The Central Government of India has not prescribed the maintenance of cost records under clause (d) of sub-section (1) of Section 209 of the Act for any of the products of the company.
- 3.9 (a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is generally regular in depositing undisputed statutory dues in respect of provident fund, investor education and protection fund, employees' state insurance, income tax, sales tax, wealth tax, customs duty, excise duty, cess and other material statutory dues as applicable.
- (b) According to the information and explanations given to us and the records of the Company examined by us, there are no dues of income tax, sales tax, wealth tax, service tax, customs duty, excise duty and cess which have not been deposited on account of any dispute.
- 3.10 The accumulated losses of the Company as at March 31, 2006, are more than fifty percent of its net worth and it has incurred cash losses during the financial year ended on that date. However, it has not incurred any cash losses in the immediately preceding financial year.
- 3.11 According to the records of the Company examined by us and the information and explanations given to us, the Company has not defaulted in repayment of dues to any financial institution or bank as at the balance sheet date.
- 3.12 The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- 3.13 The provisions of any special statute applicable to chit fund / nidhi / mutual benefit fund / societies are not applicable to the company.
- 3.14 In our opinion, the Company is not a dealer or trader in shares, securities, debentures and other investments.
- 3.15 In our opinion, and according to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions during the year.
- 3.16 The Company has obtained certain term loans from the Holding Company. In our opinion, and according to the information and explanations given to us, on an overall basis, the term loans have been applied for the purposes for which they were obtained.
- 3.17 On the basis of an overall examination of the balance sheet of the Company, in our opinion and according to the information and explanations given to us, there are no funds raised on a short-term basis which have been used for long-term investment.
- 3.18 The Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under Section 301 of the Act during the year.
- 3.19 The Company has not raised any money by public issue during the year or in earlier years.
- 3.20 During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by the management.
- 3.21 Clause (xix) of paragraph 4 of the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004, is not applicable in the case of the Company for the current year, since in our opinion there is no matter which arises to be reported in the aforesaid order.
4. Without qualifying our report, in view of the net loss of the Company during the year and the accumulated losses till the balance sheet date, we draw attention to para IX of the Schedule 19 to the Notes to Accounts regarding the continued support from the Holding Company and para IV (i) regarding advance received in connection with sale of land and space rights.
5. Further to our comments in paragraphs 3 and 4 above, we report that:
- (a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
- (b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
- (c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
- (d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Act;
- (e) On the basis of written representations received from Directors, as on March 31, 2006, and taken on record by the Board of Directors, none of the Directors is disqualified as on March 31, 2006 from being appointed as a Director in terms of clause (g) of sub-section (1) of Section 274 of the Act;
- (f) In our opinion and to the best of our information and according to the explanations given to us, the said financial statements together with the notes thereon and attached thereto give in the prescribed manner the information required by the Act and give a true and fair view in conformity with the accounting principles generally accepted in India :
- (i) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2006;
- (ii) in the case of the Profit and Loss Account, of the loss for the year ended on that date; and
- (iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Kaushik Dutta

Partner

Membership Number: F88540

For and on behalf of

Lovelock & Lewes

Chartered Accountants

Place : New Delhi

Date : 28th April, 2006

BALANCE SHEET AS AT 31ST MARCH, 2006

	Schedule	31st March, 2006 (Rs.)	As at 31st March, 2005 (Rs.)
I. SOURCES OF FUNDS			
1. Shareholders' Funds			
a) Share Capital	1	4,00,00,000	4,00,00,000
b) Reserves and Surplus	2	6,11,62,181	6,11,62,181
2. Loan Funds			
a) Secured Loans	3	21,28,59,152	21,00,03,591
b) Unsecured Loans	4	11,00,00,000	7,00,00,000
TOTAL		42,40,21,333	38,11,65,772
II. APPLICATION OF FUNDS			
1. Fixed Assets	5		
Gross Block		94,27,88,410	93,50,15,054
Less : Depreciation		24,90,01,874	22,66,24,175
Net Block		69,37,86,536	70,83,90,879
Capital Work-in-Progress		3,40,98,697	3,36,05,961
		72,78,85,233	74,19,96,840
2. Investments	6	250	250
3. Deferred Tax Asset		—	3,32,30,693
4. Current Assets, Loans and Advances			
a) Inventories	7	1,04,18,536	1,03,30,236
b) Sundry Debtors	8	58,60,748	43,42,381
c) Cash and Bank Balances	9	98,42,822	85,63,392
d) Other Current Assets	10	1,30,143	43,871
e) Loans and Advances	11	1,28,65,426	1,19,91,906
		3,91,17,675	3,52,71,786
Less : Current Liabilities and Provisions			
a) Liabilities	12	92,38,25,368	93,70,73,397
b) Provisions	13	6,66,499	9,26,113
Net Current Assets		(88,53,74,192)	(90,27,27,724)
5. Miscellaneous Expenditure (To the extent not written off or adjusted) (Refer Note XIV of Schedule 19)		63,20,083	73,73,430
6. Profit and Loss Account		57,51,89,959	50,12,92,283
TOTAL		42,40,21,333	38,11,65,772

Notes to the Accounts

Significant Accounting Policies

The Schedules referred to above form an integral part of the Accounts.

This is the Balance Sheet referred to in our Report of even date.

Kaushik Dutta

Partner

Membership No. : F88540

For and on behalf of

Lovelock & Lewes

Chartered Accountants

New Delhi, 28th April, 2006

On behalf of the Board

S. C. Sekhar
M. Riaz Ahmed
V. K. Jain
Managing Director
Director
Company Secretary

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2006

	Schedule	For the year ended 31st March, 2006 (Rs.)	For the year ended 31st March, 2005 (Rs.)
I. INCOME			
Income from Apartments		—	2,40,983
Income from Operations	14	5,66,85,100	5,72,94,712
Other Income	15	12,35,074	1,12,76,591
Sale of land		—	4,00,00,000
		5,79,20,174	10,88,12,286
II. EXPENDITURE			
Raw Material, Merchandising etc. Consumed and Expenditure incurred on Construction	16	55,35,553	78,14,217
Cost of Land sold		—	1,90,71,127
Interest Charges	17	17,795	35,71,884
Operating and Administrative Expenses	18	6,66,52,684	6,71,52,914
Depreciation on Fixed Assets		2,68,87,743	2,62,62,242
		9,90,93,775	12,38,72,384
III. PROFIT			
Profit/(Loss) before Prior Year Adjustments		(4,11,73,601)	(1,50,60,098)
Prior Year Adjustments (Refer Note on Schedule 5)		9,31,618	—
Profit/(Loss) before Taxation		(4,02,41,983)	(1,50,60,098)
Deferred Tax Credit/ (Charge)		(3,32,30,693)	46,87,631
Fringe Benefit Tax		(4,25,000)	—
Profit/(Loss) after Taxation		(7,38,97,676)	(1,03,72,467)
Profit/(Loss) Brought Forward		(50,12,92,283)	(49,09,19,816)
Profit/(Loss) Carried Forward		(57,51,89,959)	(50,12,92,283)
Earnings Per Share (Face Value Rs. 10/- each)	19 (XV)	(18.47)	(2.59)

Notes to the Accounts

Significant Accounting Policies

The Schedules referred to above form an integral part of the Accounts.

This is the Profit and Loss Account referred to in our Report of even date.

Kaushik Dutta

Partner

Membership No. : F88540

For and on behalf of

Lovelock & Lewes

Chartered Accountants

New Delhi, 28th April, 2006

On behalf of the Board

S. C. Sekhar
M. Riaz Ahmed
V. K. Jain
Managing Director
Director
Company Secretary

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2006

	31st March, 2006 (Rs.)	As at 31st March, 2006 (Rs.)	31st March, 2005 (Rs.)	As at 31st March, 2005 (Rs.)
CASH FLOW FROM OPERATING ACTIVITIES				
NET PROFIT/(LOSS) BEFORE TAX		(4,02,41,983)		(1,50,60,098)
Add :				
Depreciation (Includes Prior adjustments Rs. 9,52,318)	2,59,35,425		2,62,62,242	
Interest Expense	17,795		35,71,884	
Amortisation of 11KV exp.	10,53,347		10,53,347	
Loss on Sale/write off of Fixed Assets	29,62,189		1,74,916	
Bad Debts / Advances w/o	—		72,29,903	
Stock Written off	—		3,90,502	
Provision for Doubtful Debt	37,247		4,65,441	
Provision for dimution in value of Long-Term Investments	—		—	
Wealth Tax Provision	45,000		—	
Less:				
Profit on Sale of Fixed Assets	—		—	
Interest Income	(2,21,038)		(65,638)	
Provision no longer required written back	—		(76,94,460)	
Prior year adjustments expense /(Income)	20,700		—	
Liability no longer required written back	(36,672)	2,98,13,993	(10,57,780)	3,03,30,357
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES		(1,04,27,990)		1,52,70,259
ADJUSTMENTS FOR CHANGES IN WORKING CAPITAL :				
– (Increase) / Decrease in Trade and Other Receivables	(23,79,781)		20,24,461	
– (Increase) / Decrease in Inventories	(88,300)		2,00,69,501	
– Increase / (Decrease) in Trade Payables	(1,35,16,974)	(1,59,84,055)	(5,69,89,370)	(3,48,95,408)
Taxes Paid / Received (Net of TDS)	(5,60,622)			
Prior Period (Expenses)/ Income (Net)	(20,700)	(5,81,322)		
Cash generated from operations		(2,69,93,367)		(1,96,25,149)
Net cash used from operating activities	(A)	(2,69,93,367)		(1,96,25,149)
CASH FLOW FROM INVESTING ACTIVITIES :				
Purchase of Fixed Assets	(1,48,89,118)		(75,10,261)	
Proceeds from Sale of Fixed Assets	1,03,111		10,36,907	
Purchase of Long-Term Investment	—		—	
Interest Received	2,21,038	(1,45,64,969)	65,638	(64,07,716)
Net cash used in investing activities	(B)	(1,45,64,969)		(64,07,716)
CASH FLOW FROM FINANCIAL ACTIVITIES :				
Receipts :				
Proceeds from Long-Term Borrowings		4,00,00,000		7,75,00,000
Payments :				
Net decrease in Cash Credit facilities	28,55,561		(1,54,51,358)	
Interest Paid	17,795	28,37,766	(3,40,70,910)	(4,95,22,268)
Net Cash Flow used in financial activities	(C)	4,28,37,766		2,79,77,732
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	(D)=(A+B+C)	12,79,430		19,44,867
CASH AND CASH EQUIVALENTS AS AT THE BEGINNING OF THE YEAR	(E)	85,63,392		66,18,525
CASH AND CASH EQUIVALENTS AS AT THE END OF THE YEAR	(E+D)	98,42,822		85,63,392
CASH AND CASH EQUIVALENTS AS AT THE END OF THE YEAR COMPRISE :				
CASH & BANK BALANCES		98,42,822		85,63,392

NOTES:-

- The above Cash Flow Statement has been prepared under the Indirect Method as set out in the Accounting Standard-3 on Cash Flow Statement issued by Institute of Chartered Accountants of India.
- The amount of cash and cash equivalents as at March 31, 2006 includes balance of Rs. 292 (previous year Rs. 292) not available for use by the Company. This is the Cash Flow Statement referred to in our Report of even date.

Kaushik Dutta
Partner
Membership No. : F88540
For and on behalf of
Lovell & Lewes
Chartered Accountants
New Delhi, 28th April, 2006

On behalf of the Board

S. C. Sekhar Managing Director
M. Riaz Ahmed Director
V. K. Jain Company Secretary

SCHEDULES TO THE ACCOUNTS

	As at 31st March, 2006 (Rs.)	As at 31st March, 2005 (Rs.)		As at 31st March, 2006 (Rs.)	As at 31st March, 2005 (Rs.)
1. SHARE CAPITAL			3. SECURED LOANS		
Authorised			From Banks		
1,00,00,000 Equity Shares of Rs. 10/- each	10,00,00,000	10,00,00,000	— Cash Credit	28,59,152	3,591
Issued and Subscribed			From Others (Holding Company – ITC Limited)		
40,00,000 Equity Shares of Rs. 10/- each, fully paid up	4,00,00,000	4,00,00,000	— Term Loan	21,00,00,000	21,00,00,000
[Out of the above 4,00,000 Equity Shares (Previous Year – 4,00,000 Equity Shares) are held by the Holding Company, ITC Limited]	4,00,00,000	4,00,00,000		21,28,59,152	21,00,03,591
2. RESERVES AND SURPLUS					
General Reserve	6,11,62,181	6,11,62,181	1. Cash Credit Limit is secured by hypothecation of stocks, receivables and moveable and immovable fixed assets excluding land		
	6,11,62,181	6,11,62,181	2. Loans from others are secured by equitable mortgage on Land		
			4. UNSECURED LOANS		
			From Others (Holding Company – ITC Ltd.)		
			— Term Loan	11,00,00,000	7,00,00,000
				11,00,00,000	7,00,00,000

5. FIXED ASSETS (At Cost) [Refer Note XIII of Schedule 19 and Note II & III of Schedule 20]

Particulars	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As at 1st April, 2005 (Rs.)	Additions (Rs.)	Withdrawals / Adjustment (Rs.)	As at 31st March, 2006 (Rs.)	As at 1st April, 2005 (Rs.)	For the year** (Rs.)	Withdrawals / Adjustment (Rs.)	As at 31st March, 2006 (Rs.)	As at 31st March, 2006 (Rs.)	As at 31st March, 2005 (Rs.)
Land (Freehold)	21,51,50,550	46,84,850	—	21,98,35,400	—	—	—	—	21,98,35,400	21,51,50,550
Building*	22,80,38,819	—	—	22,80,38,819	3,10,89,547	44,65,386	—	3,55,54,933	19,24,83,886	19,69,49,272
Plant and Machinery	22,53,83,172	31,42,791	13,90,649	22,71,35,314	8,12,25,707	1,04,51,519	5,85,591	9,10,91,635	13,60,43,679	14,41,57,465
Golf Course	22,57,78,037	—	—	22,57,78,037	7,98,69,171	1,08,10,544	—	9,06,79,715	13,50,98,322	14,59,08,866
Office & Other Equipment	64,94,185	66,223	30,94,701	34,65,707	27,98,332	3,26,147	15,78,236	15,46,243	19,19,464	36,95,853
Furniture and Fixtures	1,43,77,043	5,625	20,97,256	1,22,85,412	1,33,60,639	(12,56,020)	13,55,309	1,07,49,310	15,36,102	10,16,404
Computers	57,16,218	9,27,267	—	66,43,485	54,52,176	3,13,718	—	57,65,894	8,77,591	2,64,042
Vehicles	31,46,116	55,69,626	40,420	86,75,322	18,97,689	8,24,131	38,590	26,83,230	59,92,092	12,48,427
Golf Carts	1,09,30,914	—	—	1,09,30,914	1,09,30,914	—	—	1,09,30,914	—	—
TOTAL	93,50,15,054	1,43,96,382	66,23,026	94,27,88,410	22,66,24,175	2,59,35,425	35,57,726	24,90,01,874	69,37,86,536	70,83,90,879
Capital Work-in-Progress	3,36,05,961	4,92,736	—	3,40,98,697	—	—	—	—	3,40,98,697	3,36,05,961
GRAND TOTAL	96,86,21,015	1,48,89,118	66,23,026	97,68,87,107	22,66,24,175	2,59,35,425	35,57,726	24,90,01,874	72,78,85,233	74,19,96,840
Previous Year	96,47,75,893	75,10,261	36,65,139	96,86,21,015	20,28,15,248	2,62,62,242	24,53,315	22,66,24,175	74,19,96,840	

* Building includes vehicular roads of Rs. 45,95,709/- (Previous Year Rs. 45,95,709/-) which have been fully depreciated over a period of five years as per Note III of Schedule 20.

** Includes Adjustment on account of excess depreciation charged in the earlier years amounting to Rs. 9,52,318 (net) (Previous year Rs. Nil.)

