

## SUBSIDIARY COMPANIES

Russell Credit Limited	3
Greenacre Holdings Limited	13
Wimco Limited	20
Wimco Boards Limited	38
Wimco Seedlings Limited	45
Prag Agro Farm Limited	56
Pavan Poplar Limited	62
Srinivasa Resorts Limited	69
Fortune Park Hotels Limited	78
Bay Islands Hotels Limited	86
ITC Infotech India Limited	92
ITC Infotech Limited	103
ITC Infotech (USA), Inc.	110
Wills Corporation Limited	114
Gold Flake Corporation Limited	120
Landbase India Limited	127
BFIL Finance Limited	136
MRR Trading & Investment Company Limited	144
Surya Nepal Private Limited	148
King Maker Marketing, Inc.	158



**REPORT OF THE DIRECTORS FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2007**

1. Your Directors hereby submit their Report and Accounts for the financial year ended 31st March, 2007.

**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	35,42,17,652
b. Less : Provision for Income Tax (including Fringe Benefit Tax)	6,02,69,160
c. Profit After Tax	29,39,48,492
d. Add : Profit brought forward from previous year	47,43,90,466
e. Surplus available for Appropriation	76,83,38,958
f. Less : Transferred to Special Reserve under Section 45-IC of the Reserve Bank of India Act, 1934	5,87,89,698
g. Balance carried forward	70,95,49,260

**3. DIRECTORS**

Mr. Jagdish Singh resigned as Director of the Company with effect from 15th May, 2007. Your Directors would like to record their appreciation of the services rendered by Mr. Singh.

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

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

Mr. Sharad Jain was re-appointed as Manager of the Company by the Board of Directors for a period of two years with effect from 1st July, 2007, 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 :

- 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.

**6. 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.

**7. NON-BANKING FINANCIAL (NON-DEPOSIT ACCEPTING OR HOLDING) COMPANIES PRUDENTIAL NORMS (RESERVE BANK) DIRECTIONS, 2007 ('NBFC REGULATIONS')**

In terms of paragraph 13 of the NBFC Regulations, the particulars as applicable to the Company, are appended to the Balance Sheet.

**8. 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 attached to the accounts of the Company.

During the year the Company, in accordance with the Securities and Exchange Board of India (Delisting of Securities) Guidelines, 2003, acquired further equity shares, in Wimco Ltd. (Wimco) tendered by the remaining shareholders of Wimco till 13th June, 2006. The shareholding of the Company in Wimco stood at 94.25% as at 31st March, 2007.

**9. 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.

**10. 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.

**11. 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. 3,95,250 (previous year Rs. 48,09,162).

15th May, 2007

Virginia House  
37, J. L. Nehru Road  
Kolkata - 700 071

On behalf of the Board

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

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

- We have audited the attached Balance Sheet of **Russell Credit Limited** as at 31st March, 2007, 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.
- 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.
- 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.
- 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;

- 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;
- 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, 2007;
  - 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.
- On the basis of written explanations received from the Directors as on 31st March, 2007 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2007 from being appointed as a Director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.

For S. B. Billimoria & Co.  
Chartered Accountants

K. Rajasekhara  
Partner  
Membership No.: 23341

Kolkata  
15th May, 2007



**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, 2007 was such that 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, the fixed assets have been physically verified by the management during the year at reasonable intervals 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 are noticed.
- (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 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, 2007 for a period of more than six months from the date they became payable.
- (c) As at 31st March, 2007, 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
Income Tax Act, 1961	Income Tax	16,35,171	2003-04	Commissioner of Income Tax (Appeals)
Income Tax Act, 1961	Income Tax	3,86,481	2004-05	Commissioner of Income Tax (Appeals)

Out of the above, Rs. 3,96,900 has been stayed for recovery by the relevant authorities.

- (vii) The Company does not have accumulated losses as at 31st March, 2007 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. Rajasekhar  
Partner

Membership No.: 23341

Kolkata  
15th May, 2007

**BALANCE SHEET AS AT 31ST MARCH, 2007**

	Schedule	(Rs.)	31st March, 2007 (Rs.)	(Rs.)	31st March, 2006 (Rs.)
<b>I. SOURCES OF FUNDS</b>					
1. Shareholders' Funds					
a) Share Capital	1	646,47,87,370		646,47,87,370	
b) Reserves and Surplus	2	100,04,02,020	746,51,89,390	70,64,23,660	717,12,11,030
2. Deferred Tax Liability - Net	12(10)		23,91,920		21,19,214
Total			746,75,81,310		717,33,30,244
<b>II. APPLICATION OF FUNDS</b>					
1. Fixed Assets	3				
a) Gross Block		5,67,55,197		5,67,10,026	
b) Less : Depreciation		2,90,95,782	2,76,59,415	2,67,20,755	2,99,89,271
2. Investments	4		272,86,65,371		270,49,07,600
3. Current Assets, Loans & Advances	5				
a) Current Assets		468,98,90,984		441,69,57,958	
b) Loans and Advances		40,92,43,207		34,93,05,932	
		509,91,34,191		476,62,63,890	
4. Less : Current Liabilities and Provisions	6	38,78,77,667		32,78,30,517	
Net Current Assets			471,12,56,524		443,84,33,373
Total			746,75,81,310		717,33,30,244

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Significant Accounting Policies 13  
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  
Kolkata, 15th May, 2007

On behalf of the Board

R. Tandon Director  
S. Dutta Director  
S. Jain Secretary

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2007

	Schedule	For the year ended 31st March, 2007 (Rs.)	For the year ended 31st March, 2006 (Rs.)
<b>I. INCOME</b>			
Interest		12,26,82,629	12,14,13,625
Dividend		18,36,23,355	15,08,61,773
Brokerage		3,89,57,895	5,61,93,421
Profit on Sale of Stock-in-Trade (Net)	7	43,31,025	—
Lease and Other Rentals		76,39,800	55,14,600
Other Income		29,90,273	39,77,290
		<u>36,02,24,977</u>	<u>33,79,60,709</u>
<b>II. EXPENDITURE</b>			
Payments to and Provisions for Employees	8	23,29,988	16,78,533
Financial Charges and Operating Expenses	9	2,44,561	1,85,641
Establishment and Other Expenses	10	10,57,749	8,63,176
Loss on Sale of Stock-in-Trade (Net)	7	—	8,94,971
Depreciation	3	23,75,027	21,50,504
		<u>60,07,325</u>	<u>57,72,825</u>
<b>III. PROFIT</b>			
Profit before Taxation		35,42,17,652	33,21,87,884
Provision for Taxation			
Current Tax		6,00,00,000	6,10,00,000
Deferred Tax		2,57,552	3,64,236
Provision for Fringe Benefit Tax		11,608	6,600
Profit after Taxation		29,39,48,492	27,08,17,048
Profit brought forward (Refer Schedule 2)		47,43,90,466	25,77,06,959
Available for appropriations		<u>76,83,38,958</u>	<u>52,85,24,007</u>
<b>IV. APPROPRIATIONS</b>			
Special Reserve u/s 45-IC of the RBI Act, 1934 (Refer to Note 11 of Schedule 12)		5,87,89,698	5,41,63,409
Profit carried forward		<u>70,95,49,260</u>	<u>47,43,60,598</u>
		<u>76,83,38,958</u>	<u>52,85,24,007</u>
Earnings Per Share (Face Value Rs. 10.00 each) (Basic & Diluted)	12(9)	0.45	0.42

## Notes to Accounts

Significant Accounting Policies 13

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 &amp; Co.