	As at 31st March, 2006 (Rs.)	As at 31st March, 2005 (Rs.)		As at 31st March, 2006 (Rs.)	As at 31st March, 2005 (Rs.)
6. INVESTMENTS			9. CASH AND BANK BALANCES		
(Refer Note VIII of Schedule 20)			Cash/Cheques in hand	7,29,335	1,15,643
(Unquoted - Long-Term, Non-Trade)			With Scheduled Banks		
Gilt Facilities India P. Ltd.	5,45,00,000	5,45,00,000	— in Current Accounts	12,89,188	68,54,250
545 Redeemable Preference Shares (0.5%) of Rs. 1,00,000/- each fully paid			— in Dividend Account (Including interest)	292	292
Less : Provision for Diminution in investments	5,44,99,900	5,44,99,900	— in Deposit Accounts*	78,24,007	15,93,207
Prime Golf Ranking Private Limited	150	150		98,42,822	85,63,392
150 Equity Shares of Re. 1/- each fully paid					
	250	250	*Includes Rs. 17,91,071 (Previous Year Rs. 15,93,207) held as margin money against guarantees issued by banks.		
7. INVENTORIES			10. OTHER CURRENT ASSETS		
(Refer Note IV of Schedule 20)			(Unsecured - considered good)		
Merchandising Stock	10,89,710	13,49,378	Interest Accrued on Fixed Deposits	1,30,143	43,871
Food and Beverage Stock	3,64,999	2,43,985		1,30,143	43,871
Stores and Spares	90,13,473	87,86,519			
Stock of Parking Slot/ Servant Qtrs	13,19,908	13,19,908			
	1,17,88,090	1,16,99,790			
Less : Provision for Slow Moving Inventory	13,69,554	13,69,554			
	1,04,18,536	1,03,30,236			
	1,04,18,536	1,03,30,236			
8. SUNDRY DEBTORS			11. LOANS AND ADVANCES		
(Unsecured)			(Unsecured, considered good)		
Debts Outstanding for a period exceeding six months			Advances recoverable in cash or in kind or for value to be received (Refer Note XIII of Schedule 19)	1,09,46,763	1,02,71,008
Considered Good	22,29,900	7,79,998	Security Deposits	14,37,628	13,75,487
Considered Doubtful	5,02,688	—	Advance Tax (Net of Provision)	4,81,035	3,45,411
Less : Provision for doubtful debts	5,02,688	—		1,28,65,426	1,19,91,906
Other Debts					
Considered Good	36,30,848	35,62,383			
Considered Doubtful	—	4,65,441			
Less : Provision for Doubtful Debts	—	4,65,441			
Total Debts	58,60,748	43,42,381			
	58,60,748	43,42,381			

SCHEDULES TO THE ACCOUNTS (Contd.)

	As at 31st March, 2006 (Rs.)	As at 31st March, 2005 (Rs.)	For the year ended 31st March, 2006 (Rs.)	For the year ended 31st March, 2005 (Rs.)
12. CURRENT LIABILITIES				
Sundry Creditors				
— Total outstanding dues to small scale industrial undertakings*	10,848	31,798		
— Total outstanding dues of creditors other than small scale industrial undertakings	5,56,71,005	5,91,78,555		
Other Liabilities	8,51,282	10,71,920		
Investor Education and Protection Fund shall be credited by the following amount :				
— Unpaid Dividend	157	292		
Payments received against Golf Membership	3,11,42,791	3,52,88,416		
Security Deposit against Golf Membership	31,06,05,660	31,14,60,578		
	34,17,48,451	34,67,48,994		
Less :				
Membership Subscription Receivable**	94,56,375	33,22,92,076	49,58,162	34,17,90,832
Payments received under agreement to sell (Refer Note IV(i) of Schedule 19)	53,50,00,000	53,50,00,000		
	92,38,25,368	93,70,73,397		
* (Amount due to Small Scale Undertaking outstanding for more than 30 days : Sana Enterprises)				
** Includes outstanding from Directors Rs. 2,975/- (Previous Year Nil)				
13. PROVISIONS				
Provision for Retirement Benefits	6,66,499	9,26,113		
	6,66,499	9,26,113		
	For the year ended 31st March, 2006 (Rs.)	For the year ended 31st March, 2005 (Rs.)		
14. INCOME FROM OPERATIONS				
Membership Fee	2,53,81,130	2,62,21,680		
Food and Beverage	86,54,041	84,78,605		
Proshop Income	21,28,993	30,47,653		
Caddie Rental	38,72,975	39,50,925		
Cart Rental	34,46,168	33,67,566		
Green Fee	1,03,24,059	91,20,320		
Health Club and Other Facilities	7,05,266	25,875		
Tent Income	10,53,656	26,32,088		
Sponsorship Income	11,18,812	4,50,000		
	5,66,85,100	5,72,94,712		
15. OTHER INCOME				
Interest received				
— On Fixed Deposits*	2,21,038	65,638		
— Others	2,72,700	—		
Foreign Exchange Fluctuation	1,140	1,224		
Holding Charges	—	3,09,127		
Transfer Charges	—	7,22,408		
Miscellaneous Receipts	7,03,524	14,25,954		
Liabilities Written Back	36,672	10,57,780		
Provision no longer required written back	—	76,94,460		
	12,35,074	1,12,76,591		
*[Tax deducted at source Rs. 42,166/- (Previous year - Rs. 10,169/-)]				
16. RAW MATERIAL, MERCHANDISING, ETC. CONSUMED AND EXPENDITURE INCURRED ON CONSTRUCTION				
1) Raw Material (F & B)				
Opening Stock	2,43,985	3,69,766		
Add : Purchases	45,33,991	52,06,342		
	47,77,976	55,76,108		
Less : Closing Stock	3,64,999	2,43,985		
	44,12,977	53,32,123		
2) Merchandising				
Opening Stock	13,49,378	23,61,469		
Add : Purchases	8,62,908	10,18,971		
	22,12,286	33,80,440		
Less : Closing Stock	10,89,710	11,22,576		
	11,22,576	13,49,378		
3) Laburnum Project Expenses				
Opening Balance				
— Stock of Parking Slots & Servant Qtrs.	13,19,908	13,79,862		
Add : Expenses during the year :				
Legal & Professional Charges	—	3,91,078		
	13,19,908	17,70,940		
Less : Unsold stock of Parking Slots & Servants Quarter	13,19,908	—		
	—	13,19,908		
	55,35,553	78,14,217		
17. INTEREST CHARGES				
Interest Paid				
— To Banks				
— On Cash Credit Limits	17,795	3,97,969		
— To Others	—	31,73,915		
	17,795	35,71,884		
18. OPERATING AND ADMINISTRATIVE EXPENSES				
Salaries, Wages and Bonus	2,49,55,757	2,03,06,119		
Contribution to Provident and Other Funds	8,93,287	6,44,897		
Welfare Expenses	16,54,301	2,75,03,345	13,63,648	2,23,14,664
Rent	7,38,950	3,48,852		
Rates & Taxes	8,85,353	8,46,939		
Travelling & Conveyance	5,91,104	9,24,885		
Vehicle Maintenance	17,54,413	16,40,680		
Communication Expenses	9,41,396	10,21,376		
Power & Fuel	79,02,168	86,04,897		
Consumption of Stores	11,71,645	4,11,745		
Insurance	9,99,831	10,44,434		
Repair and Maintenance				
— Building	10,50,573	10,67,835		
— Plant and Machinery	38,02,651	41,38,179		
— Others	32,54,219	81,07,443	10,48,991	62,55,005
Course Maintenance		45,82,271		40,32,681
Business Promotion		93,068		2,08,108
Printing & Stationery		7,07,755		15,00,845
Auditors' Remuneration				
— Audit Fee	4,00,000	4,00,000		
— Tax Audit Fee	35,000	35,000		
— Out of Pocket Expenses	90,689	5,25,689	53,590	4,88,590
Legal & Professional Charges		22,70,390		34,66,326
Advertisement & Sales Promotion		—		34,844
Hire Charges		24,49,869		21,33,708
Amortisation of Miscellaneous Expenses (Refer Note XIV of Schedule 19)		10,53,347		10,53,347
Club Promotion Expenses		36,170		97,221
Bad Debts & Advances written off		—		72,29,903
Provision for Doubtful Debts & Advances		37,247		4,65,441
Loss on Assets sold & written off		29,62,189		1,74,916
Stock written off		—		3,90,502
Miscellaneous Expenses		13,39,041		24,63,005
		6,66,52,684		6,71,52,914

SCHEDULES TO THE ACCOUNTS (Contd.)

19. NOTES TO THE ACCOUNTS

I. Estimated amount of contracts remaining to be executed on capital account (net of advances) and not provided for Rs. 5,21,430/- (Previous year Rs. 10,72,753).

II. Claims against the Company not acknowledged as debts :

- Demand received from Director, Town & Country Planning, Haryana for Change of Land Use (CLU) – Rs. 15,82,61,118/- (Previous year – Rs.15,82,61,118/-). These are not considered as statutory dues.
- Legal suits against the Company for recovery of dues/compensation Rs. 5,69,821/- (Previous year – Rs. 5,69,821/-).

III. Bank Guarantees given to Government Authorities, Rs. 18,22,033/- (Previous year – Rs. 70,19,742/-).

IV. **Current Liabilities include the following :**

- Rs. 53,50,00,000 (Previous year – Rs. 53,50,00,000) received as advance against agreement to sell from ITC Ltd. the Holding Company, in respect of approx. 26.82 acres of land and 6 lakh sq. ft of space rights in the Company's golf course, is subject to certain procedural approvals which are in the process of being obtained. Upon implementation of the agreement to sell, significant profits are expected to be realised.
- Rs. 31,06,05,660 (Previous year – Rs. 31,14,60,578) are deposits received from individuals towards golf memberships. These represent long-term tradable memberships which, given the high brand equity of the Company's international class golf course, are unlikely to be surrendered in the near term.

V. 1) **C I F Value of Imports**

Particulars	Current year Rs.	Previous year Rs.
Stores & Spares	20,26,510	8,58,732
Capital Equipment	6,28,625	23,05,909
Total	26,55,135	31,64,641

2) **Value of imported and indigenous Raw Material and stores and spare parts consumed and percentage of each to total consumption :**

Particulars	Current year		Previous year	
	Value(Rs.)	%	Value(Rs.)	%
a) Raw Material - Food & Beverage				
Imported	—	—	—	—
Indigenous	44,12,977	100	53,32,123	100
Total	44,12,977	100	53,32,123	100
b) Stores & Spares				
Imported	45,31,001	37	17,74,513	16
Indigenous	76,01,967	63	91,79,603	84
Total	1,21,32,968	100	1,09,54,116	100

VI. **Quantitative Details of Merchandising Stock :**

Particulars	Current year		Previous year	
	Qty (Nos.)	Value Rs.	Qty (Nos.)	Value Rs.
a) Opening Stock				
Golf Equipment	5	43,518	70	1,85,750
Golf Apparel etc.	37,260	13,05,860	23,346	21,75,719
Total	37,265	13,49,378	23,416	23,61,469
b) Purchases				
Golf Equipment	—	—	—	—
Golf Apparel etc.	7,164	8,62,908	30,879	10,18,971
Total	7,164	8,62,908	30,879	10,18,971
c) Turnover (at selling price)				
Golf Equipment	0	0	65	31,910
Golf Apparel etc.	14,815	13,83,082	16,965	23,15,504
Total	14,815	13,83,082	17,030	23,47,414
d) Closing Stock				
Golf Equipment	5	43,518	5	43,518
Golf Apparel etc.	29,609	10,46,192	37,260	13,05,860
Total	29,614	10,89,710	37,265	13,49,378

VII. Earnings in Foreign Currency, on cash basis — Rs. 5,83,935 (Previous Year Rs. 12,50,508)

VIII. The Company's significant leasing arrangements are in respect of leases for residential premises. These leasing arrangements are not non-cancellable and range between 11 months or longer and are usually renewable by mutual consent on mutually agreeable terms. The aggregate lease rentals payable are charged to Rent under Schedule 18. The Company has not entered into any finance lease during the year.

IX. The Company has formulated plans for cost reduction and has been assured by its holding, ITC Ltd., of continued support to the Company's projects. Hence, notwithstanding continuing losses, these accounts have been prepared on going concern basis.

X. The amount outstanding for more than 30 days as on 31st March, 2006 to a small scale industrial undertaking (SSI) as defined under sub-section (j) of Section 3 of the Industries (Development & Regulation) Act, 1951, has been disclosed separately in Schedule 12.

The above information regarding Small Scale Industrial Undertakings has been determined, to the extent such parties have been identified, on the basis of information available with the Company.

XI. The Company has during the year charged to the profit and loss account and amount of Rs. 3,32,30,693 on account of write down of deferred tax asset created in earlier years as a matter of prudence.

	As at 01.04.2005 Rs.	Charge/(Credit) during the year Rs.	As at 31.3.2006 Rs.
Deferred Tax Assets (A)			
Unabsorbed Depreciation	15,11,52,067	15,11,52,067	—
Provision for doubtful debts / advances / inventory	6,71,471	6,71,471	—
Others	7,91,462	7,91,462	—
Total	15,26,15,000	15,26,15,000	—
Deferred Tax Liabilities (B)			
Depreciation	11,93,84,307	(11,93,84,307)	—
Total	11,93,84,307	(11,93,84,307)	—
Net Deferred Tax Assets (A-B)	3,32,30,693	3,32,30,693	—

XII. The Capital work-in-progress amounting to Rs. 3,40,98,697/- (Previous Year – Rs. 3,36,05,961/-) relates to Resort project, which is awaiting for the approvals from the concerned authorities. The Company expects to re-launch the project in the near future.

XIII. Advances amounting to Rs. 96,24,689/- (Previous Year – Rs. 88,64,688/-) included in Advances recoverable in cash or kind considered good in Schedule 11 "Loans and Advances" are subject to confirmation. The Management expects that there would not be any material adjustment on confirmation and reconciliation.

XIV. During the year – 2002-03, the Company had incurred an expenditure of Rs. 1,05,33,471/- on erection of 11 KVA Feeder Line from Tauru Sub Station to Classic Golf Resort. Considering the nature of expenditure as being enduring in nature, the same is being amortised over a period of 10 years. Accordingly, an amount of Rs. 63,20,083/- (Previous Year – Rs. 73,73,430/-) has been treated as Deferred Revenue Expenditure and disclosed under Miscellaneous Expenditure (to the extent not written off or adjusted) after amortising an amount of Rs. 10,53,347/- (Previous Year – Rs. 10,53,347/-) (disclosed under Schedule 17 Operating and Administrative Expenses).

XV. **Earnings per share**

2006

2005

Earnings per share has been computed as under :

(a) Profit/ (Loss) After Taxation (Rs.)	(7,38,97,676)	(1,03,72,467)
(b) Number of Ordinary Shares outstanding	40,00,000	40,00,000
(c) Earnings per share (Face value Rs. 10/- per share) (a)/(b) - (Basic and diluted)	(18.47)	(2.59)

SCHEDULES TO THE ACCOUNTS (Contd.)

XVI. Segment Reporting

(Figures in Rs.)

	Current Year			Previous Year		
	Leisure & Hospitality	Real Estate	Total	Leisure & Hospitality	Real Estate	Total
SEGMENTS						
Segment Revenue	5,79,20,174	—	5,79,20,174	6,75,39,768	4,12,72,518	10,88,12,286
Segment Expenses	9,90,75,980	—	9,90,75,980	10,07,78,341	1,95,22,159	12,03,00,500
Segment Results	(4,11,55,806)	—	(4,11,55,806)	(3,32,38,573)	2,17,50,359	(1,14,88,214)
Less : Interest	—	—	17,795	—	—	35,71,884
Prior Period Adjustment	—	—	(9,31,618)	—	—	—
Provision for fringe benefit tax	—	—	4,25,000	—	—	—
Deferred Tax (Credit)/Charge	—	—	3,32,30,693	—	—	(46,87,631)
Profit / (Loss) after Taxation	—	—	(7,38,97,676)	—	—	(1,03,72,467)
OTHER INFORMATION						
Segment Assets	76,35,30,133	97,93,108	77,33,23,241	77,60,91,938	97,93,108	78,58,85,046
Unallocated Assets	—	—	—	—	—	3,32,30,693
Debit balance in Profit & Loss Account	—	—	57,51,89,959	—	—	50,12,92,283
Total Assets			1,34,85,13,200			1,31,91,65,282
Segment Liabilities	91,75,11,644	69,80,223	92,44,91,867	93,22,62,028	69,80,223	93,79,99,510
Unallocated Liabilities	—	—	42,40,21,333	—	—	38,11,65,772
Total Liabilities			1,34,85,13,200			1,31,91,65,282
Capital Expenditure	1,48,89,118	—	1,48,89,118	75,10,261	—	75,10,261
Depreciation (net)	2,59,35,425	—	2,59,35,425	2,62,62,242	—	2,62,62,242
NON CASH EXPENDITURE OTHER THAN DEPRECIATION						
Amortisation of Miscellaneous Expenditure	—	—	10,53,347	—	—	10,53,347
Bad Debts & Sundry Balances Written Off	—	—	—	—	—	72,29,903
Provision for Doubtful Debts and Advances	—	—	37,247	—	—	4,65,441
Inventory Written Off	—	—	—	—	—	3,90,502

XVII. Related Party Disclosures

- a) **Holding Company :** ITC Limited
- b) **Related Parties with whom transactions have taken place :**
- i) Fellow Subsidiary Companies : Fortune Park Hotels Limited.
- ii) Associate Companies : Classic Infrastructure & Development Limited, International Travel House.
- c) **Key Management Personnel :**
- Mr. S. S. H. Rehman Chairman
- Mr. S. C. Sekhar Managing Director
- Mr. Rajiv Tandon Director
- Mr. Anil Bhandari Director
- Mr. M. Riaz Ahmed Director
- Mr. Nakul Anand Director

Summary of transactions during the year :

(Figures in Rs.)