Chartered Accountants

K. Rajasekhar

Partner

Kolkata, 15th May, 2007

On behalf of the Board

R. Tandon Director

S. Dutta Director

S. Jain Secretary

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2007

	For the year ended 31st March, 2007 (Rs.)	For the year ended 31st March, 2006 (Rs.)	For the year ended 31st March, 2007 (Rs.)	For the year ended 31st March, 2006 (Rs.)
<b>A. NET PROFIT BEFORE TAX</b>	35,42,17,652	33,21,87,884		
ADJUSTMENTS FOR :				
Depreciation	23,75,027	21,50,504		
<b>OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES</b>	35,65,92,679	33,43,38,388		
ADJUSTMENTS FOR :				
Trade and Other Receivables	28,31,982	(63,49,708)		
Stock-in-Trade	(77,59,79,690)	87,09,07,280		
Trade Payables	80,564	(37,52,672)		
CASH GENERATED FROM OPERATIONS	(41,64,74,465)	119,51,43,288		
Income Tax Paid				
(Including Fringe Benefit Tax)	(5,99,38,043)	(6,14,08,337)		
<b>NET CASH FROM OPERATING ACTIVITIES</b>	(47,64,12,508)	113,37,34,951		
<b>B. CASH FLOW FROM INVESTING ACTIVITIES :</b>				
Purchase of Fixed Assets	(45,171)	(66,38,333)		
Purchase of Long Term Investments	(2,37,57,771)	(61,39,91,455)		
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	(2,38,02,942)	(62,06,29,788)		
<b>C. CASH FLOW FROM FINANCING ACTIVITIES :</b>				
Net Increase / (Decrease) in Short Term Loans	—	(1,03,62,157)		
Intercompany Loans Received	19,45,00,000	—		
Intercompany Loans Repaid	(19,45,00,000)	—		
Intercompany Loans given to Associates	(208,17,50,000)	(192,36,00,000)		
Intercompany Loans Repaid by Associates	208,17,50,000	192,36,00,000		
<b>NET CASH FLOW USED IN FINANCING ACTIVITIES</b>	—	(1,03,62,157)		
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(50,02,15,450)	50,27,43,006		
<b>OPENING CASH AND CASH EQUIVALENTS</b>	50,31,85,999	4,42,993		
<b>CLOSING CASH AND CASH EQUIVALENTS</b>	29,70,549	50,31,85,999		

As per our Report of even date attached.

For S. B. Billimoria &amp; Co.

Chartered Accountants

K. Rajasekhar

Partner

Kolkata, 15th May, 2007

On behalf of the Board

R. Tandon Director

S. Dutta Director

S. Jain Secretary

SCHEDULES TO THE ACCOUNTS

1. SHARE CAPITAL

	As at 31st March, 2007 (Rs.)	As at 31st March, 2006 (Rs.)
<b>Authorised :</b>		
70,00,00,000 Equity Shares of Rs. 10/- each	<u>700,00,00,000</u>	<u>700,00,00,000</u>
	<u>700,00,00,000</u>	<u>700,00,00,000</u>
<b>Issued, Subscribed and Paid up :</b>		
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>597,45,41,770</u>	<u>597,45,41,770</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>646,47,87,370</u>	<u>646,47,87,370</u>
(All the shares are held by the Holding Company, ITC Limited)		

2. RESERVES AND SURPLUS

	As at 31st March, 2007 (Rs.)	As at 31st March, 2006 (Rs.)
Special Reserve u/s 45-IC of the RBI Act, 1934		
At the commencement of the year	<u>20,32,95,617</u>	<u>14,91,32,208</u>
Add: Transferred from Profit and Loss Account	<u>5,87,89,698</u>	<u>5,41,63,409</u>
	<u>26,20,85,315</u>	<u>20,32,95,617</u>
Capital Reserve	<u>2,87,67,445</u>	<u>2,87,67,445</u>
Profit and Loss Account		
At the commencement of the year	<u>47,43,60,598</u>	<u>25,77,06,959</u>
Add : Adjustment consequent to recomputation as on 01.04.2006 of liability for defined plans in accordance with the provisions of AS-15 (Revised) : Employee Benefits (Net of Deferred Tax - Rs. 15,154)	<u>29,868</u>	<u>—</u>
Adjusted balance as at 01.04.2006	<u>47,43,90,466</u>	<u>25,77,06,959</u>
Add : Profit for the year retained	<u>23,51,58,794</u>	<u>21,66,53,639</u>
	<u>70,95,49,260</u>	<u>47,43,60,598</u>
	<u>1,00,04,02,020</u>	<u>70,64,23,660</u>

3. FIXED ASSETS

PARTICULARS	GROSS BLOCK (AT COST)			DEPRECIATION			NET BOOK VALUE
	As at 1st April, 2006 (Rs.)	Additions during the year (Rs.)	As at 31st March, 2007 (Rs.)	Up to 31st March, 2006 (Rs.)	For the year (Rs.)	Up to 31st March, 2007 (Rs.)	As at 31st March, 2007 (Rs.)
Plant & Machinery*	5,67,10,026	45,171	5,67,55,197	2,67,20,755	23,75,027	2,90,95,782	2,76,59,415
<b>TOTAL</b>	5,67,10,026	45,171	5,67,55,197	2,67,20,755	23,75,027	2,90,95,782	2,76,59,415
Previous Year	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

\* 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. 3,46,00,503 (2006 - Rs. 3,45,55,332) and Accumulated Depreciation Rs. 69,41,088 (2006 - Rs. 45,66,061). Depreciation for the year charged to Profit and Loss Account is Rs. 23,75,027 (2006 - Rs. 21,50,504). The aggregate lease rental of Rs. 46,39,800 (2006 - Rs. 40,26,600) is included in Lease and Other Rentals in the Profit and Loss Account.

4. INVESTMENTS

	As at 31st March, 2007 Number	Value (Rs.)	As at 31st March, 2006 Number	Value (Rs.)
<b>LONG TERM</b>				
<b>A. UNQUOTED</b>				
<b>SUBSIDIARY COMPANIES</b>				
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	4,90,08,170	52,52,65,126	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	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	41,00,000	2,50,00,000
<b>TRADE INVESTMENTS</b>				
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
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
<b>Balance carried forward</b>		<u>115,13,54,548</u>		<u>112,75,96,777</u>

SCHEDULES TO THE ACCOUNTS (Contd.)

4. INVESTMENTS (contd.)

LONG TERM	As at 31st March, 2007 Number	Value (Rs.)	As at 31st March, 2006 Number	Value (Rs.)
Balance carried forward		115,13,54,548		112,75,96,777
<b>OTHER INVESTMENTS</b>				
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
		<u>161,34,04,548</u>		<u>158,96,46,777</u>
<b>B. QUOTED</b>				
<b>TRADE INVESTMENTS</b>				
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 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 VST Industries Limited, fully paid up	22,02,417	36,58,20,092	22,02,417	36,58,20,092
		<u>111,52,60,823</u>		<u>111,52,60,823</u>
<b>Total (A+B)</b>		<u>272,86,65,371</u>		<u>270,49,07,600</u>
Market Value of Quoted Investments : Rs. 158,91,93,509 (2006 – Rs. 210,84,23,484)				

5. CURRENT ASSETS, LOANS AND ADVANCES

	As at 31st March, 2007 (Rs.)	As at 31st March, 2006 (Rs.)
<b>A. CURRENT ASSETS</b>		
Stock-in-Trade (Schedule – 11)	467,67,76,725	390,07,97,035
	<u>467,67,76,725</u>	<u>390,07,97,035</u>
Sundry Debtors (Unsecured - Considered Good)		
– Debts outstanding for a period exceeding six months	4,83,585	—
– Others	<u>96,36,625</u>	<u>1,17,80,191</u>
	1,01,20,210	1,17,80,191
Cash and Bank Balances		
Cash on hand	416	—
Cheques in hand	—	2,80,967
Balance with Scheduled Banks		
– On Current Accounts	29,70,133	29,05,032
– On Deposit Account	<u>—</u>	<u>50,00,00,000</u>
	29,70,549	50,31,85,999
Other Current Assets (Unsecured - Considered Good)		
Deposits	23,500	23,500
Interest Receivable	<u>—</u>	<u>11,71,233</u>
	23,500	11,94,733
<b>Total</b>	<u>468,98,90,984</u>	<u>441,69,57,958</u>
<b>B. LOANS AND ADVANCES</b>		
(Unsecured, Considered Good)		
Advances recoverable in cash or kind or for value to be received	3,60,839	3,61,607
Advances Payment of Tax		
– Income Tax	40,88,58,479	34,89,34,236
– Fringe Benefit Tax	<u>23,889</u>	<u>10,089</u>
	40,92,43,207	34,93,05,932
<b>Total</b>	<u>40,92,43,207</u>	<u>34,93,05,932</u>

6. CURRENT LIABILITIES AND PROVISIONS

	As at 31st March, 2007 (Rs.)	As at 31st March, 2006 (Rs.)
<b>CURRENT LIABILITIES</b>		
Sundry Creditors	8,40,865	8,37,968
– Total Outstanding dues of Creditors other than Small Scale Industrial Undertaking(s)		
Other Liabilities	41,62,534	45,29,736
	<u>50,03,399</u>	<u>53,67,704</u>
<b>PROVISIONS</b>		
Provision for Long Term Employee Benefits	9,56,977	5,57,130
Provision for Tax		
– Income Tax	38,18,99,083	32,18,99,083
– Fringe Benefit Tax	<u>18,208</u>	<u>6,600</u>
	38,28,74,268	32,24,62,813
	<u>38,78,77,667</u>	<u>32,78,30,517</u>

7. PROFIT/ (LOSS) ON SALE OF STOCK-IN-TRADE (NET)

	As at 31st March, 2007 (Rs.)	As at 31st March, 2006 (Rs.)
Sales	2422,13,53,158	2959,58,59,623
Less : Purchases	2499,30,01,823	2872,58,47,314
	<u>(77,16,48,665)</u>	<u>87,00,12,309</u>
Add/Less: Increase/(Decrease) in Closing Stock-in-Trade	77,59,79,690	(87,09,07,280)
Profit/(Loss) on Sale of Stock-in-Trade	<u>43,31,025</u>	<u>(8,94,971)</u>

8. PAYMENTS TO AND PROVISIONS FOR EMPLOYEES

	For the year ended 31st March, 2007 (Rs.)	For the year ended 31st March, 2006 (Rs.)
Salaries and Wages	23,01,615	16,50,824
Staff Welfare Expenses	<u>28,373</u>	<u>27,709</u>
	<u>23,29,988</u>	<u>16,78,533</u>

SCHEDULES TO THE ACCOUNTS (Contd.)

9. FINANCIAL CHARGES AND OPERATING EXPENSES

	For the year ended 31st March, 2007 (Rs.)	For the year ended 31st March, 2006 (Rs.)
Interest - Others than on fixed loans	1,819	824
Bank, Custodial and Depository Charges	16,130	36,735
Professional and Legal Fees	2,26,612	1,48,082
	<u>2,44,561</u>	<u>1,85,641</u>

10. ESTABLISHMENT AND OTHER EXPENSES

	For the year ended 31st March, 2007 (Rs.)	For the year ended 31st March, 2006 (Rs.)
Rent	38,940	38,940
Repairs and Maintenance	4,21,055	4,08,395
Travelling and Conveyance	82,064	6,400
Rates and Taxes	25,980	13,840
Auditors' Remuneration (including Service Tax)		
– Audit Fees	1,12,360	1,12,240
– Other Services	89,792	68,324
– Reimbursement of Out of Pocket Expenses	4,674	4,589
Communication Expenses	35,486	21,552
Printing, Stationery and Periodicals	84,467	57,852
Miscellaneous Expenses	1,62,931	1,31,044
	<u>10,57,749</u>	<u>8,63,176</u>

11. STOCK-IN-TRADE (at lower of cost and fair value)

PARTICULARS

	As at 31st March, 2007		As at 31st March, 2006	
	Quantity	Value (Rs.)	Quantity	Value (Rs.)
<b>Equity Shares of Rs. 10/- each, fully paid up</b>				
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
<b>Sub - Total</b>		<u>4</u>		<u>4</u>
<b>Units of Rs.10/- each, fully paid up</b>				
ABN Amro FTP Series 4, Quarterly Plan B	2,50,00,000	25,00,00,000	—	—
Birla Bond Plus – Inst Fortnightly Dividend – Reinvestment	2,69,55,238	28,11,00,000	1,91,16,986	20,00,00,000
Can Floating Rate Short Term Weekly Dividend	—	—	80,30,762	8,22,80,059
DSP Merrill Lynch Liquid Plus – Institutional Plan – Daily Dividend	2,49,950	25,00,00,000	—	—
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
DWS Fixed Term Fund Series 23 – Dividend Option	2,50,00,000	25,00,00,000	—	—
HDFC Cash Management Saving Plan Daily Dividend	2,25,80,894	24,01,79,422	—	—
HDFC FMP 90D March 2007 – Wholesale Plan Dividend Pay out	2,50,00,000	25,00,00,000	—	—
HSBC Cash Fund – Institutional Plus – Daily Dividend	1,20,90,550	12,09,73,210	4,52,94,664	45,32,00,291
HSBC Liquid Plus – Institutional Plus Plan Daily Dividend	2,49,76,678	25,00,81,487	—	—
HSBC Floating Rate Fund – Long Term – Institutional Option	—	—	2,41,72,139	24,22,00,000
Kotak Flexi Debt Scheme – Daily Dividend	2,49,22,491	25,00,00,000	—	—
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 Cash Management Fund Liquid Option				
IP Premium Dividend Reinvestment Daily	4,86,82,534	48,68,59,414	—	—
Principal Floating Rate Fund FMP Institutional Option Dividend				
Reinvestment Daily	1,49,92,504	15,00,00,000	—	—
Principal Income Fund Short Term Plan Institutional Plan				
Dividend Reinvestment Weekly	92,30,372	10,00,00,000	—	—
Principal Income Fund Short Term Plan Institutional Plan				
Dividend Reinvestment Quarterly	2,22,79,654	25,00,00,000	—	—
Principal Income Fund – Short Term Plan – Institutional 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 Institutional Liquid Plan – Super Institutional Daily Dividend	2,42,40,514	24,24,05,142	—	—
Prudential ICICI Inst Short Term Plan Fortnightly	1,36,10,901	15,04,43,759	—	—
Prudential ICICI FMP Series 37	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
GSSSIF – Short Term Monthly Dividend	2,98,96,478	30,26,16,787	—	—
GSSIF – ST-Plan C – Monthly Dividend	—	—	1,99,80,020	20,00,00,000
Standard Chartered Maturity Plan Qtrly Series 5 – Dividend	2,52,11,750	25,21,17,500	—	—
Sundaram FTP 90 days	2,50,00,000	25,00,00,000	—	—
Tata Short Term Bond Fund – Dividend	—	—	2,29,36,201	25,00,00,000
UTI FMP YFMP	1,00,00,000	10,00,00,000	—	—
<b>Sub - Total</b>		<u>467,67,76,721</u>		<u>390,07,97,031</u>
<b>TOTAL</b>		<u>467,67,76,725</u>		<u>390,07,97,035</u>



## SCHEDULES TO THE ACCOUNTS (Contd.)

## 12. NOTES TO ACCOUNTS

- 1) Uncalled liability on partly paid up shares : Rs. 10,885 (2006 – Rs.10,885).
- 2) Dividend Income includes Rs. 3,65,96,796 (2006 – Rs. 3,47,83,489) from Long Term Trade Investments.
- 3) Income from Interest is stated gross. The amount of income tax deducted thereon is Rs. 2,51,95,110 (2006 – Rs. 2,67,75,215).
- 4) Claims against the Company not acknowledged as debts: In respect of sales tax: Rs. 7,22,731 (2006 – Rs. 7,22,731).
- 5) Guarantees and Counter Guarantees outstanding Rs. 7,27,422 (2006 – Rs. 7,27,422).
- 6) Loans and Advances include :
  - (a) Interest bearing loans to Associates. Balance as at the year end : Nil (2006 – Nil). The maximum indebtedness during the year :
    - (i) Newdeal Finance and Investment Limited - Rs 61,29,50,000 (2006 – Rs. 47,25,00,000).
    - (ii) Megatop Financial Services and Leasing Limited – Rs 60,65,25,000 (2006 – Rs. 49,70,00,000).
    - (iii) Peninsular Investments Limited – Rs. 72,65,50,000 (2006 – Rs. 45,81,00,000).
    - (iv) Russell Investments Limited – Rs. 2,02,00,000 (2006 – Rs. 40,70,95,307).
  - (b) Loan to the Manager of the Company Rs. Nil (2006 – Rs. 46,986). The maximum indebtedness during the year was Rs. 46,986 (2006 – Rs. 55,333).
- 7) C.I.F. Value of Imports: Capital Goods : Rs. Nil (2006 – Rs. 48,36,263).
- 8) Expenditure in Foreign Currency : Other Matters : Rs. 3,95,250 (2006 – Nil).