Sl.No.	Particulars	Holding Company		Fellow Subsidiaries		Associate Companies	
		Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
1.	Sale of Goods	—	—	—	—	—	—
2.	Sale of Services	3,69,197	40,500	93,843	—	74,251	71,950
3.	Commission Income on Consignment Sales	48,421	33,844	—	—	—	—
4.	Purchase of Services	5,830	1,78,760	—	—	—	—
5.	Interest Paid	—	31,73,915	—	—	—	—
6.	Expenses Recovered	—	16,594	—	—	—	7,508
7.	Expenses Reimbursed	54,27,968	16,485	—	—	7,42,535	8,38,784
8.	Loans Taken	4,00,00,000	7,75,00,000	—	—	—	—
9.	Payment towards refund of Advances	—	4,00,00,000	—	—	—	—
10.	Payment towards Interest payable (Gross)	—	3,36,72,941	—	—	—	—
11.	Advances received	—	—	—	—	—	—
12.	Sale of Fixed Assets	—	—	—	—	—	—
13.	Balances Outstanding at the year end						
i)	Debtors/Receivables	40,712	25,254	—	—	29,750	27,000
ii)	Creditors/Payables	3,21,46,248	3,16,21,215	—	—	—	6,71,772
iii)	Advances Received	53,50,00,000	53,50,00,000	—	—	—	—
iv)	Loans taken	32,00,00,000	28,00,00,000	—	—	—	—

Summary of Transactions with the key Management Personnel during the year.

Sl. No.	Particulars	Current Year	Previous Year
1.	Sale of Services	11,768	9,400
2.	Balances Outstanding at the year end		
i)	Debtors /Receivables	2,975	—

XVIII. Previous year's figures have been regrouped/rearranged wherever considered necessary to comply with current year's classification.

SCHEDULES TO THE ACCOUNTS (Contd.)

SCHEDULE -20

SIGNIFICANT ACCOUNTING POLICIES

I. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

To prepare financial statements in accordance with the historical cost convention, generally accepted accounting principles and relevant presentational requirements of the Companies Act, 1956. Income & Expenditure are recognised on accrual basis.

II. FIXED ASSETS

Fixed Assets are stated at cost of acquisition inclusive of inward freight, duties and taxes and incidental expenses relating to acquisition. In respect of major projects involving construction, related project and pre-operational expenses form part of the value of assets capitalised.

III. DEPRECIATION

To provide depreciation in respect of Assets on straight line method at its estimated useful life or the rates specified in Schedule XIV of the Companies Act, 1956. The rates of depreciation used for (Golf Carts @20%), Tented Accommodation (@ 50%) and Vehicular Roads (@ 20%) are on the basis of the estimated life of these Assets.

IV. INVENTORIES

To value inventories on weighted average basis, at cost or net realisable value, whichever is less. Working Progress is valued at cost which includes all direct and indirect attributable expenses. Cost includes freight and other related incidental expenses.

V. RETIREMENT BENEFITS

To make regular contributions to Statutory Provident and Pension Funds which are charged to revenue. Provision for Gratuity and Leave Encashment is based on actuarial valuation carried out at the year-end.

VI. FOREIGN CURRENCY TRANSLATION

To record transactions in foreign currencies at the exchange rate prevailing on the date of the transaction. Payments made in foreign currencies are recorded at the exchange rate prevailing on the day of remittance. Liability/ Receivables on account of foreign currency are converted at the exchange rates prevailing at the end of the year. Exchange differences are appropriately dealt with in the Profit and Loss Account, except those relating to fixed assets which are capitalised.

VII. REVENUE RECOGNITION

- Consequent to the completion of the Laburnum Project the Company had disclosed the unsold stock of Parking Slots and Servant Quarters under inventory and the revenue on account of the sale of such stock is being accounted for on accrual basis.
- i) Corporate membership fee is accounted for over the period of membership.
ii) Entrance fees is accounted for in the year of receipt.
iii) Interest charged on delayed receipt of Subscription is accounted for on receipt basis.
- Sale of merchandising items is recognised at the time of raising of relevant invoices.

VIII. INVESTMENTS

Long term Investments are stated at cost. Where applicable, provision is made where there is a permanent diminution in the valuation of the investments.

IX. TAXES ON INCOME

- To provide and determine current tax as the amount of tax payable in respect of taxable income for the period.
- To provide and recognise deferred tax on timing differences between taxable income and accounting income subject to consideration of prudence.
- Not to recognise deferred tax asset on unabsorbed depreciation and carry forward of losses unless there is virtual certainty that there will be sufficient future taxable income available to realise such assets.

On behalf of the Board

S. C. Sekhar Managing Director
M. Riaz Ahmed Director
V. K. Jain Company Secretary

New Delhi, 28th April , 2006

**BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE
(As per Schedule VI, Part IV of the Companies Act, 1956)**

I. Registration Details

Registration No. State Code
Balance Sheet Date
Date Month Year

II. Capital raised during the year (Amount in Rs. Thousands)

Public Issue
Rights Issue
Bonus Issue
Private Placement

III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)

Total Liabilities
Total Assets

Sources of Funds

Paid up Capital
Reserves & Surplus
Secured Loans
Unsecured Loans

Application of Funds

Net Fixed Assets*
Investments
* including capital work in progress
Net Current Assets
Misc. Expenditure
Accumulated Losses

IV. Performance of Company (Amount in Rs. Thousands)

Turnover*
Total Expenditure
*includes other income
+ - Profit/Loss before Tax
+ - Profit/Loss after Tax

(Please tick the appropriate box + for Profit, - for Loss)

Earning per Share in Rs.
Dividend Rate %

V. Generic Names of Three Principal Products/Services of Company (as per monetary terms)

Item Code No. (ITC Code)
Product Description

REPORT OF THE DIRECTORS FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2006

Your Directors hereby present the Annual Report and Audited Accounts of the Company for the financial year ended 31st March, 2006.

	Year ended 31.3.2006 (Rs. Lakhs)	Year ended 31.3.2005 (Rs. Lakhs)
Gross operating Profit / (Loss)	136.06	2383.98
Less : Interest and finance charges	0.02	218.25
Profit / (Loss) before depreciation and taxation	136.04	2165.73
Less : Depreciation and Impairment loss	61.72	51.35
Profit / (Loss) before Taxation	74.32	2114.38
Less : Provision for Taxation	—	—
Profit / (Loss) after Taxation	74.32	2114.38
Brought forward from previous year	(6398.66)	(8513.04)
Transfer from General Reserve	—	—
Balance carried to Balance Sheet	(6324.34)	(6398.66)

The gross operating profit in the year ended March 31, 2006 was Rs. 136.06 lakhs, compared to a profit of Rs. 2383.98 lakhs in the previous year and after providing depreciation, the net profit for the year was Rs. 74.32 lakhs as against a net profit of Rs. 2114.38 lakhs in the previous year.

Economic Scenario

During the past there has been no turnaround in the status of the non-performing assets of the NBFC Industry and hence there has been no significant beneficial impact on the recovery of the monies due to your Company. During the year some clients have come forward for negotiated settlements and concluded the same. Some more settlements are under evaluation. Your Company continues to vigorously pursue various legal cases initiated against defaulting clients.

Operations

During the last nine years your Company has concentrated only on recoveries and has collected a total of Rs. 9250 lakhs including by way of property settlements. The collections were largely utilized for repayment of debts - Rs. 955.05 lakhs (Inter corporate deposits), Rs. 687.39 lakhs (Non-convertible debentures), Rs. 161.08 lakhs (Bill Rediscounting), Rs. 1571.43 lakhs (Fixed Deposits), Rs. 528.67 lakhs (Financial Institutions) and Rs. 4371.72 lakhs (Banks), an aggregate of Rs. 8275.34 lakhs.

Your Company has already discharged all its external liabilities.

Your Company has prepared the annual accounts on a going concern basis. Your Company is presently concentrating on the recovery of its dues. It is being planned to further intensify the efforts for collection of dues through negotiated settlements, in the coming year. Your Company is also closely monitoring the developments taking place in the NBFC sector as a result of the growth in the GDP of the Nation. The Company will examine options for further opportunities, on improvement of collections from debtors.

Reserve Bank of India directions to NBFCs

Your Company has made provisions as per the Reserve Bank of India's Directions.

Directors' Responsibility Statement

Your Directors have :

- followed, in the preparation of the annual accounts, the applicable accounting standards with proper explanation relating to material departures;

On behalf of the Board

P. Dhobale P. K. Talwar
Director Director

Secunderabad, 17th April, 2006

AUDITORS' REPORT TO THE MEMBERS OF BFIL FINANCE LTD.

- We have audited the attached Balance Sheet of BFIL Finance Limited as at March 31, 2006 and the related Profit and Loss Account and Cash Flow Statement for the year ended on that date annexed thereto, which we have signed under reference to this report. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
- We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

- selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that period;
- taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- prepared the annual accounts on a going concern basis.

Dividend

In view of the accumulated loss, your Board regrets that the Company is not in a dividend paying position.

Particulars of Employees

The Company has no employee in the category specified under Section 217 (2A) of the Companies Act, 1956.

Subsidiary Companies

BFIL Securities Limited

Your Company's subsidiary is in the process of Members' voluntary winding up.

MRR Trading & Investment Company Limited

With a view to acquire office space in Mumbai, by way of tenancy rights, your Company had acquired the entire equity share capital of MRR Trading & Investment Company Limited after obtaining the necessary approval from the Central Government. The tenanted space is being utilized as Corporate Office of your Company.

Directors

Sri J. Singh retires at the forthcoming Annual General Meeting and being eligible, offers himself for re-appointment.

Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988

The Company has no activities relating to Conservation of Energy and Technology Absorption. There has been no foreign exchange earnings or outgo.

Deposits

The Company has not accepted any deposits during the year under the Companies (Acceptance of Deposits) Rules, 1975. Fixed Deposits aggregating to Rs. 1.99 lakhs, against 14 deposits were unclaimed at the end of the year and an equivalent amount has been retained in an escrow account with State Bank of India, Mumbai.

Acknowledgements:

The Directors have pleasure in recording their appreciation of the assistance extended to the Company by various officials of the Central and State Governments and Commercial Banks.

been kept by the Company, so far as appears from our examination of those books;

- (c) The Balance Sheet and Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
- (d) In our opinion, the Balance Sheet and Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Act;
- (e) On the basis of written representations received from the Directors of the Company as on March 31, 2006 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on March 31, 2006 from being appointed as a Director in terms of clause (g) of sub-section (1) of Section 274 of the Act;
- (f) Reference is invited to note 1 on Schedule 13 to the financial statements regarding the Company's accounts being prepared on a going concern basis;
- (g) In our opinion and to the best of our information and according to the explanations given to us, the said financial statements together

with the notes thereon and attached thereto give in the prescribed manner the information required by the Act and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (i) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2006;
- (ii) in the case of the Profit and Loss Account, of the profit for the year ended on that date, and
- (iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For and on behalf of Lovelock & Lewes
Chartered Accountants
S. Gopalakrishnan
Partner
Membership No. 18863

Hyderabad, April 17, 2006

ANNEXURE TO AUDITORS' REPORT

[Referred to in paragraph 3 of the Auditors' Report of even date to the members of BFIL Finance Limited on the accounts for the year ended March 31, 2006]

1. (a) The Company is maintaining proper records to show full particulars including quantitative details and situation of fixed assets.
- (b) All the fixed assets of the Company are physically verified by the management during the year, except for the leased assets where parties have defaulted in payment of lease rentals and the Company has initiated legal proceedings for recovering the dues, according to the information and explanations given to us, there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the company and the nature of its assets. No material discrepancies between the book records and the physical inventory have been noticed in respect of the assets physically verified during the year.
- (c) In our opinion and according to the information and explanations given to us, a substantial part of fixed assets has not been disposed off by the company during the year.
2. (a) The stock-in-trade has been physically verified by the management at the year-end. However, in respect of stock-on-hire, the Company has initiated legal proceedings for recovering its dues and no physical verification was carried out. In our opinion, the frequency of verification of stock-in-trade is reasonable.
- (b) In our opinion, the procedures of physical verification of stock-in-trade followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) On the basis of our examination of the inventory records, in our opinion, the Company is maintaining proper records of stock-in-trade. The discrepancies noticed on physical verification of inventory as compared to the book records were not material.
3. The Company has neither granted nor taken any loans, secured or unsecured, to / from companies, firms or other parties covered in the Register maintained under Section 301 of the Act.
4. In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of inventory, fixed assets and for the sale of goods and services. However, during the year, there are no purchases of inventory and fixed assets or sale of goods and services. Further, on the basis of our examination of the books and records of the Company and according to the information and explanations given to us, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the aforesaid internal control system.
5. According to the information and explanations given to us, there have been no contracts or arrangements referred to in Section 301 of the Act, during the year to be entered in the Register required to be maintained under that Section. Accordingly, commenting on transactions made in pursuance of such contracts or arrangements does not arise.
6. In our opinion and according to the information and explanations given to us, the Company has complied with the directives issued by the Reserve Bank of India and the provisions of Sections 58A and 58AA or any other relevant provisions of the Act and the Companies (Acceptance of Deposits) Rules, 1975 with regard to the deposits accepted from the public. According to the information and explanations given to us, no order has

been passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal on the Company in respect of the aforesaid deposits.

7. The Company is concentrating its activities only on recovery of old dues. The internal audit is being carried out once in two years.
8. (a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, there are no undisputed material statutory dues liable to be paid by the Company during the year and remaining un-paid at the end of the year.
- (b) According to the information and explanations given to us and the records of Company examined by us, there are no dues in respect of income tax which have not been deposited on account of any dispute and sales tax, wealth tax, service tax, customs duty, excise duty, and cess are not applicable to the Company.
9. The Company's accumulated losses as at March 31, 2006 are more than fifty percent of its net worth and has not incurred cash losses during the financial year ended on date and in the immediately preceding financial year.
10. According to the records of the Company examined by us and the information and explanations given to us, the Company has not defaulted in repayment of dues to debenture holders as at the balance sheet date. There are no dues to financial institutions and bank.
11. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities during the year.
12. The provisions of any special statute applicable to chit fund / nidhi / mutual benefit fund/societies are not applicable to the Company.
13. In our opinion, the Company has not entered into any transactions and contracts relating to dealing or trading in shares, securities, debentures and other investments during the year. However, the Company as at March 31, 2006 holds certain securities as stock-in-trade and such securities have been held by the Company in its own name.
14. On the basis of an overall examination of the balance sheet of the Company, in our opinion and according to the information and explanations given to us, there are no funds raised on a short-term basis which have been used for long-term investment.
15. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by the management.
16. The Clauses (iii)(b), (iii)(c), (iii)(d), (iii)(f), (iii)(g), (viii), (xv), (xvi), (xviii), (xix) and (xx) of paragraph 4, of the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report)(Amendment) Order, 2004 are not applicable in the case of the Company for the current year, since in our opinion there is no matter which arises to be reported in the aforesaid order.

For and on behalf of Lovelock & Lewes
Chartered Accountants
S. Gopalakrishnan
Partner
Membership No. 18863

Hyderabad, April 17, 2006

BALANCE SHEET AS AT 31ST MARCH, 2006

	Schedule	31st March, 2006 (Rs. lakhs)	As at 31st March, 2006 (Rs. lakhs)	31st March, 2005 (Rs. lakhs)	As at 31st March, 2005 (Rs. lakhs)
I. SOURCES OF FUNDS					
1. Shareholders' Funds					
(a) Capital	1	2000.00		2000.00	
(b) Reserves & Surplus		—	2000.00	—	2000.00
2. Loan Funds					
Unsecured Loans	2		5224.11		5224.11
			7224.11		7224.11
II. APPLICATION OF FUNDS					
1. Fixed Assets	3				
(a) Gross Block		2977.53		3439.59	
(b) Depreciation and Impairment		(1630.69)		(1807.84)	
(c) Lease Terminal Adjustment		(416.11)		(493.21)	
(d) Net Block		930.73		1138.54	
(e) Capital Work-in-Progress		281.73		281.73	
(f) Provision for Doubtful Assets		(871.04)	341.42	(1017.14)	403.13
2. Investments	4		430.24		430.34
3. Current Assets, Loans and Advances					
(a) Stock-on-hire		940.15		970.80	
Less : Provision for Doubtful Assets		733.14		763.79	
		207.01		207.01	
Less : Unmatured finance charges		207.01		207.01	
		—		—	
(b) Stock-in-trade	5	0.01		0.01	
(c) Sundry Debtors	6	—		—	
(d) Cash and Bank Balances	7	134.46		17.70	
(e) Loans and Advances	8	0.75		2.17	
		135.22		19.88	
Less : Current Liabilities and Provisions					
Current Liabilities	9	7.11		27.90	
Net Current Assets			128.11		(8.02)
4. Profit and Loss Account – Debit Balance	13		6324.34		6398.66
			7224.11		7224.11

Schedules 1 to 10 and 13 and Statement on Significant Accounting Policies form an integral part of the Balance Sheet.

This is the Balance Sheet referred to in our Report of even date.