	For the year ended 31st March, 2007	For the year ended 31st March, 2006
9) Earnings per Share		
Profit after Taxation (Rs.)	29,39,48,492	27,08,17,048
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).	0.45	0.42

## 10) Deferred Tax

	Deferred Tax (Asset)/Liability as at 31st March, 2006 (Rs.)	Current Year (Credit)/ Charge (Rs.)	Deferred Tax (Asset)/Liability as at 31st March, 2007 (Rs.)
<b>Deferred Tax Liability</b>			
Difference between book value and tax WDV	23,06,744	4,34,306	27,41,050
<b>Deferred Tax Asset</b>			
Provision for Employee Benefit	(1,87,530)	(1,76,754)	(3,64,284)
	21,19,214	2,57,552	23,76,766
Adjustment arising out of change in employee benefits liability in accordance with the transition provision of Accounting Standard –15 (Revised)	15,154	—	15,154
	21,34,368	2,57,552	23,91,920

- 11) Transfer to Special Reserve of Rs. 5,87,89,698 (2006 – Rs. 5,41,63,409) 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. 3,24,000 (2006 – Rs. 2,70,000)
  - Other Benefits – Rs. 52,280 (2006 – Rs. 43,400)
- 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 Report of the Directors.
- 14) Segment Reporting – The Company operates in a single business and geographical segment.

## 15) Related Party Disclosures :

## a) Relationships :

<b>Holding Company</b>	ITC Limited
<b>Subsidiary Companies</b>	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 during the year :

<b>Associate Companies</b>	International Travel House Limited Newdeal Finance and Investment Limited Megatop Financial Services and Leasing Limited Peninsular Investments Limited Russell Investments Limited
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## 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, 2007 (Rs.)	For the year ended 31st March, 2006 (Rs.)
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<b>Holding Company</b>		
Intercompany Loan taken	19,45,00,000	Nil
Intercompany Loan Repaid	19,45,00,000	Nil
Lease Rentals Received	30,00,000	14,88,000
Miscellaneous Income	12,60,930	8,86,200
Rent, Repairs and Maintenance	4,59,995	4,47,335
Travelling	Nil	6,050
Miscellaneous Expenses	17,500	1,96,706

<b>Balances as at</b>	<b>31st March, 2007 Rs.</b>	<b>31st March, 2006 Rs.</b>
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<b>Holding Company</b>		
Security Deposits Received	12,00,000	12,00,000
Other payables	1,02,742	6,050

	<b>For the year ended 31st March, 2007 (Rs.)</b>	<b>For the year ended 31st March, 2006 (Rs.)</b>
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## Associates

## Interest Income

Newdeal Finance and Investment Limited	3,52,12,792	4,10,01,378
Megatop Financial Services and Leasing Limited	3,57,01,007	2,90,52,477
Peninsular Investments Limited	4,12,91,318	2,64,09,584
Russell Investments Limited	72,558	2,37,78,954

## Associates

## Intercompany Loans Given

Newdeal Finance and Investment Limited	66,73,00,000	50,88,00,000
Megatop Financial Services and Leasing Limited	65,15,25,000	51,89,00,000
Peninsular Investments Limited	74,21,50,000	47,99,00,000
Russell Investments Limited	2,02,00,000	41,60,00,000

## Intercompany Loans Repaid

Newdeal Finance and Investment Limited	66,73,00,000	50,88,00,000
Megatop Financial Services and Leasing Limited	65,15,25,000	51,89,00,000
Peninsular Investments Limited	74,21,50,000	47,99,00,000
Russell Investments Limited	2,02,00,000	41,60,00,000

## Dividend Income

International Travel House Limited	90,66,583	72,53,276
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## Travelling Expenses

International Travel House Limited	10,384	Nil
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**SCHEDULES TO THE ACCOUNTS (Contd.)**

**16) Employee Benefits :**

Liability for Gratuity and Leave Encashment has been Actuarially determined and provided for in the books. The following table sets out the status as required by AS-15 (Revised)

	GRATUITY (UNFUNDED) AMOUNT (RS.)	LEAVE ENCASHMENT (UNFUNDED) AMOUNT (RS.)
<b>Net Asset/(Liability) recognised in the Balance Sheet as at 31st March, 2007</b>		
Present value of Obligation	2,65,026	2,33,965
Fair Value of Plan Assets	Nil	Nil
Liability/(Assets)	2,65,026	2,33,965
Unrecognised Past Service Cost	2,52,406	2,05,580
Liability/(Asset) recognised in the Balance Sheet	5,17,432	4,39,545
<b>Component of Employer's Expense</b>		
Current Service Cost	31,526	16,367
Interest Cost	17,668	14,391
Expected Return on Plan Assets	Nil	Nil
Net Actuarial Gain/(Loss) recognised in the year	(36,574)	(2,373)
Past Service Cost	2,52,406	2,05,580
Expenses Recognised in the Profit and Loss Account (in Salaries and Wages – Schedule 8)	2,65,026	2,33,965
<b>Movement in the Net Liability recognised in the Balance Sheet</b>		
Opening Net Liability as on 1st April, 2006	2,52,406	2,05,580
Expenses Recognised in the Profit and Loss Account	2,65,026	2,33,965
Payment made to employee on Retirement	Nil	Nil
Closing Net Liability as on 31st March, 2007	5,17,432	4,39,545
<b>Discount Rate</b>	<b>7.5% p.a.</b>	<b>7.5% p.a.</b>

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

17) There are no Micro, Small and Medium Enterprises, to whom the Company owes dues, which are outstanding for more than 45 days as at 31st March, 2007. This information regarding micro, small and medium enterprises has been determined to the extent such parties have been identified on the basis of information available with the Company.

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

**13. 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.

**Employee Benefits**

To determine the liability for Gratuity and Leave Encashment schemes in the nature of defined benefit schemes based on independent actuarial valuation as per requirements of AS-15 (revised 2005) on "Employee Benefits".

To recognise actuarial gains and losses immediately in the Profit and Loss Account as income or expense.

**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.

Kolkata, 15th May, 2007

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

**Audit Committee : Mr. K. Vaidyanath, Chairman, M/s. B. B. Chatterjee, S. Dutta, Members**

**SCHEDULE TO THE BALANCE SHEET OF A NON-BANKING FINANCIAL COMPANY AS AT 31ST MARCH, 2007**

[as required in terms of Paragraph 13 of Non-Banking Financial (Non Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007]

Particulars	(Rs. in Lakhs)		Assets Side :	(Rs. in Lakhs)		
	Amount Outstanding	Amount Overdue		Amount Outstanding		
<b>Liabilities Side:</b>			<b>Long Term Investments</b>			
(1) Loans and advances availed by the NBFCs inclusive of interest accrued thereon but not paid	Nil	Nil	1.Quoted :			
a) Debentures			(i) Shares : (a) Equity		1,11,53	
Secured			(b) Preference		Nil	
Unsecured			(ii) Debentures and Bonds		Nil	
(other than falling within the meaning of public deposits)			(iii) Units of Mutual Funds		Nil	
b) Deferred Credits			(iv) Government Securities		Nil	
c) Term Loans			(v) Others (please specify)		Nil	
d) Inter-corporate loans and borrowing			2. Unquoted :			
e) Commercial Paper			(i) Shares : (a) Equity		1,50,09	
f) Other Loans			(b) Preference		11,25	
<b>Assets Side :</b>	<b>Amount Outstanding</b>		(ii) Debentures and Bonds		Nil	
(2) Break-up of Loans and Advances including bills receivables [other than those included in (4) below]	Nil		(iii) Units of Mutual Funds		Nil	
(a) Secured			(iv) Government Securities		Nil	
(b) Unsecured			(v) Others (please specify)		Nil	
(3) Break-up of Leased Assets and stock on hire and other assets counting towards AFC activities			(5) Borrower group-wise classification of assets financed as in (2) and (3) above			
(i) Lease Assets including lease rentals under sundry debtors			<b>Category</b>	<b>Amount Net of Provisions</b>	<b>Secured</b>	<b>Unsecured Total</b>
(a) Financial lease	Nil		1. Related Parties			
(b) Operating lease	357		(a) Subsidiaries			
(ii) Stock on hire including hire charges under sundry debtors	Nil		(b) Companies in the same group			
(a) Assets on hire			(c) Other related parties			
(b) Repossessed Assets			2. Other than related			
(iii) Other loans counting towards AFC activities	Nil		Total			
(a) Loans where assets have been repossessed			(6) Investor group-wise classification of all investments (current and long term) in shares and securities (both quoted and unquoted) :			
(b) Loans other than (a) above			<b>Category</b>	<b>Market Value/ Break-up or fair value or NAV</b>	<b>Book Value (Net of Provisions)</b>	
(4) Break-up of Investments :			1. Related Parties			
Current Investments			(a) Subsidiaries	96,88	96,88	
1. Quoted :			(b) Companies in the same group	Nil	Nil	
(i) Shares : (a) Equity	Nil		(c) Other related parties	73,35	39,47	
(b) Preference	Nil		2. Other than related parties	1,50,04	1,36,52	
(ii) Debentures and Bonds	Nil		Total	3,20,27	2,72,87	
(iii) Units of Mutual Funds	Nil		(7) Other Information			
(iv) Government Securities	Nil		<b>Particulars</b>		<b>Amount</b>	
(v) Others (please specify)	Nil		(i) Gross Non-Performing Assets		Nil	
2. Unquoted :			(a) Related Parties			
(i) Shares : (a) Equity	Nil		(b) Other than related parties			
(b) Preference	Nil		(ii) Net Non-Performing Assets		Nil	
(ii) Debentures and Bonds	Nil		(a) Related Parties			
(iii) Units of Mutual Funds	4,67,68		(b) Other than related parties			
(iv) Government Securities	Nil		(iii) Assets acquired in satisfaction of debt		Nil	
(v) Others (please specify)	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, 2007	For the Subsidiary's financial year ended 31st March, 2006	For the Subsidiary's financial year ended 31st March, 2007	For the Subsidiary's financial year ended 31st March, 2006
1.	Greenacre Holdings Limited	3,30,60,166	100%	84,25,279	78,88,803	Nil	Nil
2.	Wimco Limited	4,90,08,170	94.25%	6,47,84,623	(7,17,16,415)	Nil	Nil
3.	Wimco Boards Limited	1,69,05,173	94.25%	6,69,174	(13,10,082)	Nil	Nil
4.	Wimco Seedlings Limited	79,12,878	94.25%	(1,70,90,184)	67,21,648	Nil	Nil
5.	Pavan Poplar Limited	51,93,179	94.25%	(1,89,343)	(1,15,681)	Nil	Nil
6.	Prag Agro Farm Limited	35,81,519	94.25%	(13,24,697)	(18,79,005)	Nil	Nil