For and on behalf of Lovelock & Lewes

Chartered Accountants

S. Gopalakrishnan, Partner

Secunderabad, 17th April, 2006

On behalf of the Board
P. Dhobale Director
P. K. Talwar Director
T. R. Shankar Manager
V. Radhakrishnan Company Secretary

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2006

	Schedule	For the year ended 31st March, 2006 (Rs. lakhs)	For the year ended 31st March, 2005 (Rs. lakhs)
INCOME			
Profit on Sale of stock-in-trade		—	54.00
Other Income	10	169.23	2548.58
		169.23	2,602.58
EXPENDITURE			
Personnel, Operating and Administration Expenses	11	33.17	218.60
Interest and Finance Charges	12	0.02	218.25
Depreciation and Impairment loss		61.72	51.35
		94.91	488.20
PROFIT/(LOSS) BEFORE TAXATION		74.32	2114.38
Provision for Taxation		—	—
PROFIT/(LOSS) AFTER TAXATION		74.32	2114.38
Brought forward from previous year		(6398.66)	(8513.04)
AVAILABLE BALANCE		(6324.34)	(6398.66)
Balance carried to Balance Sheet		(6324.34)	(6398.66)
Notes on Accounts	13		
Earnings Per Share (Rs.)		0.37	10.57

Schedules 10 to 13 and Statement on Significant Accounting Policies form an integral part of the Profit and Loss Account.

This is the Profit and Loss Account referred to in our Report of even date.

For and on behalf of Lovelock & Lewes

Chartered Accountants

S. Gopalakrishnan, Partner

Secunderabad, 17th April, 2006

On behalf of the Board
P. Dhobale Director
P. K. Talwar Director
T. R. Shankar Manager
V. Radhakrishnan Company Secretary

SCHEDULES TO THE FINANCIAL STATEMENTS

		As at 31st March, 2006 (Rs. lakhs)	As at 31st March, 2005 (Rs. lakhs)	As at 31st March, 2005 (Rs. lakhs)
1. CAPITAL				
AUTHORISED				
3,00,00,000 Equity Shares of Rs. 10/- each		3000.00		3000.00
10,00,000 Cumulative Redeemable / Convertible Preference Shares of Rs. 100/- each		1000.00	4000.00	1000.00
ISSUED AND SUBSCRIBED				
2,00,00,000 Equity Shares of Rs. 10/- each fully paid-up in cash. (all the above Shares are held by the Holding Company, ITC Limited)			2000.00	2000.00
			2000.00	2000.00
2. UNSECURED LOANS				
Fixed Deposits unclaimed,		1.99		1.99
Less : Amount in Escrow Account		1.99	—	1.99
15,00,000 — 0% Non-Convertible Debentures of Rs. 100/- each issued to the Holding Company, and repayable on 1st April, 2009			1500.00	1500.00
Loans from Holding Company			3724.11	3724.11
			5224.11	5224.11

3. FIXED ASSETS

(Rs. lakhs)

	Gross Block (at cost)			Depreciation***			Lease Terminal Adjustment		Net Block	
	As at 31st March, 2005	Additions during the year	Deductions during the year	As at 31st March, 2006	As at 31st March, 2005	On withdrawals and adjustments For the year	As at 31st March, 2006	As at 31st March, 2006	As at 31st March, 2005	As at 31st March, 2005
Buildings	1,08.59			1,08.59	63.13	2.28	65.41		43.18	45.46
Office Equipment	30.02			30.02	18.56	8.46	27.02		3.00	11.46
Furniture and Fixtures	1,48.05			1,48.05	1,13.13	34.92	1,48.05		—	34.92
Leasehold Improvement*	66.10			66.10	36.54	16.06	52.60		13.50	29.56
LEASED ASSETS										
Plant and Machinery	30,86.83		4,62.06	26,24.77	15,76.48		2,38.87	4,16.11	4,93.21	10,17.14
Total	34,39.59		4,62.06	29,77.53	18,07.84	61.72	2,38.87	4,16.11	4,93.21	11,38.54
Previous Year	37,71.82	3.59	335.82	34,39.59	18,85.85	51.35	1,29.36	4,93.21	4,93.21	11,38.54

Capital Work-in-Progress**

2,81.73 2,81.73

* Leasehold Improvement represents the amount incurred on renovation of the premises of the wholly owned subsidiary, MRR Trading & Investment Co. Ltd. which holds the tenancy rights.

** Capital Work-in-Progress includes Rs. 281.73 lakhs (2005 : Rs. 281.73 lakhs) being value of property received towards settlement of dues pending registration.

*** Depreciation for the year and as at the year end include impairment loss as under :

	For the Year		For the Period ending	
	2005-06	2004-05	31.03.2006	31.03.2005
Buildings	—	32.01	32.01	32.01
Furniture and Fixtures	48.87	—	48.87	—
	48.87	32.01	80.88	32.01

	As at 31st March, 2006 (Rs. lakhs)	As at 31st March, 2005 (Rs. lakhs)	As at 31st March, 2006 (Rs. lakhs)	As at 31st March, 2005 (Rs. lakhs)
4. INVESTMENTS				
Unquoted (At Cost)				
Long Term :				
Government/Trust Securities (other than trade)				
National Savings Certificate fully paid (deposited with Government Authorities)	0.05		0.05	
Kisan Vikas Patra fully paid (deposited with Government Authorities)	0.05	0.05		
	0.10	0.10		
Less : Provision for doubtful investments	0.10	—	—	0.10
Trade Investments :				
Subsidiary Company				
MRR Trading & Investment Company Limited	506.46		506.46	
50,000 Equity Shares of Rs. 10/- each fully paid				
Less : Diminution in value of investments	(76.22)	430.24	(76.22)	430.24
		430.24		430.34
5. STOCK-IN-TRADE				
(Valued at Cost or Market Value whichever is lower)				
Stock of Shares & Securities				
Quoted - Fully paid				
8 Equity Shares of Rs. 10/- each of Larsen & Toubro Ltd.	0.01			0.01
Unquoted - Fully paid				
5,40,000 Optionally Fully Convertible Debentures of G Tech Ltd.	594.00		594.00	
Less : Provision for erosion in value	594.00	—	594.00	—
	0.01	—	—	0.01
6. SUNDRY DEBTORS				
(Unsecured, considered doubtful) Over 6 months :				
Lease and hire purchase debtors	580.63		634.80	
Trade debtors	1142.25		1176.64	
	1722.88		1811.44	
Less: Provision for doubtful debts	1722.88		1811.44	
	—		—	

	As at 31st March, 2006 (Rs. lakhs)	As at 31st March, 2005 (Rs. lakhs)
7. CASH AND BANK BALANCES		
Cash on hand	—	—
With Scheduled Banks		
on current accounts	134.36	17.60
on short term deposit	0.10	0.10
	<u>134.46</u>	<u>17.70</u>
8. LOANS AND ADVANCES		
(Unsecured, considered good)		
Dues from the Holding Company maximum amount due at any time during the year Rs. 8.48 lakhs (2005 - Rs. 21.58 lakhs)	0.75	2.17
Advances with Government Public Bodies etc.	—	—
Advance payment of tax net of provision	0.75	2.17
	<u>0.75</u>	<u>2.17</u>
9. CURRENT LIABILITIES		
Sundry Creditors	—	—
Due to Small Scale Industries	—	—
Others	1.48	21.09
	<u>1.48</u>	<u>21.09</u>
Other Liabilities	5.63	6.81
	<u>7.11</u>	<u>27.90</u>
	For the year ended 31st March, 2006 (Rs. lakhs)	For the year ended 31st March, 2005 (Rs. lakhs)
10. OTHER INCOME		
Dividend	—	3.00
Provision no longer required written back	138.62	127.78
Amounts written back pursuant to negotiated settlement with Banks	—	2197.83
Liabilities no longer required written back	—	195.40
Other Income	30.61	24.57
	<u>169.23</u>	<u>2548.58</u>
11. PERSONNEL, OPERATING AND ADMINISTRATION EXPENSES		
Rates and Taxes	—	0.45
Postage, Telephone and Telegrams	—	0.06
Repairs and Maintenance		
– Buildings	—	0.03
Provision for diminution in value of Investments	—	76.22
Provision for doubtful investments/deposits	0.20	—
Loss on fixed assets sold/discarded	—	117.25
Professional Charges	17.57	3.07
Legal Expenses	10.08	16.90
Remuneration to Auditors :		
Audit Fee	0.86	0.86
Other services	0.28	0.26
Miscellaneous [includes Rs. 1.41 lakhs (2005 - Rs. 1.40 lakhs) Paid towards re-imbursement of expenses incurred by the Subsidiary Company]	4.18	3.50
	<u>33.17</u>	<u>218.60</u>
12. INTEREST AND FINANCE CHARGES		
Interest paid on		
– Others	—	24.08
– Income tax and interest tax	—	193.78
Bank / Other financial charges	0.02	0.39
	<u>0.02</u>	<u>218.25</u>

13. NOTES ON ACCOUNTS

- The financial statements have been prepared on a going concern basis. While there has been a business disruption due to problems prevailing in the Non-Banking Finance Industry, the Company continued recovery of its dues in the normal course of business. The Company will examine options for further business opportunities, on improvement of collections from debtors.
- Claims against the Company not acknowledged as debts represents lease tax on account of non-accrual of lease rental (as per Reserve Bank of India guidelines on Non Performing Assets) and disputes in the following tax demands – Rs. 34.63 lakhs (2005 – Rs.39.03 lakhs).
- The Company has initiated legal proceedings against various parties for recovery of dues and such legal proceedings are at different stages as at the date of the Balance Sheet and upon culmination, are expected to result in recovery of part of the dues in the future.
- The Company has not recognized the net deferred tax assets, in respect of accumulated losses and unabsorbed depreciation in view of the uncertainty of availing the benefit in future.
- The earnings considered in ascertaining the Company's Earnings Per Share (EPS) comprise net profit / (loss) after taxation. The number of shares used in computing basic and diluted EPS is the weighted average number of shares outstanding during the year.

	2005-2006	2004-2005
Profit / (loss) after taxation (Rs. lakhs)	74.32	21,14.38
Weighted average number of equity shares outstanding	2,00,00,000	2,00,00,000
Basic and diluted earnings per share in rupees (face value – Rs.10/- per share)	0.37	10.57

- Information with regard to matters in clauses 3, 4(A), 4(C) and 4(D) of part II of Schedule VI of the Companies Act, 1956 to the extent that they are either Nil or not applicable to the Company, have not been given.
- Segment Reporting – The Company operates in a single business segment, and hence no further disclosure is being made.

8. RELATED PARTIES DISCLOSURES ;**a) Relationships ;**

Holding Company - ITC Limited

Subsidiary Company – MRR Trading & Investment Company Limited

Key Management Personnel –

Mr. P. Dhobale – Non-Executive Director

Mr. P. K. Talwar – Non-Executive Director

Mr. J. Singh – Non-Executive Director

Mr. T. R. Shankar – Manager

Mr. V. Radhakrishnan – Company Secretary

b) Disclosure of transactions between the Company and related parties and the status of outstanding balances as on March 31, 2006 :-

Particulars	2005-06 (Rs. Lakhs)	2004-05 (Rs. Lakhs)
Holding Company		
Service charges received	21.60	21.60
Balance as on March 31		
Receivables	0.75	0.48
0 % Non-Convertible Debentures	1500.00	1500.00
Loans from Holding Company	3724.11	3724.11
Subsidiary Company		
Re-imbursement of expenses	1.41	1.40
Balance as on March 31		
Payables	0.33	0.11

- Previous year's figures have been regrouped wherever necessary to conform to the current year's classification.

10. QUANTITATIVE ANALYSIS FOR STOCK-IN-TRADE

Particulars	Opening Stock as on 01.04.2005		Purchases During The Year		Sales During The Year		Closing Stock as on 31.03.2006		Closing Stock as on 31.03.2005	
	Quantity (Nos.)	Value (Rs. lakhs)	Quantity (Nos.)	Value (Rs. lakhs)	Quantity (Nos.)	Value (Rs. lakhs)	Quantity (Nos.)	Value (Rs. lakhs)	Quantity (Nos.)	Value (Rs. lakhs)
Quantitative Information										
Equity Shares of Rs. 10/- each of Larsen & Toubro Ltd.	8	0.01	—	—	—	—	3*	0.01	8	0.01
Unquoted Convertible / Non-Convertible Debentures of G Tech Ltd.	5,40,000	594.00	—	—	—	—	5,40,000	594.00	5,40,000	594.00
Less : Provision for Diminution in the value		(594.00)	—	—	—	—	—	(594.00)		(594.00)
Total		0.01						0.01		0.01

* 8 Equity Shares of Larsen & Toubro Ltd. have been converted into 3 Equity Shares of Ultra Tech Cemco Limited

STATEMENT ON SIGNIFICANT ACCOUNTING POLICIES

GENERAL

These accounts have been prepared under the historical cost convention and on accrual system based on the principle of going concern. Income recognition and provisioning for Non-Performing Assets, consisting of Lease and Hire Purchase Assets, Bills Discounted and other Loans and advances, is done as per Non-Banking Financial Companies Prudential Norms (Reserve Bank) Directions, 1998.

REVENUE RECOGNITION

As per the directives of the Reserve Bank of India, revenue is recognized upon realization, on Non-Performing Assets.

Revenue is not recognized on the grounds of prudence until realized in respect of liquidated damages, penalties and delayed payment charges, as recovery of the amounts is uncertain.

STOCK-IN-TRADE

Stock of securities are stated at cost or market price whichever is lower. Stock-on-hire is valued at agreement value less amounts receivable.

INVESTMENTS

All investments are stated at cost i.e. cost of acquisition, inclusive of expenses

incidental to acquisition where applicable. Provision for any permanent diminutions in value of investments is made which is considered to be appropriate. Income from investments is stated in revenue account in the year in which it is accrued and at gross value.

FIXED ASSETS

All fixed assets including assets given on lease are valued at cost inclusive of direct and incidental expenses related to acquisition.

Depreciation of fixed assets is provided on written down value method on pro-rata basis in accordance with the rates prescribed under amended Schedule XIV of the Companies Act, 1956. Leasehold improvements (excluding electrical installations) are being depreciated @ 5% on written down value and Electrical Installations included in Leasehold improvements are being depreciated @ 15%.

All the fixed assets are assessed for any indication of impairment at the end of each financial year. On such indication, the impairment loss (being the excess of carrying value over the recoverable value of the asset) is charged to the profit and loss account in the respective financial years. The impairment loss recognized in the prior years is reversed where the recoverable value exceeds the carrying value of the asset upon re-assessment in the subsequent years.

STATEMENT REGARDING SUBSIDIARY COMPANIES :

Pursuant to Section 212(1) and (3) of the Companies Act, 1956

MRR TRADING & INVESTMENT COMPANY LIMITED

(a) Holding Company's interest :

50,000 Equity Shares of Rs. 10/- each, fully paid-up

(b) Net aggregate amount of Subsidiary's profit/(loss) not dealt with in the Holding Company's accounts :

(i) for the Subsidiary's financial year ended 31st March, 2006

(ii) for the previous financial years

(Rs. lakhs)

Nil

(4.16)

(c) Net aggregate amount of Subsidiary's profit / (loss) dealt with in the Holding Company's accounts :

(i) for the Subsidiary's financial year ended 31st March, 2006

(ii) for the previous financial years

(Rs. lakhs)

Nil

Nil

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE
(As per Schedule VI, Part IV of the Companies Act, 1956)

I. Registration Details

Registration No. 01-64662 State Code 11

Balance Sheet Date 31/03/06
Date Month Year

II. Capital raised during the year (Amount in Rs. Thousands)

Public Issue

Rights Issue

Bonus Issue

Private Placement

III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)

Total Liabilities

Total Assets

Sources of Funds

Paid-up Capital

Reserves & Surplus

Secured Loans

Unsecured Loans

Application of Funds

Net Fixed Assets

Investments

Net Current Assets

Misc. Expenditure

Accumulated Losses

IV. Performance of Company (Amount in Rs. Thousands)

Turnover

Total Expenditure

+ - Profit/Loss Before Tax

+ - Profit/Loss After Tax

(Please tick appropriate box + for profit, - for loss)

Earnings per Share (Rs.)

Dividend rate (%)

V. Generic Names of Principal Products / Services of Company (as per monetary terms)

Item Code No. NOT APPLICABLE

(ITC Code)

Product Description NOT APPLICABLE

On behalf of the Board

P. Dhobale Director

P.K. Talwar Director

T.R. Shankar Manager

V. Radhakrishnan Company Secretary

Secunderabad, 17th April, 2006

Audit Committee : Mr. P. Dhobale, Chairman, M/s. P. K. Talwar, J. Singh Members.