**Notes :**

- During the year the Company acquired 3,97,944 equity shares in Wimco Limited increasing its shareholding from 93.48% to 94.25%.
- Wimco Limited alongwith its subsidiaries became a subsidiary of the Company with effect from 1st July, 2005.
- Wimco Limited held 100% of the total subscribed and paid up equity share capital of Wimco Boards Limited and Wimco Seedlings Limited.
- Wimco Seedlings Limited held 100% of the total subscribed and paid up equity 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, 2007



**REPORT OF THE DIRECTORS FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2007**

1. Your Directors hereby submit their Report and Accounts for the financial year ended 31st March, 2007.

**2. PERFORMANCE OF THE COMPANY**

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, 2007, after deducting all charges and expenses and providing for taxation amounts to

Rs. 84,25,279

to which profit brought forward from last year is added

Rs. 4,84,38,857

making a balance of which your Directors recommend be carried forward.

Rs. 5,68,64,136

**3. DIRECTORS**

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

**4. 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.

**5. 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.

**6. AUDITORS**

The Auditors of the Company 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.

**7. 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.

15th May, 2007

ITC Centre  
37, J. L. Nehru Road  
Kolkata 700 071

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, 2007, 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 :
  - (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) 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, 2007;
  - (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.
5. On the basis of written explanations received from the Directors as on 31st March, 2007 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2007 from being appointed as a Director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.

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

Kolkata  
15th May, 2007

**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, 2007 was such that paragraphs 4(ii), (vi), (viii), (xi), (xii), (xiii), (xiv), (xv), (xvi), (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, the fixed assets have been physically verified by the management at reasonable intervals, 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 were noticed.
- (c) The fixed assets disposed off during the year, in our opinion, do not constitute a substantial part of the fixed assets of the Company and such disposal, has in our opinion, not affected the going concern status of the Company.
- (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 :
- (a) 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.
- (b) 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, 2007 for a period of more than six months from the date they became payable.
- (c) As at 31st March, 2007, according to the records of the Company and the information and the explanations given to us, there were no dues on account of income tax, service tax and cess that have not been deposited on account of any dispute.
- (vii) The Company does not have accumulated losses as at 31st March, 2007 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. Rajasekhara  
Partner  
Membership No.: 23341

Kolkata,  
15th May, 2007

**BALANCE SHEET AS AT 31ST MARCH, 2007**

	Schedule	(Rs.)	31st March, 2007 (Rs.)	(Rs.)	31st March, 2006 (Rs.)
<b>I. SOURCES OF FUNDS</b>					
<b>1. Shareholders' Funds</b>					
(a) Share Capital	1	33,06,01,660		33,06,01,660	
(b) Reserves and Surplus	2	7,06,35,114	40,12,36,774	6,24,38,857	39,30,40,517
			<u>40,12,36,774</u>		<u>39,30,40,517</u>
<b>II. APPLICATION OF FUNDS</b>					
<b>1. Fixed Assets</b>	3				
(a) Gross Block		29,32,40,380		29,32,41,830	
(b) Less: Depreciation		18,78,327	29,13,62,053	16,97,311	29,15,44,519
<b>2. Investments</b>	4		13,42,63,554		12,58,07,791
<b>3. Deferred Tax Asset (Net)</b>			8,62,113		3,34,208
<b>4. Current Assets, Loans and Advances</b>	5	6,64,51,560		6,28,27,255	
<b>5. Less : Current Liabilities and Provisions</b>	6	9,17,02,506		8,74,73,256	
<b>6. Net Current Liabilities</b>			(2,52,50,946)		(2,46,46,001)
			<u>40,12,36,774</u>		<u>39,30,40,517</u>

Notes to 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. Rajasekhara  
Partner  
Kolkata, 15th May, 2007

On behalf of the Board  
  
R. Tandon Director  
S. Dutta Director  
A. Prasad Secretary

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2007

	Schedule	For the year ended 31st March, 2007		For the year ended 31st March, 2006	
		(Rs.)	(Rs.)	(Rs.)	(Rs.)
<b>I. INCOME</b>					
Service Income			1,95,55,865		1,97,61,483
Other Income	7		54,52,384		40,37,387
			<u>2,50,08,249</u>		<u>2,37,98,870</u>
<b>II. EXPENDITURE</b>					
Personnel	8		88,24,200		74,05,535
Project Expenses	9		—		—
Management and Other Expenses	10		6,84,061		4,61,075
Maintenance and Service Expenses			43,09,674		49,39,786
Depreciation	3		1,81,742		1,81,834
			<u>1,39,99,677</u>		<u>1,29,88,230</u>
<b>III. PROFIT</b>					
Profit before Taxation			1,10,08,572		1,08,10,640
Provision for Taxation					
– Current Tax		29,50,000		30,00,000	
– Deferred Tax		<u>(4,11,702)</u>	25,38,298	<u>(1,19,293)</u>	28,80,707
Provision for Fringe Benefit Tax			44,995		41,130
Profit after Taxation			<u>84,25,279</u>		<u>78,88,803</u>
Profit Brought Forward			4,84,38,857		4,05,50,054
Profit Available for Appropriation			<u>5,68,64,136</u>		<u>4,84,38,857</u>
<b>IV. APPROPRIATIONS</b>					
Profit carried forward			<u>5,68,64,136</u>		<u>4,84,38,857</u>
			<u>5,68,64,136</u>		<u>4,84,38,857</u>
Earnings Per Share (Face Value Rs. 10/- each)	11(2)		0.25		0.24
<b>Notes to Accounts</b>	11				
<b>Significant Accounting Policies</b>	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

Kolkata, 15th May, 2007

On behalf of the Board

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

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2007

Particulars	For the year ended 31st March, 2007 (Rs.)	For the year ended 31st March, 2006 (Rs.)
<b>A. NET PROFIT BEFORE TAX</b>	<b>1,10,08,572</b>	<b>1,08,10,640</b>
<b>ADJUSTMENTS FOR :</b>		
Depreciation	1,81,742	1,81,834
Dividend from Current Investments	(38,27,556)	(25,10,653)
Profit on sale of Current Investments	(57,584)	(34,734)
Excess of cost over fair value of Investments	—	9,006
Loss on retirement of fixed assets	724	—
<b>OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES</b>	<b>73,05,898</b>	<b>84,56,093</b>
<b>ADJUSTMENTS FOR :</b>		
Trade and Other Receivables	1,27,798	(6,82,156)
Trade Payables	8,89,029	6,78,729
<b>CASH GENERATED FROM OPERATIONS</b>	<b>83,22,725</b>	<b>84,52,666</b>
Income Tax Paid (including Fringe Benefit Tax)	(30,08,702)	(35,09,123)
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>53,14,023</b>	<b>49,43,543</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of Current Investments	(62,11,21,000)	(71,01,60,088)
Sale of Current Investments	61,49,61,060	70,48,18,519
Dividend from Current Investments	15,89,318	—
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(45,70,622)</b>	<b>(53,41,569)</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
<b>NET CASH FLOW FROM FINANCING ACTIVITIES</b>	<b>—</b>	<b>—</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>7,43,401</b>	<b>(3,98,026)</b>
<b>OPENING CASH AND CASH EQUIVALENTS</b>	<b>2,42,611</b>	<b>6,40,637</b>
<b>CLOSING CASH AND CASH EQUIVALENTS</b>	<b>9,86,012</b>	<b>2,42,611</b>

As per our Report of even date attached.