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2006

	For the year ended 31st March, 2006 (Rs. In Lakhs)	For the year ended 31st March, 2005 (Rs. In Lakhs)
A. CASH FLOW FROM OPERATING ACTIVITIES :		
NET PROFIT BEFORE TAX	74.32	2114.38
ADJUSTMENTS FOR :		
Depreciation	61.72	51.35
Interest etc. (Net)		218.25
Fixed Assets – Loss on Sale/Write off (net)		117.25
Amounts written back pursuant to negotiated settlements with Banks		(2197.83)
Investments/bad debts written off		76.22
Provision for diminution in value of investments / deposits	0.20	
Liability no longer required written back	(19.63)	(31.00)
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	42.29	(1765.76)
ADJUSTMENTS FOR :	116.61	348.62
Trade and Other Receivables	1.42	383.30
Stock-in-trade		
Trade Payables	(1.27)	(225.62)
CASH GENERATED FROM OPERATIONS	116.76	506.30
Income Tax Paid		
NET CASH FROM OPERATING ACTIVITIES	116.76	506.30
B. CASH FLOW FROM INVESTING ACTIVITIES :		
Purchase of Fixed Assets		(0.35)
Sale of Fixed assets		286.90
Loans Given		
Loans Realised		
NET CASH USED IN INVESTING ACTIVITIES		286.55
C. CASH FLOW FROM FINANCIAL ACTIVITIES :		
Repayments of Long Term Borrowings		(557.00)
Interest etc. Paid*		(218.25)
Dividends Paid		
Income tax on dividend		
NET CASH FLOW USED IN FINANCIAL ACTIVITIES		(775.25)
NET INCREASE IN CASH AND CASH EQUIVALENTS	116.76	17.60
OPENING CASH AND CASH EQUIVALENTS	17.70	0.10
CLOSING CASH AND CASH EQUIVALENTS	134.46	17.70

NOTES:-

The comparative figures for the previous year's have been re-arranged to conform with the revised presentation of the accounts.
This is the Cash Flow Statement referred to in our report of even date.

For and on behalf of Lovelock & Lewes
Chartered Accountants
S. Gopalakrishnan, Partner
Secunderabad, 17th April, 2006

On behalf of the Board
P. Dhobale Director
P. K. Talwar Director
T. R. Shankar Manager
V. Radhakrishnan Company Secretary

SCHEDULE TO THE BALANCE SHEET OF A
NON-BANKING FINANCIAL COMPANY AS AT 31ST MARCH, 2006

(as required in terms of paragraph 9BB of Non-Banking Financial
Prudential Norms (Reserve Bank) Directions, 1998)

(Rs. In Lakhs)

Particulars	Amount Outstanding	Amount Overdue	
Liabilities side :			
1. Loans and advances availed by the NBFCs inclusive of interest accrued thereon but not paid :			
(a) Debentures : Secured	Nil	Nil	
: Unsecured (from Holding Company) (other than falling within the meaning of public deposits)	1500.00	1500.00	
(b) Deferred Credits	Nil	Nil	
(c) Term Loans	Nil	Nil	
(d) Inter-corporate loans and borrowing (from Holding Company)	3724.11	3724.11	
(e) Commercial Paper	Nil	Nil	
(f) Public Deposits*	Nil	Nil	
(g) Other Loans (Bank Borrowings) (including interest accrued and due)	Nil	Nil	
2. Break-up of (1) (f) above (Outstanding Public Deposits inclusive of interest accrued thereon but not paid) :			
(a) In the form of Unsecured debentures			
(b) In the form of partly secured debentures i.e debentures where there is a shortfall in the value of security			
(c) Other Public Deposits			Nil Nil

* (An amount of Rs. 1.99 lakhs are unclaimed and an equivalent amount has been maintained with an escrow account with State Bank of India, Mumbai)

Assets side :		(Rs. in Lakhs)				(Rs. In Lakhs)
		Amount outstanding				
3. Break-up of Loans and Advances including bills receivable (other than those included in (4) below)			6. Borrower group-wise classification of all leased assets, stock on-hire and loans and advances:			
			Category	Amount net of Provisions		
				Secured	Unsecured	Total
(a) Secured			1. Related parties **			
(b) Unsecured*		998.83	(A) Subsidiaries	Nil	Nil	Nil
Less : Provision for doubtful debts		(998.83)	(B) Companies in the same group	Nil	Nil	Nil
* Reclassified as unsecured due to non-availability of securities.			(C) Other related parties	Nil	Nil	Nil
4. Break-up of Leased Assets and stock on hire and hypothecation loans counting towards EL/HP activities			2. Other than related parties	Nil	Nil	Nil
(i) Lease assets including lease rentals under sundry debtors			TOTAL	Nil	Nil	Nil
(a) Financial lease		1350.25	7. Investor group-wise classification of all investments (current and long term) in shares and securities (both quoted and unquoted) :			
Less : Advance received and provision for doubtful debts/assets		(1350.25)	Category	Market Value/Break-up or Fair value or NAV		Book Value (Net of provisions)
(ii) Stock on hire including hire charges under sundry debtors			1. Related parties **			
(a) Assets on hire		1041.58	(a) Subsidiaries	430.24		430.24
Less : Provision for doubtful debts/assets		(834.57)	(b) Companies in the same group			
Less : Unmatured Finance Charges		(207.01)	(c) Other related parties			
(iii) Hypothecation loans counting towards EL/HP activities			2. Other than related parties	0.00		0.00
(a) Loans where assets have been repossessed			TOTAL	430.24		430.24
(b) Loans other than (a) above			** As per Accounting Standard of ICAI			
5. Break-up of Investments :			8. Other information			
Current Investments:			Particulars		Amount (Rs. in Lakhs)	
1. Quoted:			(i) Gross Non-Performing Assets			
(i) Shares: (a) Equity			(a) Related parties			
(b) Preference			(b) Other than related parties		5287.80	
(ii) Debentures and Bonds			(ii) Net Non-Performing Assets			
(iii) Units of Mutual Funds			(a) Related parties		Nil	
(iv) Government Securities			(b) Other than related parties		Nil	
(v) Others			(iii) Fixed assets acquired in satisfaction of debt		390.32	
2. Unquoted :						
(i) Shares:(a)Equity						
Less: provision for diminution in value						
(b) Preference						
(ii) Debentures and Bonds						
Less: Provision for diminution in value						
(iii) Units of Mutual funds						
(iv) Government Securities						
(v) Others		0.00				
10 shares of Lakshmi Finance and Leasing Companies						
Bombay Mercantile Co-op. Bank Ltd						
Long Term Investments:						
1. Quoted:						
(i) Shares: (a) Equity						
(b) Preference						
(ii) Debentures and Bonds (OFCD)						
(iii) Units of Mutual Funds						
(iv) Government Securities						
(v) Others						
2. Unquoted :						
(i) Shares:(a) Equity						
(b) Preference						
(ii) Debentures and Bonds (OFCD)						
(iii) Units of Mutual funds						
(iv) Government Securities						
(v) Others - Investment in subsidiary Company		430.24				

REPORT OF THE DIRECTORS FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2006

The Directors hereby submit their report for the financial year ended 31st March, 2006.

Operations

The operations of the Company during the year under review resulted in no loss no profit.

Fixed Deposits

The Company has not accepted deposits under the Companies (Acceptance of Deposits) Rules, 1975.

Particulars of Employees

The Company has no employee in the category specified under Section 217 (2A) of the Companies Act, 1956.

Conservation of energy, technology absorption, foreign exchange earnings and outgo

The Company has no activities relating to Conservation of Energy and Technology Absorption. There has been no foreign exchange earnings or outgo.

Directors

Sri J. Singh, Director retires at the forthcoming Annual General Meeting and being eligible, offers himself for re-appointment.

Directors' Responsibility Statement

Your Directors have:

- Followed, in the preparation of the annual accounts, the applicable accounting standards with proper explanation relating to material departures;
- Selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and the resulting no profit / no loss of the Company for that period;
- Taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- Prepared the annual accounts on a going concern basis.

On behalf of the Board

Secunderabad
17th April, 2006

T.R.Shankar *Director*
M.Yelamanda *Director*

AUDITORS' REPORT TO THE MEMBERS OF MRR TRADING & INVESTMENT COMPANY LIMITED

- We have audited the attached Balance Sheet of MRR Trading & Investment Company Limited as at March 31, 2006 and the related Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto, which we have signed under reference to this report. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
- We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
- As required by the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004 issued by the Central Government of India in terms of sub-section (4A) of Section 227 of 'The Companies Act, 1956' of India (the 'Act') and on the basis of such checks as we considered appropriate and according to the information and explanations given to us, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
- Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
 - 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.
 - In our opinion, proper books of account as required by law have been kept by the Company, so far as appears from our examination of those books.

- The Balance Sheet and Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account.
- In our opinion, the Balance Sheet and Profit and Loss Account and Cash Flow Statement dealt with by this report have been prepared in compliance with the applicable accounting standards referred to in sub-section (3C) of Section 211 of the Act.
- On the basis of written representations received from the Directors of the Company as on March 31, 2006 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on March 31, 2006 from being appointed as a Director in terms of clause (g) of sub-section (1) of Section 274 of the Act.
- Reference is invited to note 1 Schedule 5 to the financial statements regarding the Company's accounts being prepared on a going concern basis.
- In our opinion and to the best of our information and according to the explanations given to us, the said financial statements together with notes thereon and attached thereto give, in the prescribed manner the information required by the Act, and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2006;
 - in the case of the Profit and Loss Account, of the profit for the year ended on that date, and
 - in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For and on behalf of Lovelock & Lewes
Chartered Accountants

Hyderabad
17th April, 2006

S. Gopalakrishnan
Partner
Membership No. 18863

Annexure to the Auditor's Report

[Referred to in paragraph 3 of the Auditors' Report of even date to the Members of MRR Trading & Investment Company Limited on the financial statements for the year ended March 31, 2006.]

- The Company has neither granted nor taken any loans, secured or unsecured, to / from companies, firms or other parties covered in the Register maintained under Section 301 of the Act.
- According to the information and explanations given to us, there are no contracts or arrangements referred to in Section 301 of the Act, during the year to be entered in the Register required to be maintained under that Section. Accordingly, commenting on transactions made in pursuance of such contracts or arrangements does not arise.
- The Company's accumulated loss as at March 31, 2006 is more than fifty percent of its net worth. The Company has not incurred any cash losses in the financial year ended on March 31, 2006 or in the immediately preceding financial year.
- During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing

practices in India and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the Company, noticed or reported during the year, nor, have we been informed of any such case by the management.

- The Clauses (i)(a), (i)(b), (i)(c), (ii)(a), (ii)(b), (ii)(c), (iii)(b), (iii)(c), (iii)(d), (iii)(f), (iii)(g), (iv), (vi), (vii), (viii), (ix)(a), (ix)(b), (xi), (xii), (xiii)(a), (xiii)(b), (xiii)(c), (xiii)(d), (xiv), (xv), (xvi), (xvii), (xviii), (xix) and (xx) of paragraph 4 of the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report)(Amendment) Order, 2004 are not applicable in the case of the Company since in our opinion there is no matter which arises to be reported against these clauses in the aforesaid order.

For and on behalf of Lovelock & Lewes
Chartered Accountants

Hyderabad
17th April, 2006

S. Gopalakrishnan
Partner
Membership No. 18863

BALANCE SHEET AS AT 31ST MARCH, 2006

	Schedule	As at 31st March, 2006 (Rs.)	As at 31st March, 2005 (Rs.)
SOURCES OF FUNDS			
1. Shareholders' Funds			
(a) Capital	1	<u>5,00,000</u>	<u>5,00,000</u>
TOTAL		<u>5,00,000</u>	<u>5,00,000</u>
APPLICATION OF FUNDS			
1. Current Assets, Loans and Advances			
a) Cash and Bank Balances	2	<u>4,01,967</u>	<u>3,14,178</u>
b) Loans and Advances	3	<u>39,947</u>	<u>18,140</u>
		<u>4,41,914</u>	<u>3,32,318</u>
Less: Current Liabilities and Provisions			
a) Current Liabilities - Sundry Creditors	4	<u>3,58,074</u>	<u>2,48,478</u>
Net Current Assets		<u>83,840</u>	<u>83,840</u>
2. Debit Balance in Profit & Loss Account		<u>4,16,160</u>	<u>4,16,160</u>
TOTAL		<u>5,00,000</u>	<u>5,00,000</u>
Notes on Accounts	5		

Schedules 1 to 5 form an integral part of the Balance Sheet.
This is the Balance Sheet referred to in our Report of even date.

For and on behalf of Lovelock & Lewes
Chartered Accountants

S. Gopalakrishnan
Partner

Secunderabad, 17th April, 2006

On behalf of the Board

T. R. Shankar Director
M. Yelamanda Director

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2006

	Schedule	For the year ended 31st March, 2006 (Rs.) (Rs.)	For the year ended 31st March, 2005 (Rs.) (Rs.)
INCOME			
Income		—	—
TOTAL		—	—
EXPENDITURE			
Rent		1,09,596	1,09,596
Water Charges		20,490	19,159
Bank Charges		28	150
Audit Fees and Expenses		<u>11,020</u>	<u>11,020</u>
		<u>1,41,134</u>	<u>1,39,925</u>
Less : Expenses reimbursed by the Holding Company		<u>1,41,134</u>	<u>1,39,925</u>
TOTAL		—	—
Profit / (Loss) Before Taxation		—	—
Provision for Taxation		—	—
Profit / (Loss) After Taxation		—	—
Balance Carried Forward from previous year		<u>(4,16,160)</u>	<u>(4,16,160)</u>
Balance Carried to Balance Sheet		<u>(4,16,160)</u>	<u>(4,16,160)</u>
Notes on Accounts	5		
Earnings Per Share (Rs.)		0.00	0.00

Schedule 5 forms an integral part of the Profit and Loss Account.
This is the Profit & Loss Account referred to in our Report of even date.

For and on behalf of Lovelock & Lewes
Chartered Accountants

S. Gopalakrishnan
Partner

Secunderabad, 17th April, 2006

On behalf of the Board

T. R. Shankar Director
M. Yelamanda Director

SCHEDULES TO THE FINANCIAL STATEMENTS

	As at March 31, 2006 (Rs.)	As at March 31, 2005 (Rs.)
1. CAPITAL		
AUTHORISED		
50,000 Equity Shares of Rs. 10/- each	5,00,000	5,00,000
ISSUED AND SUBSCRIBED		
50,000 Equity Shares of Rs. 10/- each fully paid-up	5,00,000	5,00,000
(All the shares are held by the Holding Company, BFIL Finance Limited)	5,00,000	5,00,000
2. CASH AND BANK BALANCES		
Balances with Scheduled Bank		
– on Current Account	4,01,967	3,14,178
	4,01,967	3,14,178
3. LOANS AND ADVANCES		
Deposits with Government, Public Bodies, etc.	7,120	7,120
Dues from the Holding Company	32,827	11,020
[Maximum amount due at any time during the year Rs. 43,668/- (2005 - Rs. 64,496)]	39,947	18,140
4. CURRENT LIABILITIES - SUNDRY CREDITORS		
Due to Small Scale Industries	—	—
Others	3,58,074	2,48,478
	3,58,074	2,48,478
5. NOTES ON ACCOUNTS		
1. The financial statements have been prepared on a going concern basis.		

2. Significant Accounting Policies
 - a) The accounts have been prepared on historical cost basis.
 - b) All revenue & expenses are accounted on accrual basis.
3. Segment Reporting - The Company operates in a single business segment and hence no further disclosure is being made.
4. Related Parties Disclosures :

a) Relationships :

Holding Company - BFIL Finance Limited

Key Management Personnel –

Mr. T. R. Shankar - Director

Mr. J. Singh - Director

Mr. M. Yelamanda - Director

- b) Disclosure of transactions between the Company and related parties and the status of outstanding balances as on 31st March, 2006

Particulars	2005-06 (Rs.)	2004-05 (Rs.)
Holding Company		
Expenses Re-imbursed	1,41,134	1,39,925
Balance as on March 31, 2006		
Receivables	32,827	11,020

5. The earnings considered in ascertaining the Company's Earnings Per Share (EPS) comprise net profit/loss after taxation. The number of shares used in computing basic and diluted EPS is the weighted average number of shares outstanding during the year.

Description	2005-06 (Rs.)	2004-05 (Rs.)
Profit / (loss) after taxation	—	—
Weighted average number of equity shares outstanding	50,000	50,000
Basic and diluted earnings per share in rupees (face value - Rs. 10/- per share)	0.00	0.00

6. Previous year's figures have been regrouped wherever necessary.

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE
(As per Schedule VI, Part IV of the Companies Act, 1956)

I. Registration Details

Registration No. 11-23259 State Code 11

Balance Sheet Date 31 03 06
Date Month Year

II. Capital raised during the year (Amount in Rs. Thousands)

Public Issue Rights Issue

Bonus Issue Private Placement

III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)

Total Liabilities Total Assets

Sources of Funds

Paid-up Capital Reserves & Surplus

Secured Loans Unsecured Loans

Application of Funds

Net Fixed Assets Investments

Net Current Assets Misc. Expenditure

Accumulated Losses

IV. Performance of Company (Amount in Rs. Thousands)

Turnover Total Expenditure

+ - Profit/Loss Before Tax + - Profit/Loss After Tax

(Please tick the appropriate box + for Profit, - for Loss)

Earning per Share in (Rs.) Dividend Rate (%)

V. Generic Names of Principal Products / Services of Company
(as per monetary terms)Item Code No. NOT APPLICABLE
(ITC CODE)

Product Description NOT APPLICABLE

On behalf of the Board

T.R.Shankar Director
M.Yelamanda Director

Secunderabad, 17th April, 2006

CASH FLOW FOR THE YEAR ENDED 31ST MARCH, 2006

	For the year ended 31st March, 2006		For the year ended 31st March, 2005	
	(Rs.)	(Rs.)	(Rs.)	(Rs.)
Cash flow for Operating Activities:				
Net Profit before Tax		—		—
Adjustment for:				
Depreciation etc.	—	—	—	—
Operating profit before working capital changes		—		—
Adjustment for:				
Trade and other receivables - (increase) / decrease	(21,807)		(11,020)	
Trade payables - Increase / (decrease)	109,596		120,616	
		87,789		109,596
Cash generated from Operations		87,789		109,596
Income Tax paid		—		—
Net Cash from Operating Activities		87,789		109,596
Cash flow from Investing Activities:		—		—
Cash flow from Financing Activities:		—		—
Net increase in cash and cash equivalents		87,789		109,596
Cash and cash equivalents at beginning of period		314,178		204,582
Cash and cash equivalents at end of period		401,967		314,178

Notes:

The comparative figures for the previous year's have been re-arranged to conform with the revised presentation of the accounts.

This is the Cash Flow Statement referred to in our report of even date

For and on behalf of Lovelock & Lewes
Chartered Accountants

S. Gopalakrishnan
Partner

Secunderabad, 17th April, 2006

On behalf of the Board

T. R. Shankar Director
M. Yelamanda Director

REPORT OF THE DIRECTORS FOR THE FINANCIAL YEAR ENDED 31ST ASADH 2062 (15TH JULY 2005)

Your Directors are pleased to submit their Report and Audited Accounts of your Company for the year ended 31st Asadh 2062 (15th July 2005).

SOCIO ECONOMIC ENVIRONMENT :

The year witnessed continuous turmoil, political protests and nationwide general strikes resulting in a sharp decline in GDP growth to 2% as compared to 3.6% recorded last year. The agricultural sector grew by 2.8% as compared to 3.7% and the non-agricultural sector by 1.6% as compared to 3.3% last year.

The ongoing insurgency and internal disturbances sharply escalated leading to continued supply chain disruptions. Apart from a 29-day closure of the factory, many parts of Nepal witnessed numerous bandhs and blockades ranging from 7 to 15 days. In addition the Company together with its personnel and trading partners continued to be under threat from the insurgents. Trading conditions continued to be depressed during the second half.

The above has resulted in cigarette volumes declining by 3% over last year.

COMPANY PERFORMANCE :

In spite of various challenges posed by the above developments your Company has turned in an impressive performance for the year ended 31st Asadh 2062.

While overall Company GTO remained constant at around Rs. 470 Crores, Profit Before Tax for the year at Rs. 56 Crores (as compared to Rs. 49 Crores last year) shows a growth of 15%. Profit After Tax has increased from Rs. 33 Crores to Rs. 38 Crores – an increase of 17%. Return on net worth continues at a steady 21% and earnings per share have grown to Rs. 113 per share as compared to Rs. 97 per share last year.

Net Worth (excluding Capital Reserves) has grown to NRs. 179 Crores. Your Directors have declared an interim dividend of NRs. 35 per Ordinary Share for the year ended 31st Asadh 2062 (15th July 2005). The consequent outflow on this account including dividend tax amounts to NRs. 1238 lacs, representing a payout of 32.47% of the profit after tax. No final dividend has been proposed.

Your Company consciously strives to manage the aspirations of its shareholders regarding payment of dividend while building up reserves needed to be retained in the business for mitigating risks and seizing opportunities for profitable growth.

CONTRIBUTION TO THE EXCHEQUER :

Your Company is justifiably proud to retain its status as the single largest contributor to His Majesty's Government Exchequer, with an outgo of approximately NRs. 235 Crores in Excise Duty, VAT, and other annual taxes representing about 37% of total Excise Duty collections and nearly 3.3% of the total revenue collected by His Majesty's Government.

BUSINESS SEGMENTS :**CIGARETTE BUSINESS**

The continuing insurgency led to frequent disruptions in the Supply Chain. A number of interventions including increasing finished goods inventories both at the factory and across our network of godowns and controlled enhancement of Dealer credit were made thereby mitigating the impact of this extraordinary situation.

The superior value proposition of your Company's brands enabled consolidation of leadership in the Nepalese cigarette industry despite the entry of major international brands. Continuous strategic thrust on product quality, technology up-gradation, productivity improvements and enhanced value addition to brands continues. During the year, your Company introduced internationally contemporary packaging formats through the round-edge packing lines. These investments enable your Company to offer products to Nepalese consumers representing the finest global quality standards.

Manufacturing operations also continued to be disturbed resulting in total closure and suspension of operations for more than seven weeks. An exceptional effort by the manufacturing team ensured quick recovery in production volumes. Despite the abnormal circumstances, a relentless pursuit of operational excellence in the key areas of manufacturing indices inter alia machine efficiency and material utilization is noteworthy. Your Company's brands continue to be substantially ahead of competition as reflected by the internationally benchmarked Product Quality Rating System scores.

Insurgency in tobacco growing areas continues to be a matter of grave concern limiting expansion. The focus continues to be on improving quality and chemistry in available acreages.

Your Company commissioned a study on the "Role, Potential and Contribution of Agriculture in Nepal" for a comprehensive appreciation of the impact on the Nepalese economy. The findings indicate that there is a huge potential in this sector waiting to be unleashed and give a direction on where to further focus your Company's inputs and initiatives in future. The study also highlights the positive socio-economic benefits of tobacco cultivation including the multiplier effect on employment and government revenues.

GARMENT BUSINESS - EXPORT

Operations in your Company's in-house manufacturing facility stabilized during the year. This is one of the most modern facilities in this region and is equipped with state-of-the-art technology, with an extreme focus on material and manpower productivity and is backed by world-class systems and processes including a strong Information Technology backbone. The above has ensured timely fulfillment of orders, reduction in material consumption and overall

cost competitiveness thereby making it a preferred sourcing base for discerning customers.

The Garment Business exported 6.85 lac pieces representing a turnover of NRs. 28 Crores as compared to 11.38 lac pieces with a turnover of NRs. 42 Crores in the previous year. This is largely due to inventory adjustments by our principal buyer as well as non-materialization of planned export orders.

The textile quota cessation under the WTO regime from January '05 has had an adverse impact on the Nepalese textile industry. This coupled with the fluid political situation continues to be an area of serious concern. Furthermore, during the year Excise Duty on readymade garments in India was reduced to zero. However, countervailing duty on export of garments from Nepal to India continues much against the spirit of the Indo-Nepal Treaty. This distorts the concept of "level playing" field and makes Nepalese exports uncompetitive. Necessary representations in this regard have been made.

GARMENT BUSINESS - DOMESTIC

During the year, your Company made an entry into the Nepalese market with a range of high quality, attractively priced Men's wear under the brand 'John Players'. In a short span this business has achieved enviable consumer franchise and established itself as the leader in the branded apparel segment.

CONTRIBUTION TO SOCIETY :

Your Company's endeavours as a responsible corporate citizen continue with programs undertaken to support educational institutions, promote rural prosperity, provide primary health services and support to local communities through infrastructure and environmentally sustainable development.

In addition a comprehensive Corporate Social Responsibility program covering the areas of community health services, community empowerment and environment preservation has been drawn up. Work on triple bottom line reporting manifested through the Global Reporting Initiatives has also commenced.

EXCISE :

A demand letter for Rs. 37.17 Crores, excluding late fees and Value Added Tax, for the period 2055/56 to 2059/60 (1998/99 to 2002/03) has been issued to your Company by the Inland Revenue Office, Simra, Bara.

Going by the total quantity of tobacco used for manufacture of cigarettes during those years, and applying the notional weight of tobacco required in the manufacture of cigarettes, the letter claims that theoretically more cigarettes than declared could have been manufactured and that Excise Duties on such excess would amount to Rs. 37.17 Crores.

Your Directors wish to advise that a similar matter raised by the Excise Department for the years 2050/51 and 2051/52 (1993/94 and 1994/95) was quashed by the Supreme Court in your Company's favour.

The matter has been discussed with eminent counsel and your Company has been advised that the case made out by the Department has no legal or factual basis and the demand notice raised against your Company is not sustainable.

RISK MANAGEMENT :

As explained last year, your Company has a well-managed Corporate Governance policy in place. The said policy not only lays down the role, responsibilities and delegated powers of the key entities i.e. the Board of Directors, Managing Director and the Management Committees but also requires mandatory periodic reviews of various key areas of operation. In addition your Company has various policies and procedures covering Financial & Accounting systems, Managerial Terms & Conditions, Information Technology systems, checklists for ensuring statutory compliance, etc. In addition, yearly internal audit is carried out to continuously monitor the adequacy and effectiveness of the internal control environment across the businesses and the status of compliance with operating systems, internal policies and regulatory requirements.

EMPLOYEES :

In pursuit of your Company's strategy to create new engines of growth, Human Resource Development continues to be a critical focus area. The Directors of your Company place on record their sincere appreciation for the dedication and performance of the employees during the year.

FUTURE OUTLOOK :

In spite of the challenges posed by the current situation, your Company continues to endeavour that each of its businesses is internationally competitive and looks forward to the future with hope and confidence. Further your Company continues to explore additional growth opportunities to enhance its economic engagement in the country.

DIRECTORS :

There were no changes in the composition of the Board of Directors during the year.

AUDITORS :

M/s. N. Amatya & Company, Chartered Accountants, Kathmandu and M/s. Lovelock & Lewes, Chartered Accountants, Kolkata, India retire at the ensuing Annual General Meeting, and being eligible, have offered themselves for reappointment.

27th Bhadra 2062 (12th September 2005)
Kathmandu

On behalf of the Board
A Singh
Director

AUDITORS' REPORT TO THE SHAREHOLDERS OF SURYA NEPAL PRIVATE LIMITED

We have audited the accompanying Balance Sheet of Surya Nepal Private Limited as at Asadh 31, 2062 (July 15, 2005), the related Profit and Loss Account for the year ended on that date annexed thereto and the Cash Flow Statement for the year ended on that date. These financial statements are the responsibility of the management of the Company. Our responsibility is to express an opinion on these financial statements based on our audit.

We have conducted our audit in accordance with Nepal Standards on Auditing or relevant practices. Those Standards or relevant practices 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 statements presentation. We believe that our audit provides a reasonable basis for our opinion. We report that :

- a) We have obtained all the information and explanations which to the best of our knowledge and belief were considered necessary for the purpose of our audit;
- b) The enclosed Balance Sheet, Profit and Loss Account and the Statement of Cash Flow have been prepared as per the provisions of Company Act, 2053 and the same are in conformity with the books of account maintained by the Company;

- c) The books and records of the Company have been maintained accurately as required by law;
- d) In our opinion and to the best of our information and according to the explanations given to us the enclosed financial statements read with the notes attached thereto, in accordance with Nepal Accounting Standards or relevant practices, give a true and fair view of :
 - i) in the case of Balance Sheet, the state of affairs of the Company as on Asadh 31, 2062 (July 15, 2005).
 - ii) in the case of Profit & Loss Account and the Statement of Cash Flow, the profit and cash flow respectively of the Company for the year ended on Asadh 31, 2062 (July 15, 2005).
- e) In our opinion and to the best of our information and according to the explanations given to us and from our examination of the books and records of the Company, we have not come across cases where the Board of Directors or any member thereof or any employee of the Company has acted contrary to the provisions of Law relating to the accounts or committed any misappropriation or caused loss or damage to the Company.

Nem Lal Amatya

Partner

N Amatya & Co.

Chartered Accountants

Partha Mitra

Partner

Lovelock & Lewes

Chartered Accountants

Date : 27th Bhadra 2062 (12th September 2005)

Place : Kathmandu, Nepal

BALANCE SHEET AS AT 31ST ASADH 2062 (15TH JULY 2005)

Schedule	Figures in NRs.		Figures in Rs.	
	As at 31st Asadh 2062 (15th July 2005)	As at 31st Asadh 2062 (15th July 2005)	As at 31st Asadh 2061 (15th July 2004)	As at 31st Asadh 2061 (15th July 2004)
CAPITAL & LIABILITIES				
SHARE CAPITAL AND RESERVES				
(a) Share Capital	1	33,60,00,000	21,00,00,000	33,60,00,000
(b) Reserves & Surplus	2	1,47,31,08,836	92,06,93,023	1,16,99,60,917
Total		1,80,91,08,836	1,13,06,93,023	1,50,59,60,917
ASSETS				
(1) Fixed Assets	3			
(a) Gross Block		1,81,12,44,593	1,13,20,27,871	1,60,30,20,827
(b) Less : Accumulated Depreciation		78,99,79,141	49,37,36,963	70,63,20,712
(c) Net Block		1,02,12,65,452	63,82,90,908	89,67,00,115
(d) Capital Work-in-Progress and In-transit		83,63,373	52,27,108	2,36,93,293
(2) Investments	4	8,42,50,000	5,26,56,250	8,42,50,000
(3) Current Assets				
(a) Inventories	5	65,75,11,284	41,09,44,553	55,98,44,024
(b) Sundry Debtors	6	1,98,49,259	1,24,05,787	1,10,12,355
(c) Cash and Bank Balances	7	19,12,57,347	11,95,35,842	17,00,36,138
(d) Loans and Advances	8	32,10,36,843	20,06,48,026	19,31,28,385
Total		1,18,96,54,733	74,35,34,208	93,40,20,902
Less: Current Liabilities and Provisions				
(a) Liabilities	9	30,74,19,864	19,21,37,415	23,84,39,693
(b) Provisions	10	18,70,04,858	11,68,78,036	19,45,03,700
Total		49,44,24,722	30,90,15,451	43,29,43,393
Net Current Assets		69,52,30,011	43,45,18,757	50,10,77,509
(4) Miscellaneous Expenditure (to the extent not written off)				
Deferred Revenue Expenditure		—	—	2,40,000
Total		1,80,91,08,836	1,13,06,93,023	1,50,59,60,917

Notes to the Accounts and Contingent Liabilities 16

The schedules referred to above form an integral part of the Balance Sheet.

This is the Balance Sheet referred to in our Report of even date.

Anil Seth
Vice President Finance
& Company Secretary

Sanjiv Puri
Managing Director

Sujeev Shakya
Alternate Director

Nem Lal Amatya
Partner
N. Amatya & Co.
Chartered Accountants

Partha Mitra
Partner
Lovelock & Lewes
Chartered Accountants

Date : 27th Bhadra 2062 (12th September 2005)

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST ASADH 2062 (15TH JULY 2005)

		Figures in NRs.	Figures in Rs.	Figures in NRs.	Figures in Rs.
	Schedule	For the year ended 31st Asadh 2062 (15th July 2005)	For the year ended 31st Asadh 2062 (15th July 2005)	For the year ended 31st Asadh 2061 (15th July 2004)	For the year ended 31st Asadh 2061 (15th July 2004)
Gross Revenue	11	4,72,68,64,743	2,95,42,90,464	4,70,60,91,628	2,94,13,07,268
Less: Excise Duty/Value Added Tax	12	2,16,35,33,879	1,35,22,08,674	2,08,92,48,790	1,30,57,80,494
Sales		<u>2,56,33,30,864</u>	<u>1,60,20,81,790</u>	<u>2,61,68,42,838</u>	<u>1,63,55,26,774</u>
Raw Materials, etc	13	1,20,95,16,827	75,59,48,017	1,34,11,87,155	83,82,41,972
Cost of Sales		<u>1,20,95,16,827</u>	<u>75,59,48,017</u>	<u>1,34,11,87,155</u>	<u>83,82,41,972</u>
Gross Profit		1,35,38,14,037	84,61,33,773	1,27,56,55,683	79,72,84,802
Other Income	14	2,18,33,989	1,36,46,243	1,40,07,771	87,54,857
Total		<u>1,37,56,48,026</u>	<u>85,97,80,016</u>	<u>1,28,96,63,454</u>	<u>80,60,39,659</u>
Manufacturing, Admin, Selling Expenses etc.	15	59,04,49,941	36,90,31,213	61,03,99,932	38,14,99,957
Provision For Employees' Housing		3,29,84,282	2,06,15,176	2,83,71,096	1,77,31,935
Provision For Employees' Bonus		5,69,72,852	3,56,08,033	4,90,04,620	3,06,27,888
Operating Profit		<u>69,52,40,951</u>	<u>43,45,25,594</u>	<u>60,18,87,806</u>	<u>37,61,79,879</u>
Interest		8,58,614	5,36,633	55,847	34,905
Depreciation		11,61,44,888	7,25,90,555	10,92,28,439	6,82,67,774
Loss on Fixed Assets/Materials sold / discarded (Net)		<u>85,08,934</u>	<u>53,18,084</u>	<u>25,57,326</u>	<u>15,98,329</u>
Profit before Income Tax		56,97,28,515	35,60,80,322	49,00,46,194	30,62,78,871
Provision for Income Tax		<u>18,84,78,349</u>	<u>11,77,98,968</u>	<u>16,32,14,019</u>	<u>10,20,08,762</u>
Profit after Income Tax		<u>38,12,50,166</u>	<u>23,82,81,354</u>	<u>32,68,32,175</u>	<u>20,42,70,109</u>
Available for Appropriation		<u>38,12,50,166</u>	<u>23,82,81,354</u>	<u>32,68,32,175</u>	<u>20,42,70,109</u>
Appropriation					
Interim Dividend (Refer 2 (iv) of Schedule 16)		12,37,89,474	7,73,68,421	10,61,05,263	6,63,15,789
Balance Carried Over to Balance Sheet		<u>25,74,60,692</u>	<u>16,09,12,933</u>	<u>22,07,26,912</u>	<u>13,79,54,320</u>
		<u>38,12,50,166</u>	<u>23,82,81,354</u>	<u>32,68,32,175</u>	<u>20,42,70,109</u>

Notes to the Accounts and Contingent Liabilities 16

The schedules referred to above form an integral part of the Profit & Loss Account.