For S. B. Billimoria & Co.  
Chartered Accountants

K. Rajasekhar  
Partner

Kolkata, 15th May, 2007

On behalf of the Board

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

## SCHEDULES TO THE ACCOUNTS

## 1. SHARE CAPITAL

	As at 31st March, 2007 (Rs.)	As at 31st March, 2006 (Rs.)
<b>Authorised :</b>		
4,00,00,000 Equity Shares of Rs. 10/- each	<u>40,00,00,000</u>	40,00,00,000
	<u>40,00,00,000</u>	40,00,00,000
<b>Issued, Subscribed and Paid up :</b>		
3,30,60,166 Equity Shares of Rs. 10/- each, fully paid up	<u>33,06,01,660</u>	33,06,01,660
	<u>33,06,01,660</u>	33,06,01,660

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

## 3. FIXED ASSETS

PARTICULARS	GROSS BLOCK (AT COST)				DEPRECIATION				NET BLOCK
	As at 1st April, 2006 (Rs.)	Additions (Rs.)	Deletions (Rs.)	As at 31st March, 2007 (Rs.)	Upto 31st March, 2006 (Rs.)	For the year (Rs.)	Deletions (Rs.)	Upto 31st March, 2007 (Rs.)	As at 31st March, 2007 (Rs.)
Freehold Land	28,21,78,478	—	—	<u>28,21,78,478</u>	—	—	—	—	<u>28,21,78,478</u>
Buildings*	1,10,04,119	—	—	<u>1,10,04,119</u>	16,73,596	1,79,367	—	<u>18,52,963</u>	<u>91,51,156</u>
Plant & Machinery	57,783	—	—	<u>57,783</u>	22,989	2,375	—	<u>25,364</u>	<u>32,419</u>
Furniture & Fixtures	1,450	—	1,450	—	726	—	726	—	—
	<u>29,32,41,830</u>	—	1,450	<u>29,32,40,380</u>	<u>16,97,311</u>	<u>1,81,742</u>	<u>726</u>	<u>18,78,327</u>	<u>29,13,62,053</u>
Previous Year	29,32,41,830	—	—	29,32,41,830	15,15,477	1,81,834	—	16,97,311	29,15,44,519

\* 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.1,10,04,119 (2006 - Rs. 1,10,04,119) and Accumulated Depreciation Rs. 18,52,963 (2006 - Rs.16,73,596). Depreciation for the year charged to Profit and Loss Account is Rs.1,79,367 (2006 - Rs. 1,79,367). The aggregate lease rental is included in Other Income ( Schedule 7 ).

## 4. INVESTMENTS

	As at 31st March, 2007 (Rs.)	As at 31st March, 2006 (Rs.)
<b>Long Term</b>		
UNQUOTED		
TRADE INVESTMENTS		
<b>Classic Infrastructure &amp; Development Limited</b>		
16,50,000 (2006 - 16,50,000) Equity Shares of Rs.10/- each, fully paid up	<u>6,63,26,700</u>	6,63,26,700
Sub Total	<u>6,63,26,700</u>	6,63,26,700
<b>Current</b>		
UNQUOTED		
OTHER INVESTMENTS		
<b>Kotak FMP Series 23 &amp; 25</b>	—	4,00,00,000
Nil (2006 - 40,00,000) Units of Rs.10/- each		
<b>Can Floating Rate Short Term Weekly Dividend</b>	—	1,94,81,091
Nil (2006 - 18,98,741.85) Units of Rs.10/- each		
<b>Principal Floating Rate Fund SMP Inst Option Daily Dividend</b>	<u>1,79,36,854</u>	—
17,93,560 (2006 - Nil) Units of Rs.10/- each (Purchased during the year)		
<b>G197 Standard Chartered FMP - Quarterly Series 6 - Dividend</b>	<u>5,00,00,000</u>	—
50,00,000 (2006 - Nil) Units of Rs 10/- each (Purchased during the year)		
Sub Total	<u>6,79,36,854</u>	5,94,81,091
Total	<u>13,42,63,554</u>	12,58,07,791

## 2. RESERVES AND SURPLUS

	As at 31st March, 2007 (Rs.)	As at 31st March, 2006 (Rs.)
<b>General Reserve</b>		
At the Commencement of the year	<u>1,40,00,000</u>	1,40,00,000
Less: Adjustment consequent to recomputation as on 01.04.2006 of liability for defined benefit plans in accordance with the provisions of AS-15(Revised):		
Employee Benefits (Net of deferred tax asset of Rs. 1,16,203)	<u>2,29,022</u>	—
	<u>1,37,70,978</u>	1,40,00,000
<b>Profit and Loss Account</b>	<u>5,68,64,136</u>	4,84,38,857
	<u>7,06,35,114</u>	6,24,38,857

## 5. CURRENT ASSETS, LOANS AND ADVANCES

	As at 31st March, 2007 (Rs.)	As at 31st March, 2006 (Rs.)
<b>A. CURRENT ASSETS</b>		
Work-in-progress (at lower of cost and net realisable value)	<u>1,23,71,911</u>	1,23,71,911
	<u>1,23,71,911</u>	1,23,71,911
<b>Sundry Debtors</b>		
(Unsecured considered good)		
Other Debts	<u>5,45,719</u>	6,66,260
	<u>5,45,719</u>	6,66,260
<b>Cash and Bank Balances</b>		
Cash in Hand	<u>10,895</u>	19,411
Cheques on Hand	<u>5,74,201</u>	—
Balance with Scheduled Banks -On Current Accounts	<u>4,00,916</u>	2,23,200
	<u>9,86,012</u>	2,42,611
<b>Other Current Assets</b>		
(Unsecured considered good)		
Deposit with Others	<u>1,55,000</u>	1,55,000
	<u>1,55,000</u>	1,55,000
<b>B. LOANS AND ADVANCES</b>		
(Unsecured considered good)		
Project Advances	<u>11,90,278</u>	11,90,278
Other Advances	<u>21,32,764</u>	21,25,520
Advance Payment of Tax		
-Income Tax	<u>4,86,87,633</u>	4,57,30,632
-Fringe Benefit Tax	<u>93,243</u>	41,543
Staff Advances	<u>2,89,000</u>	3,03,500
	<u>5,23,92,918</u>	4,93,91,473
	<u>6,64,51,560</u>	6,28,27,255



## SCHEDULES TO THE ACCOUNTS (Contd.)

## 6. CURRENT LIABILITIES AND PROVISIONS

	As at 31st March, 2007 (Rs.)	As at 31st March, 2006 (Rs.)
<b>A. CURRENT LIABILITIES</b>		
Sundry Creditors for Supplies and Expenses		
-Total Outstanding dues of Creditors other than Small Scale Industrial Undertaking(s)	19,07,900	17,70,579
Progress payments and advances against projects	1,00,00,000	1,00,00,000
Other liabilities	2,89,09,557	2,90,01,051
	<u>4,08,17,457</u>	<u>4,07,71,630</u>
<b>B. PROVISIONS</b>		
Provision for Tax		
-Income Tax	4,86,17,602	4,56,67,602
-Fringe Benefit Tax	86,125	41,130
Provision for Employee Benefits	21,81,322	9,92,894
	<u>9,17,02,506</u>	<u>8,74,73,256</u>

## 7. OTHER INCOME

	For the year ended 31st March, 2007 (Rs.)	For the year ended 31st March, 2006 (Rs.)
Lease Rentals	14,92,000	14,92,000
Dividend from Current Investments-Others	38,27,556	25,10,653
Profit on Sale of Current Investments (Net)	57,584	34,734
Interest Received on Bank Deposits [Tax Deducted at Source - Rs. 16,885 (2006 - Nil)]	75,244	—
	<u>54,52,384</u>	<u>40,37,387</u>

## 8. PERSONNEL

	For the year ended 31st March, 2007 (Rs.)	For the year ended 31st March, 2006 (Rs.)
Salaries, Wages and Bonus	75,03,002	64,87,452
Contribution to Provident and Other Funds	9,57,105	6,79,242
Staff Welfare Expenses	3,64,093	2,38,841
	<u>88,24,200</u>	<u>74,05,535</u>

## 9. PROJECT EXPENSES

	For the year ended 31st March, 2007 (Rs.)	For the year ended 31st March, 2006 (Rs.)
Opening Work-in-progress	1,23,71,911	1,23,71,911
Add: Expenditure incurred on Projects during the year	—	—
	<u>1,23,71,911</u>	<u>1,23,71,911</u>
Less: Closing Work-in-progress	<u>1,23,71,911</u>	<u>1,23,71,911</u>
	—	—

## 10. MANAGEMENT AND OTHER EXPENSES

	For the year ended 31st March, 2007 (Rs.)	For the year ended 31st March, 2006 (Rs.)
Rent, Rates and Taxes	38,968	43,178
Insurance	4,981	4,975
Travelling	44,251	81,676
Legal and Consultancy Charges	4,40,106	1,29,685
Excess of cost over fair value of Current Investments	—	9,006
Auditors' Remuneration (including Service Tax)		
Audit Fees	73,034	72,956
Reimbursement of Expenses	—	4,073
Loss on retirement of Fixed Assets	724	—
Miscellaneous Expenses	81,997	1,15,526
	<u>6,84,061</u>	<u>4,61,075</u>

## 11. NOTES TO ACCOUNTS

- During the year, the following Current Investments were purchased and sold:
  - 2,24,47,978.4650 Units of Prudential ICICI Floating Rate Daily Dividend Reinvestment at a cost of Rs. 22,44,79,784.
  - 1,34,73,851.068 Units of Can Floating Rate Short Term Weekly Dividend at a cost of Rs. 13,83,55,115.
  - 1,42,57,750.402 Units of Principal Floating Rate Fund SMP Institutional Option Daily Dividend Reinvestment at a cost of Rs. 14,25,87,484.
  - 50,00,000 Units of Standard Chartered FMP – Quarterly Series 2 – Dividend at a cost of Rs. 5,00,00,000.

## 2. Earnings per Share

	For the year ended 31st March, 2007	For the year ended 31st March, 2006
Profit after Taxation (Rs.)	84,25,279	78,88,803
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)	0.25	0.24

## 3. Remuneration of Manager

Salaries : Rs. 10,04,100 (2006 - Rs. 9,32,400)  
Other Benefits: Rs. 1,52,070 (2006 - Rs. 1,29,947)

## 4. Deferred Tax

	Deferred Tax (Asset)/Liability as at 31st March, 2006 (Rs.)	Current Year Credit/ (Charge) (Rs.)	Deferred Tax (Asset)/Liability as at 31st March, 2007 (Rs.)
<b>Deferred Tax Asset</b>			
Difference between Net Block and Tax written down value of Fixed Assets	Nil	25,171	25,171
Provision for Employee Benefits	3,34,208	3,86,531	7,20,739
	<u>3,34,208</u>	<u>4,11,702</u>	<u>7,45,910</u>
Adjustment arising out of change in employee benefits liability in accordance with the transition provision of Accounting Standard – 15 (Revised)	1,16,203	—	1,16,203
	<u>4,50,411</u>	<u>4,11,702</u>	<u>8,62,113</u>

- Segment Reporting - The Company operates in a single business and geographical segment.

## 6. Related Party Disclosures :

## (a) Relationship :

**Holding Company** Russell Credit Limited  
**Ultimate Holding Company** ITC Limited

**Employee 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 and Secretary

## SCHEDULES TO THE ACCOUNTS (Contd.)

## NOTES TO ACCOUNTS (Contd.)

(b) Disclosure of transactions between the Company and Related Parties and the status of outstanding balances:

Particulars	For the year ended 31st March, 2007 (Rs.)	For the year ended 31st March, 2006 (Rs.)
<b>Ultimate Holding Company ITC Ltd</b>		
Lease Rental Income	14,80,000	14,80,000
Maintenance Income	1,85,43,812	1,77,66,497
Other Reimbursements	1,51,862	38,600
Others	34,238	50,519
<b>Balances as at</b>	<b>31st March, 2007</b>	<b>31st March, 2006</b>
Security Deposit Received	2,20,00,000	2,20,00,000
Other Receivables	5,45,719	6,34,806
Other Payables	11,805	Nil
<b>Contributions to Employees' Benefit Plans</b>		
<b>Particulars</b>	<b>For the year ended 31st March, 2007 (Rs.)</b>	<b>For the year ended 31st March, 2006 (Rs.)</b>
Contribution to Greenacre Holdings Limited Provident Fund	2,21,608	2,06,016
Contribution to Greenacre Holdings Limited Gratuity Fund	3,46,082	2,51,216

## 7. Employee Benefits :

Liability for Gratuity and Leave Encashment has been Actuarially determined and provided for in the books. The following table sets out the status as required by AS-15 (Revised)

	GRATUITY (FUNDED) AMOUNT (Rs.)	LEAVE ENCASHMENT (UNFUNDED) AMOUNT (Rs.)
<b>Changes in the Present Value of Obligation</b>		
Present value of Obligation as on 1st April, 2006	13,38,977	9,92,894
Interest Cost	91,505	69,348
Current Service Cost	1,46,272	79,865
Past Service Cost	Nil	Nil
Benefits Paid	(63,519)	(4,404)
Actuarial ( gain )/ loss on Obligation	85,292	(2,561)
Present Value of Obligation as on 31st March, 2007	15,98,527	11,35,142
<b>Changes in the Fair Value of Assets</b>		
Fair value of plan Assets as on 1st April, 2006	12,48,718	Nil
Expected Return on Plan Assets	1,00,948	Nil
Contributions	3,46,082	4,404
Benefits Paid	(63,519)	(4,404)
Actuarial gain/(loss) on Plan Assets	3,271	Nil
Fair Value of Plan Assets as on 31st March, 2007	16,35,500	Nil
<b>Net Asset/(Liability) recognised in the Balance Sheet as at 31st March, 2007</b>		
Present value of Obligation	15,98,527	11,35,142
Fair Value of Plan Assets	(16,35,000)	Nil
Liability/(Assets)	(36,973)	11,35,142
Unrecognised Past Service Cost	90,259	9,92,894
Liability/(Asset) recognized in the Balance Sheet	53,286	21,28,036

GRATUITY LEAVE ENCASHMENT  
(FUNDED) (UNFUNDED)  
AMOUNT AMOUNT  
(Rs.) (Rs.)

## Component of Employer's Expense

Current Service Cost	1,46,272	79,865
Interest Cost	91,505	69,348
Expected Return on Plan Assets	(1,00,948)	Nil
Net Actuarial Gain/(Loss) recognised in the year	82,020	(2,561)
Past Service Cost	90,259	9,92,894
Expenses Recognised in the Profit and Loss Account (a)	3,09,109	11,39,546

## Movement in the Net Liability recognised in the Balance Sheet

Opening Net Liability as on 1st April, 2006	90,259	9,92,894
Expenses Recognised in the Profit and Loss Account	3,09,109	11,39,546
Contributions	3,46,082	4,404
Closing Net Liability as on 31st March, 2007	53,286	21,28,036

## Actuarial Assumptions

Discount Rate	7.5% p.a.	7.5% p.a.
Expected Return on Plan Assets	7.5% p.a.	N/A

(a) Amounts recognised as expense and included in Schedule 8

In "Salaries, Wages and Bonus" Rs. 11,39,546 for Leave Encashment.

In "Contribution to Provident and Other Funds" Rs. 3,09,109 for Gratuity.

(b) The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

(c) Basis used to determine expected rate of return on assets:

The Gratuity Scheme is invested in a Group-cum-Life Assurance cash accumulation policy offered by Life Insurance Corporation (LIC) of India. The invested return earned on the policy comprises bonus declared by LIC having regard to LIC's investment earnings. The information on the allocation of the fund into major asset classes and expected return on each major class are not readily available. We understand that LIC's overall portfolio of assets is well diversified and as such, the long-term return on the policy is expected to be higher than the rate of return on Central Government bonds.