This is the Profit & Loss Account referred to in our Report of even date.

Anil Seth
Vice President Finance
& Company Secretary

Sanjiv Puri
Managing Director

Sujeev Shakya
Alternate Director

Nem Lal Amatya
Partner
N. Amatya & Co.
Chartered Accountants

Partha Mitra
Partner
Lovelock & Lewes
Chartered Accountants

Date : 27th Bhadra 2062 (12th September 2005)

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST ASADH 2062 (15TH JULY 2005)

	Figures in NRs. For the year ended 31st Asadh 2062 (15th July 2005)	Figures in Rs. For the year ended 31st Asadh 2062 (15th July 2005)	Figures in NRs. For the year ended 31st Asadh 2061 (15th July 2004)	Figures in Rs. For the year ended 31st Asadh 2061 (15th July 2004)
A. Cash Flow From Operating Activities				
Net Profit Before Tax	56,97,28,515	35,60,80,322	49,00,46,194	30,62,78,871
Adjustments for :				
Depreciation	11,61,44,888	7,25,90,555	10,92,28,439	6,82,67,774
Interest	8,58,614	5,36,634	55,847	34,904
Income from Investments	(42,47,604)	(26,54,753)	(92,329)	(57,706)
Interest on Short Term/Call Deposits	(24,95,782)	(15,59,864)	(20,76,920)	(12,98,075)
Unrealised loss on Foreign Exchange (Net)	2,26,062	1,41,289	42,251	26,407
Provision for Employees' Housing	3,29,84,282	2,06,15,176	2,83,71,096	1,77,31,935
Loss on Fixed Assets/Materials Discarded	85,08,934	53,18,084	25,57,326	15,98,329
Amortisation on Deferred Revenue Expenditure	2,40,000	1,50,000	81,26,144	50,78,840
Debts & Advances written off	—	—	9,13,493	5,70,933
Provision for Doubtful Advance	74,446	46,529	8,87,509	5,54,693
Provision for Unusable Inventories	56,71,622	35,44,764	30,00,000	18,75,000
Operating Profit Before Working Capital Changes	72,76,93,977	45,48,08,736	64,10,59,050	40,06,61,905
Adjustments for :				
Trade and Other Receivables	(13,68,19,808)	(8,55,12,380)	8,18,61,502	5,11,63,439
Inventories	(9,06,35,937)	(5,66,47,461)	(11,81,11,787)	(7,38,19,866)
Trade Payables	6,87,44,062	4,29,65,039	3,89,10,455	2,43,19,034
Cash Generated From Operation	56,89,82,294	35,56,13,934	64,37,19,220	40,23,24,512
Income Tax Paid	(21,29,79,700)	(13,31,12,313)	(14,06,42,926)	(8,79,01,829)
Net Cash From Operating Activities (A)	35,60,02,594	22,25,01,621	50,30,76,294	31,44,22,683
B. Cash Flow From Investing Activities				
Purchase of Long Term Investments	—	—	(8,42,50,000)	(5,26,56,250)
Purchase of Fixed Assets	(23,49,49,754)	(14,68,43,596)	(18,29,12,864)	(11,43,20,540)
Sale of Fixed Assets	10,60,516	6,62,823	7,01,013	4,38,133
Interest Received	67,43,386	42,14,616	20,76,920	12,98,075
Net Cash Used in Investing Activities (B)	(22,71,45,852)	(14,19,66,157)	(26,43,84,931)	(16,52,40,582)
C. Cash Flow From Financing Activities				
Interest Paid	(8,58,614)	(5,36,634)	(56,170)	(35,106)
Dividends Paid	(10,61,05,263)	(6,63,15,789)	(7,95,78,947)	(4,97,36,842)
Net Cash Used in Financing Activities (C)	(10,69,63,877)	(6,68,52,423)	(7,96,35,117)	(4,97,71,948)
Net Increase/(Decrease) in Cash & Cash Equivalents (A+B+C)	2,18,92,865	1,36,83,041	15,90,56,246	9,94,10,153
Cash and Cash Equivalents (Opening Balance)	16,72,35,223	10,45,22,014	82,21,228	51,38,268
Cash and Cash Equivalents (Closing Balance)	18,91,28,088	11,82,05,055	16,72,77,474	10,45,48,421
Cash and Cash Equivalents Comprises:				
Cash and Bank Balances	19,12,57,347	11,95,35,842	17,00,36,138	10,62,72,586
Unrealised Loss on Foreign Currency Cash and Cash Equivalents	2,26,062	1,41,289	42,251	26,407
Bank Overdraft	(23,55,321)	(14,72,076)	(28,00,915)	(17,50,572)
Total	18,91,28,088	11,82,05,055	16,72,77,474	10,45,48,421

Anil Seth
Vice President Finance
& Company Secretary

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Partner
Lovellock & Lewes
Chartered Accountants

Date : 27th Bhadra 2062 (12th September 2005)

STATEMENT OF CHANGE IN EQUITY FOR THE YEAR ENDED 31ST ASADH 2062 (15TH JULY 2005)

	Figures in NRs. Share Capital	Figures in Rs. Share Capital	Figures in NRs. Revaluation Reserve	Figures in Rs. Revaluation Reserve	Figures in NRs. General Reserve	Figures in Rs. General Reserve	Figures in NRs. Total	Figures in Rs. Total
Balance as at 1st Shrawan 2061 (16th July 2004)	33,60,00,000	21,00,00,000	1,21,81,280	76,13,300	1,15,77,79,637	72,36,12,273	1,50,59,60,917	94,12,25,573
Adjustment for opening stock of finished goods arising from change in the method of valuation of finished goods (Refer 2(i) of Schedule 16)	—	—	—	—	1,27,02,945	79,39,341	1,27,02,945	79,39,341
Restated Balance	33,60,00,000	21,00,00,000	1,21,81,280	76,13,300	1,17,04,82,582	73,15,51,614	1,51,86,63,862	94,91,64,914
Housing Fund transferred to General Reserve	—	—	—	—	3,29,84,282	2,06,15,176	3,29,84,282	2,06,15,176
Net Profit for the year	—	—	—	—	38,12,50,166	23,82,81,354	38,12,50,166	23,82,81,354
Dividend	—	—	—	—	(12,37,89,474)	(7,73,68,421)	(12,37,89,474)	(7,73,68,421)
Total	—	—	—	—	29,04,44,974	18,15,28,109	29,04,44,974	18,15,28,109
Balance as at 31st Asadh 2062 (15th July 2005)	<u>33,60,00,000</u>	<u>21,00,00,000</u>	<u>1,21,81,280</u>	<u>76,13,300</u>	<u>1,46,09,27,556</u>	<u>91,30,79,723</u>	<u>1,80,91,08,836</u>	<u>1,13,06,93,023</u>

SCHEDULES TO THE ACCOUNTS

	Figures in NRs. As at 31st Asadh 2062 (15th July 2005)	Figures in Rs. As at 31st Asadh 2062 (15th July 2005)	Figures in NRs. As at 31st Asadh 2061 (15th July 2004)	Figures in Rs. As at 31st Asadh 2061 (15th July 2004)
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SCHEDULE 1 : SHARE CAPITAL

Authorised

1,00,00,000 Ordinary Shares of NRs. 100.00 each	<u>1,00,00,00,000</u>	<u>62,50,00,000</u>	<u>1,00,00,00,000</u>	<u>62,50,00,000</u>
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Issued, Subscribed & Paid up

33,60,000 Ordinary Shares of NRs.100.00 each, fully paid	<u>33,60,00,000</u>	<u>21,00,00,000</u>	<u>33,60,00,000</u>	<u>21,00,00,000</u>
	<u>33,60,00,000</u>	<u>21,00,00,000</u>	<u>33,60,00,000</u>	<u>21,00,00,000</u>

Out of the above;

- 2,80,000 Ordinary Shares were issued as fully paid up bonus shares in 2052/53.
- 28,00,000 Ordinary Shares were issued as fully paid up bonus shares in 2060/61.
- 19,82,400 Ordinary Shares are held by the Holding Company, ITC Limited.

	NRs. As at 31st Asadh 2061 (15th July 2004)	Rs. As at 31st Asadh 2061 (15th July 2004)	NRs. Addition	Rs. Addition	NRs. Withdrawal	Rs. Withdrawal	NRs. As at 31st Asadh 2062 (15th July 2005)	Rs. As at 31st Asadh 2062 (15th July 2005)
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SCHEDULE 2 : RESERVES & SURPLUS

Capital Reserve								
Revaluation of Land	1,21,81,280	76,13,300	—	—	—	—	1,21,81,280	76,13,300
Revenue Reserve								
General Reserve	1,15,77,79,637	72,36,12,273	30,31,47,919*	18,94,67,449*	—	—	1,46,09,27,556	91,30,79,723
Surplus								
Profit & Loss Account	—	—	25,74,60,692	16,09,12,933	25,74,60,692	16,09,12,933	—	—
Others								
Housing Fund**	—	—	3,29,84,282	2,06,15,176	3,29,84,282	2,06,15,176	—	—
	<u>1,16,99,60,917</u>	<u>73,12,25,573</u>	<u>59,35,92,893</u>	<u>37,09,95,558</u>	<u>29,04,44,974</u>	<u>18,15,28,109</u>	<u>1,47,31,08,836</u>	<u>92,06,93,023</u>
**Housing Fund Utilisation:								
Opening Balance	(13,15,13,038)	(8,21,95,649)						
Provided during the year	<u>3,29,84,282</u>	<u>2,06,15,176</u>						
	<u>(9,85,28,756)</u>	<u>(6,15,80,473)</u>						
Utilisation during the year	—	—						
Closing Balance (excess expenditure to be adjusted in future years)	<u>(9,85,28,756)</u>	<u>(6,15,80,473)</u>						

* In accordance with the requirement of Nepal Accounting Standard - 2 of the Institute of Chartered Accountants of Nepal an adjustment of NRs. 1,27,02,945 relating to the opening stock of finished goods has been made arising from change in the method of valuation of finished goods stock (Refer 2(i) of Schedule 16)

SCHEDULES TO THE ACCOUNTS (Contd.)

Schedule 3 - FIXED ASSETS

Description	Basic Depreciation Rates (%)	GROSS BLOCK						DEPRECIATION						NET BLOCK					
		NRs. As At 31.03.2061 (15.07.2004)	Rs. Additions	NRs. Withdrawals/ Adjustments	Rs. As at 31.03.2062 (15.07.2005)	NRs. As at 31.03.2061 (15.07.2004)	Rs. For the year	NRs. Withdrawals/ Adjustments	Rs. As At 31.03.2062 (15.07.2005)	NRs. As At 31.03.2062 (15.07.2005)	Rs. Withdrawals/ Adjustments	NRs. As At 31.03.2062 (15.07.2005)	Rs. As At 31.03.2062 (15.07.2005)	NRs. As At 31.03.2061 (15.07.2004)	Rs. As At 31.03.2062 (15.07.2005)	NRs. As At 31.03.2061 (15.07.2004)	Rs. As At 31.03.2062 (15.07.2005)		
Land & Land Development		14,38,12,946	8,98,83,091	—	14,38,12,946	8,98,83,091	—	—	—	—	—	—	—	—	14,38,12,946	8,98,83,091	14,38,12,946	8,98,83,091	
Buildings	1.65	23,93,91,778	14,96,19,861	49,63,335	24,33,95,150	15,21,21,969	39,66,769	63,46,831	3,10,86,439	3,79,154	5,57,05,980	3,48,16,238	18,76,89,170	11,73,05,731	18,96,53,475	11,85,33,422	18,96,53,475	11,85,33,422	
Plant & Machinery	5.30	1,12,17,31,590	70,10,82,244	22,95,45,908	1,31,34,51,864	82,09,07,415	6,30,37,756	10,08,60,409	39,09,76,066	3,00,77,433	69,63,44,682	43,52,15,406	61,71,07,182	38,56,91,989	49,61,69,884	31,01,06,178	49,61,69,884	31,01,06,178	
Furniture & Fixtures	3.40 & 5.30	1,20,23,339	75,14,587	11,21,141	1,31,34,080	82,08,800	6,23,544	9,97,670	34,91,855	10,241	65,74,397	41,08,998	65,59,683	40,99,802	64,36,371	40,22,732	64,36,371	40,22,732	
Vehicles	5.30	3,35,61,590	2,09,75,994	32,79,276	3,68,40,866	2,30,25,541	15,57,812	24,92,499	29,07,340	—	71,44,243	44,65,152	2,96,96,623	1,85,60,389	2,89,09,846	1,80,68,654	2,89,09,846	1,80,68,654	
Computers	7.30	3,34,64,577	2,09,15,361	58,51,538	3,66,67,934	2,29,17,459	24,46,370	39,14,192	87,86,298	17,48,649	1,62,23,619	1,01,39,762	2,04,44,315	1,27,77,697	1,94,06,501	1,21,29,063	1,94,06,501	1,21,29,063	
Office Equipments	5.30	1,90,35,007	1,18,96,879	55,09,276	2,39,41,753	1,49,63,596	9,58,304	15,33,287	42,02,447	2,70,982	79,86,220	49,91,387	1,59,55,533	99,72,209	1,23,11,092	76,94,432	1,23,11,092	76,94,432	
TOTAL		1,60,30,20,827	1,00,18,88,017	25,02,79,674	1,81,12,44,593	1,13,20,27,871	7,25,90,555	11,61,44,888	44,14,50,445	3,24,86,459	78,99,79,141	49,37,36,963	1,02,12,65,452	63,82,90,908	89,67,00,115	56,04,37,572	89,67,00,115	56,04,37,572	
Capital Work in Progress and in Transit		2,36,93,293	1,48,08,308	83,63,373	—	—	—	—	—	—	—	—	—	—	—	—	—	—	
Grand Total		1,62,67,14,120	1,01,66,96,325	25,86,48,047	1,81,96,07,966	1,13,72,54,979	7,25,90,555	11,61,44,888	44,14,50,445	3,24,86,459	78,99,79,141	49,37,36,963	1,02,96,28,825	64,35,18,016	92,03,93,408	57,52,45,880	92,03,93,408	57,52,45,880	
Previous Year		1,45,46,24,712	90,91,40,445	18,31,32,809	1,62,67,14,120	1,01,66,96,325	6,82,67,774	10,92,28,439	37,79,10,869	75,65,117	70,63,20,712	44,14,50,445	92,03,93,408	57,52,45,880	—	—	—	—	

Note:

The Company's entire present and future fixed assets have been mortgaged, hypothecated and assigned with banks for obtaining credit facilities.

SCHEDULES TO THE ACCOUNTS (Contd.)

	Figures in NRs. As at 31st Asadh 2062 (15th July 2005)	Figures in Rs. As at 31st Asadh 2062 (15th July 2005)	Figures in NRs. As at 31st Asadh 2061 (15th July 2004)	Figures in Rs. As at 31st Asadh 2061 (15th July 2004)
SCHEDULE 4 : INVESTMENTS – LONG TERM				
Investments in Stocks issued by His Majesty's Government 5% Bikash Rinpatra, 2071	8,42,50,000	5,26,56,250	8,42,50,000	5,26,56,250
	<u>8,42,50,000</u>	<u>5,26,56,250</u>	<u>8,42,50,000</u>	<u>5,26,56,250</u>
SCHEDULE 5 : INVENTORIES				
Stores & Supplies (including in-transit)	4,84,55,196	3,02,84,498	4,18,37,441	2,61,48,401
Stock				
Raw Materials (including in-transit)	19,68,27,716	12,30,17,323	27,21,02,971	17,00,64,357
Stock - In - Process	4,46,88,352	2,79,30,220	2,17,43,911	1,35,89,944
Finished Goods				
At Cost	36,37,73,084	22,73,58,177	21,95,91,725	13,72,44,828
At Net Realisable Value	37,66,936	23,54,335	45,67,976	28,54,985
	<u>65,75,11,284</u>	<u>41,09,44,553</u>	<u>55,98,44,024</u>	<u>34,99,02,515</u>
Note: The Company's entire present and future inventories have been mortgaged, hypothecated and assigned with banks for obtaining credit facilities.				
SCHEDULE 6 : SUNDRY DEBTORS (Receivable within twelve months, unless otherwise stated)				
Due for less than six months				
Considered good				
Secured	3,00,000	1,87,500	7,55,912	4,72,445
Unsecured				
From Holding Company	50,91,945	31,82,466	60,14,666	37,59,166
From Others	1,44,57,314	90,35,821	42,41,777	26,51,111
	<u>1,98,49,259</u>	<u>1,24,05,787</u>	<u>1,10,12,355</u>	<u>68,82,722</u>
SCHEDULE 7 : CASH AND BANK BALANCES				
Cash & Cheques on Hand	7,68,530	4,80,331	1,22,451	76,532
Cash At Bank				
Current Account	4,77,33,225	2,98,33,266	4,77,95,639	2,98,72,274
Savings Account (Provident Fund)	43,461	27,163	47,31,767	29,57,354
Short Term - Call Deposits	14,27,12,131	8,91,95,082	11,73,86,281	7,33,66,426
	<u>19,12,57,347</u>	<u>11,95,35,842</u>	<u>17,00,36,138</u>	<u>10,62,72,586</u>
SCHEDULE 8 : LOANS & ADVANCES (Recoverable within twelve months, unless otherwise stated)				
Receivables from Holding Company - Net	25,17,79,532	15,73,62,208	8,03,61,940	5,02,26,213
Advances to Employees {Includes NRs. 2,17,10,105 (2060-61 - NRs. 1,78,99,944) recoverable after 12 months}	2,67,97,287	1,67,48,304	2,26,73,911	1,41,71,194
Margin Money Deposit	8,41,511	5,25,944	12,46,857	7,79,286
Advance to Others	3,22,20,658	2,01,37,910	8,04,46,990	5,02,79,368
Prepaid Expenses	58,22,758	36,39,224	59,21,228	37,00,768
Accrued Interest Receivable	92,329	57,706	92,329	57,706
Claims Receivable	1,06,698	66,686	7,43,794	4,64,871
Other Deposits	43,38,025	27,11,266	25,28,845	15,80,528
	<u>32,19,98,798</u>	<u>20,12,49,248</u>	<u>19,40,15,894</u>	<u>12,12,59,934</u>
Less : Provision for Doubtful Advance	9,61,955	6,01,222	8,87,509	5,54,693
	<u>32,10,36,843</u>	<u>20,06,48,026</u>	<u>19,31,28,385</u>	<u>12,07,05,241</u>
SCHEDULE 9 : CURRENT LIABILITIES (Payable within twelve months, unless otherwise stated)				
Book Overdraft (Temporary)	18,30,161	11,43,851	28,90,488	18,06,555
Retention Money	23,55,321	14,72,076	28,00,915	17,50,572
Sundry Creditors	14,77,04,486	9,23,15,303	12,66,82,681	7,91,76,675
Advances from Wholesale Dealers	14,21,74,724	8,88,59,202	7,37,60,533	4,61,00,333
Deposits from Wholesale Dealers	30,50,000	19,06,250	28,50,000	17,81,250
Other Liabilities	1,03,05,172	64,40,733	2,94,55,076	1,84,09,423
	<u>30,74,19,864</u>	<u>19,21,37,415</u>	<u>23,84,39,693</u>	<u>14,90,24,808</u>
SCHEDULE 10 : PROVISIONS				
Provision for Income Tax {Net of payment of Income Tax Advance/Deposits amounting to NRs. 23,91,47,584 (2060-61 - NRs. 17,73,07,642)}	2,88,77,984	1,80,48,740	5,33,79,334	3,33,62,084
Provision for Gratuity and Leave Encashment {Refer 2(ii) and (iii) of Schedule 16}	3,43,37,400	2,14,60,875	3,50,19,103	2,18,86,939
Provision for Interim Dividend	12,37,89,474	7,73,68,421	10,61,05,263	6,63,15,789
	<u>18,70,04,858</u>	<u>11,68,78,036</u>	<u>19,45,03,700</u>	<u>12,15,64,813</u>

SCHEDULES TO THE ACCOUNTS (Contd.)

	Figures in NRs. For the year ended 31st Asadh 2062 (15th July 2005)	Figures in Rs. For the year ended 31st Asadh 2062 (15th July 2005)	Figures in NRs. For the year ended 31st Asadh 2061 (15th July 2004)	Figures in Rs. For the year ended 31st Asadh 2061 (15th July 2004)
SCHEDULE 11 : GROSS REVENUE				
Domestic :				
Cigarette	4,42,68,30,666	2,76,67,69,166	4,28,18,70,426	2,67,61,69,017
Garments	2,31,08,343	1,44,42,714	—	—
Others	2,07,021	1,29,388	—	—
Exports				
Garments	27,67,18,713	17,29,49,196	42,35,85,147	26,47,40,717
Others	—	—	6,36,055	3,97,534
	<u>4,72,68,64,743</u>	<u>2,95,42,90,464</u>	<u>4,70,60,91,628</u>	<u>2,94,13,07,268</u>
SCHEDULE 12 : DUTIES				
Excise Duty	1,71,19,68,186	1,06,99,80,116	1,69,71,00,542	1,06,06,87,838
Value Added Tax	45,15,65,693	28,22,28,558	38,92,60,948	24,32,88,093
Smoking & Liquor Fees	—	—	28,87,300	18,04,563
	<u>2,16,35,33,879</u>	<u>1,35,22,08,674</u>	<u>2,08,92,48,790</u>	<u>1,30,57,80,494</u>
SCHEDULE 13 : RAW MATERIALS CONSUMED ETC.				
Leaf	51,80,63,177	32,37,89,485	51,83,21,575	32,39,50,984
Casing Materials	1,04,30,308	65,18,943	84,70,885	52,94,303
Wrapping Materials	44,99,14,822	28,11,96,764	45,64,81,299	28,53,00,812
Purchase of Goods	73,40,512	45,87,820	5,53,726	3,46,079
Fabrics, Contract Manufacturing Charges etc.	23,47,17,024	14,66,98,140	35,73,59,670	22,33,49,794
	<u>1,22,04,65,843</u>	<u>76,27,91,152</u>	<u>1,34,11,87,155</u>	<u>83,82,41,972</u>
Adjustment of overheads loaded on Finished Goods				
Opening	1,27,02,945	79,39,341	—	—
Closing	(2,36,51,961)	(1,47,82,476)	—	—
	<u>1,20,95,16,827</u>	<u>75,59,48,017</u>	<u>1,34,11,87,155</u>	<u>83,82,41,972</u>
SCHEDULE 14 : OTHER INCOME				
Interest Received	46,35,173	28,96,983	18,93,977	11,83,736
Less : Interest paid on Trading Debts	8,39,107	5,24,442	15,01,942	9,38,714
	<u>37,96,066</u>	<u>23,72,541</u>	<u>3,92,035</u>	<u>2,45,022</u>
Interest on Short Term /Call Deposit	24,95,782	15,59,864	20,76,920	12,98,075
Gain on Foreign Exchange (Net)	—	—	1,65,511	1,03,444
Interest from Investments	42,47,604	26,54,753	92,329	57,706
Miscellaneous Income	1,12,94,537	70,59,085	1,12,80,976	70,50,610
	<u>2,18,33,989</u>	<u>1,36,46,243</u>	<u>1,40,07,771</u>	<u>87,54,857</u>
SCHEDULE 15 : OTHER EXPENSES				
Salaries, Wages & Allowances {Refer 2(vii) (a) of Schedule 16}	12,60,45,300	7,87,78,313	10,48,13,994	6,55,08,746
Contribution to Provident Fund	45,17,326	28,23,329	35,99,940	22,49,963
Labour & Staff Welfare	1,05,79,957	66,12,473	1,13,00,270	70,62,669
Uniform	16,60,087	10,37,554	11,13,674	6,96,046
Rent	2,67,96,910	1,67,48,069	2,08,46,837	1,30,29,273
Electricity, Fuel & Water	4,30,36,425	2,68,97,766	4,14,61,342	2,59,13,339
Rates & Taxes	1,18,19,755	73,87,347	1,11,36,895	69,60,559
Insurance Premium	2,05,18,121	1,28,23,826	2,01,88,358	1,26,17,724
Repairs & Improvement-Depreciable Assets	7,22,34,080	4,51,46,300	8,43,73,147	5,27,33,217
Safety and Pollution Control Cost	32,06,916	20,04,323	32,32,785	20,20,491
Maintenance to Other Properties	88,37,633	55,23,521	1,39,31,616	87,07,260
Consumable Stores & Spares	78,41,404	49,00,878	1,20,95,835	75,59,897
Freight	2,37,07,178	1,48,16,986	2,56,02,968	1,60,01,855
Product Development	1,92,88,538	1,20,55,336	2,25,93,930	1,41,21,206
Advertising	8,10,15,128	5,06,34,455	8,17,04,819	5,10,65,512
Travel & Conveyance	2,52,25,207	1,57,65,754	2,82,61,794	1,76,63,621
Training & Recruitment Expenses	57,87,701	36,17,313	70,13,014	43,83,134
Postage, Telephone, Telex, Fax etc.	79,55,278	49,72,049	84,45,465	52,78,416
Bank Charges and Commission	26,78,932	16,74,333	28,06,481	17,54,051
Audit Fees	3,08,000	1,92,500	3,08,000	1,92,500
Legal Fees	2,85,570	1,78,481	6,14,385	3,83,991
Printing & Stationery	24,97,689	15,61,056	25,61,308	16,00,818
Consultancy, Service Charges & Other Fees	1,94,73,926	1,21,71,203	2,06,09,095	1,28,80,684
Entertainment	13,81,376	8,63,360	16,28,714	10,17,946
Sales Promotion	4,95,82,319	3,09,88,948	5,33,34,145	3,33,33,840
Damaged & Destroyed Cigarettes	5,89,024	3,68,140	5,85,152	3,65,720
Board Meeting Fees	47,059	29,412	41,176	25,735
Donations & Charity	12,80,050	8,00,031	8,18,045	5,11,278
Books & Periodicals	5,52,784	3,45,490	4,03,233	2,52,021
Membership Fee	5,78,799	3,61,749	3,99,001	2,49,376
Debts and Advances Written off	—	—	9,13,493	5,70,933
Provision for Doubtful Advances	74,446	46,529	8,87,509	5,54,693
Provision for Unusable Inventories	56,71,622	35,44,764	30,00,000	18,75,000
Provision for Retirement Benefits	—	—	76,88,143	48,05,088
Loss on Foreign Exchange (Net)	2,26,774	1,41,734	—	—
Amortisation of Deferred Revenue Expenditure	2,40,000	1,50,000	81,26,144	50,78,840
Miscellaneous Expenses {Refer 2(vii) (b) of Schedule 16}	49,08,627	30,67,891	39,59,225	24,74,515
Total	<u>59,04,49,941</u>	<u>36,90,31,213</u>	<u>61,03,99,932</u>	<u>38,14,99,957</u>

SCHEDULES TO THE ACCOUNTS (Contd.)

SCHEDULE 16 - SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE ACCOUNTS

1. Significant Accounting Policies

i) Convention

These financial statements have been prepared in accordance with applicable Accounting Standards in Nepal and generally accepted accounting principles. A summary of significant accounting policies, which have been applied consistently, is set out below except policies in respect of items 1 (iv) and (ix) (a) & (b), have been changed as per the requirements of Nepal Accounting Standards and/or to align with internationally accepted best practices. The financial statements have also been prepared in accordance with the relevant presentational requirements of the Company Act, 2053 of Nepal.

ii) Basis of Accounting

These financial statements have been prepared in accordance with the historical cost convention modified by revaluation of certain freehold land as detailed in (iii) below.

iii) Fixed Assets

Fixed assets are stated at cost of acquisition inclusive of incidental expenses related to acquisition. Freehold land acquired up to 17.12.2043 (31.03.1987) was revalued and the resultant increase in the value of such land was credited to Capital Reserve.

Depreciation on fixed assets has been provided on straight line basis at the rates prescribed by the erstwhile Income Tax (First Amendment) Rules, 2039. The said rates have further been increased by 33 1/3 % as allowed by the Industrial Enterprises Act, 2049.

iv) Inventories

Inventories are valued at cost or net realizable value whichever is lower. Until the previous year finished goods were valued at cost comprising of material cost, taxes, duties and contract manufacturing charges where applicable. In the current year in addition to above elements of cost, applicable overheads have also been loaded on finished goods as provided for by Nepal Accounting Standards on Inventories (NAS - 04). Obsolete, slow moving and defective inventories are identified at the time of physical verification and where necessary provision is made for such inventories.

v) Investments

Long Term Investments are valued at cost. Provision is made where there is a permanent fall in the valuation of such Investments.

vi) Deferred Revenue Expenditure

This represents licensee fee and implementation cost for the ERP system, the benefit of which is expected to accrue for more than one accounting period. This is being written off in five equal annual installments.

vii) Sales

Sales, which represent invoiced value of goods sold, are stated net of Excise Duty and Value Added Tax.

viii) Foreign Exchange Transaction

Foreign Exchange transactions are recorded at the exchange rate prevailing at the time of transactions or where applicable at the exchange rate covered by forward contracts. Gain or loss arising on settlement is dealt with in the Profit and Loss Account, except in respect of fixed assets where exchange variance is adjusted in the carrying amount of the respective fixed asset. Unsettled transactions are translated at the exchange rate prevailing at the year end and the exchange difference, if any, arising on such transaction is accounted for in the Profit & Loss Account as exchange fluctuation, except in respect of liabilities incurred for acquiring fixed assets, in which case such differences are adjusted in the carrying amount of the respective fixed asset.

ix) Retirement Benefits

a) Gratuity

Liability for gratuity benefits payable to the employees is actuarially determined and provided for. Gratuity liabilities are not funded. Until previous year gratuity was provided as per Labour Rules 2050 / Company Rules.

b) Leave Encashment and Other Retirement Benefits

Liability accrued on account of leave encashment and other retirement benefits are actuarially determined and provided for. Until the previous year liabilities of the above were provided for on accrual basis.

c) Provident Fund

Regular monthly contributions are made to Provident Funds, which are charged against revenue.

x) Bonus

Bonus is provided as per the provisions of the Bonus Act, 2030.

xi) Employees' Housing Fund

Employees' Housing Fund is provided as per the provisions of Labour Act, 2048 and is transferred to the General Reserve to the extent utilised.

xii) Cash and Cash Equivalents

Cash and cash equivalents represent cash and cheques on hand and balance in bank accounts.

xiii) Tax on Income

Tax on Income is determined and provided for based on taxable income for the year as per the provisions of the Income Tax Act, 2058.

xiv) Dividend

Dividend is provided for as proposed by the Directors, pending approval at the Annual General Meeting. Interim dividend is provided for as declared by the Board of Directors.

2. Notes to the Accounts

- (i) Until previous year finished goods were valued at lower of cost and net realisable value. The cost comprised of material cost, taxes, duties and contract manufacturing charges where applicable. In the current year the cost of finished goods in addition to the said elements of cost are inclusive of appropriate overheads as required by Nepal Accounting Standards on Inventories (NAS - 04). Had the previous year's policy been followed, the value of finished goods would have been lower by NRs. 2,36,51,961 and this along with the adjustment of NRs. 1,27,02,945 relating to opening stock of finished goods would have consequential effect of NRs. 1,09,49,016 on profit for the current year.
- (ii) Until previous year gratuity was provided for as per the Labour Rules / Company Rules whereas in the current year the said liability has been determined on actuarial basis. Had the previous year's policy been followed gratuity charge for the year would have been higher by NRs. 1,13,62,508 with consequential effect on profit for the current year.
- (iii) Until previous year leave encashment and other retirement benefits were provided for on accrual basis whereas in the current year the said liabilities have been determined on actuarial basis. Had the previous year's policy been followed charge for the year would have been higher by NRs. 2,12,087 with consequential effect on profit for the current year.
- (iv) During the year Company has declared an interim dividend of Rs. 35 per share (net of tax)
- (v) Claims against the Company not acknowledged as debts:
 - a) Demands raised on account of Income Tax for various assessment years against which the Company has filed appeals with the appropriate authorities amount to NRs. 18,35,61,273 (2060-61 – NRs. 18,35,61,273) (net of provision made for the above assessment years).
 - b) Value Added Tax matters under dispute amount to NRs. 30,88,097 (2060-61 – NRs. 30,88,097).
- (vi) Estimated amount of contracts remaining to be executed on capital account NRs. 3,20,49,988 (2060-61 – NRs. 6,14,21,981).
- (vii) a) Salaries, Wages and Allowances include payment to Managing Director NRs. 38,16,000 (2060-61 – NRs. 35,63,000).
- b) Miscellaneous Expenses include reimbursement of expenses to statutory auditors amounting to NRs. 1,61,811 (2060-61 – NRs. 93,470).
- (viii) Figures in the financial statements are rounded off to the nearest rupee.
- (ix) Previous year's figures have been regrouped and/or rearranged wherever necessary.

Anil Seth
Vice President Finance
& Company Secretary

Sanjiv Puri
Managing Director

Sujeev Shakya
Alternate Director

Nem Lal Amatya
Partner
N. Amatya & Co.
Chartered Accountants

Partha Mitra
Partner
Lovelock & Lewes
Chartered Accountants

Date : 27th Bhadra 2062 (12th September 2005)