8. There are no Micro, Small and Medium Enterprises, to whom the Company owes dues, which are outstanding for more than 45 days as at 31st March, 2007. This information regarding micro, small and medium enterprises has been determined to the extent such parties have been identified on the basis of information available with the Company.

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

## SCHEDULES TO THE ACCOUNTS (Contd.)

## 12. 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, 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.

**Method of Accounting - Projects**

The Company follows the proportionate completion method under which a portion of the estimated revenue is recognised taking into account the extent of completion of projects.

**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.

**Employee Benefits**

To make regular monthly contributions to the Provident Fund administered through duly constituted and approved independent trust, which is in the nature of defined contribution scheme and such paid/payable amounts are charged against revenue.

To determine the liabilities towards defined benefit plans relating to Gratuity and Leave Encashment based on independent actuarial valuation as per requirements of AS-15 (Revised) on Employee Benefits.

To recognise actuarial gains and losses immediately in the Profit and Loss Account as income or expense.

**Lease Rentals**

Lease Rentals are 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

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

Kolkata, 15th May, 2007

**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

\*Includes 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)

Earning Per Share in Rs.   
Dividend Rate %

\* Includes Other Income

**V. Generic Names of Three Principal Services of Company**

Item Code No. - Not Applicable  
Service Description - Project Management  
- Property Maintenance  
- Property Development

**Audit Committee :** Mr. K. Vaidyanath, Chairman, M/s. A. Nayak, S. Dutta Members

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

Your Directors present their report for the financial year ended 31st March, 2007.

**Company Performance**

During the year, your Company has recorded a turnover of Rs. 174.26 crores as against Rs. 140.37 crores in the previous year registering a growth of 24%. Your Company has earned a net profit after tax of Rs. 6.87 crores during the financial year 2006-07 as against a net loss of Rs. 13.14 crores in the previous year. The turnaround has been achieved through significant improvement in productivity and performance in both the Match and Engineering businesses of the Company coupled with a sharp focus on strategic cost management.

The income from match business for the year has increased by 28% to Rs. 168.73 crores from Rs. 132.15 crores earned in the previous year. The income from engineering business has increased by 33% to Rs. 8.92 crores in the year as compared to Rs. 6.70 crores in the previous year.

**Dividend**

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

**Directors**

In accordance with the provisions of 133 of the Articles of Association of the Company, M/s. C. R. Dua, R. Srinivasan and R. Tandon, 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.

**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, 2007 and of the profit 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.

**Subsidiaries**

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

**Conservation of Energy, Technology Absorption, Foreign Exchange Earnings and Outgo**

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 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.

**Employees**

Industrial relations across the Company during the year under review were cordial.

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.

**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, 27th April, 2007

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

Your Company has been focusing on reducing energy consumption in its operations and also promoting the use of renewable energy sources.

Energy cost per unit of production has been reduced by improvement in drier design and efficiency, increased solar drying of splints and installation of hot air generators.

New boilers have been installed at the Kolkata and Ambarnath factories to improve the efficiency and to achieve reductions in fuel consumed per unit of steam generated. Installation of new boilers in Bareilly and Chennai factories is also under progress.

The electricity generated through 4 windmills with capacity of 250 KW each in the District Nellore, Kattabomman, Tamil Nadu, feeds the electric grid in Tamil Nadu. The Company continues to receive credit for this towards consumption of electricity by the Chennai factory, thereby reducing

the energy cost by harnessing non-conventional energy sources.

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 Board of Directors) Rules, 1988.

**B) TECHNOLOGY ABSORPTION**

The match manufacturing and skilnet printing technologies have been fully absorbed by the Company, thereby enhancing the quality and productivity of all processes.

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

**C) FOREIGN EXCHANGE EARNINGS AND OUTGO**

Foreign Exchange Earned Rs. 84.82 lacs and Used Rs. 696.84 lacs.

**ANNEXURE II TO DIRECTORS' REPORT**

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

Employed throughout the year and in receipt of remuneration aggregating Rs. 24,00,000/- or more per annum.

Name	Age Yrs.	Designation	Gross Remuneration (Rs.)	Qualification	Experience (Yrs.)	Date of Joining	Previous Employment
N I L							

Employed for a part of the year and in receipt of remuneration aggregating Rs. 2,00,000/- or more per month.

Name	Age Yrs.	Designation	Gross Remuneration (Rs.)	Qualification	Experience (Yrs.)	Date of Joining	Previous Employment
Mr. Cherian George	58	Vice President – Finance	8,00,349	C.A.	31	15.05.1975	Nil

**Note :** Remuneration includes salary and other allowances, etc., contribution to Provident fund, Pension fund, Medical reimbursement, ex-gratia, gratuity and leave salary.



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

We have audited the attached balance sheet of Wimco Limited ("the Company"), as at 31st March, 2007 and 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, 2007 and taken on record by the Board of Directors, we report that none of the Directors are disqualified as on 31st March, 2007 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, 2007;
  - b. in the case of the profit and loss account, of the profit of the Company for the year ended on that date; and
  - 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

Bhavesh Dhupelia  
Partner  
Membership No: 042070

Mumbai  
27th April, 2007

**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, 2007, 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 explanations 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 inventories 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 system.
- (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 generally 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.

There were no dues on account of cess under Section 441A of the Companies Act, 1956 since the aforesaid section has not yet been made effective by the Central Government.

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, and other material statutory dues were in arrears as at 31st March, 2007 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/wealth tax/service tax/customs duty/excise duty 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	86.00	1995-1999	Supreme Court of India
		Excise duty on sale of cardboard scrap and paper	17.52	2000-2006	Commissioner of Central Excise Meerut II
		Excise duty on sale of cardboard scrap	11.01	1996-1999	Customs, Excise & Service Tax Appellate Tribunal, Western Zonal Branch
		Excise duty on Freight and commission	42.22	2006-2007	Commissioner of Central Excise, Appeal I

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.	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.	1.16	1977-1978	Member Tribunal Trade Tax, Bareilly
		Sales tax imposed on free issues of matches to distributors who have sold the same for consideration	1.83	1990-1991	High Court, Allahabad
		Sales tax imposed on free issues of matches to distributors who have sold the same for consideration	1.69	1991-1992	High Court, Allahabad
		Sales tax imposed on free issues of matches to distributors who have sold the same for consideration	1.31	1992-1993	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 not incurred cash losses in the current financial year. However, it has incurred cash losses 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) According to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments.
- (xv) 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) 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  
Bhavesh Dhupelia  
Partner

Mumbai, 27th April, 2007

Membership No. : 042070

#### BALANCE SHEET AS AT 31ST MARCH, 2007

	Schedule	As at 31st March, 2007 (Rs. in Lacs)	As at 31st March, 2006 (Rs. in Lacs)
<b>SOURCES OF FUNDS :</b>			
<b>Shareholders' Funds</b>			
Share Capital	1	5,720.00	5,720.00
Reserves & Surplus	2	7,693.97	7,577.22
		13,413.97	13,297.22
<b>Loan Funds</b>	3		
Secured Loans		—	2,588.75
Unsecured Loans		480.00	450.00
		480.00	3,038.75
<b>TOTAL</b>		<b>13,893.97</b>	<b>16,335.97</b>
<b>APPLICATION OF FUNDS :</b>			
<b>Fixed Assets</b>	4		
Gross Block		19,775.01	19,400.16
Less : Accumulated Depreciation		9,483.47	9,329.81
Provision for Impairment		354.86	471.61
Net Block		9,936.68	9,598.74
Capital Work-In-Progress		619.60	74.76
		10,556.28	9,673.50
<b>Investments</b>	5	0.02	0.02
<b>Deferred Tax Asset (Net)</b>	6	—	—
<b>Current Assets, Loans &amp; Advances :</b>			
Inventories	7	3,101.18	2,696.58
Sundry Debtors	8	244.07	1,027.74
Cash and Bank Balances	9	60.37	87.28
Loans and Advances	10	3,056.21	3,631.70
		6,461.83	7,443.30
<b>Less : Current Liabilities and Provisions :</b>	11		
Current Liabilities		4,654.55	2,710.49
Provisions		98.71	382.46
		4,753.26	3,092.95
<b>Net Current Assets</b>		<b>1,708.57</b>	<b>4,350.35</b>
<b>Miscellaneous Expenditure</b>	12	—	—
(to the extent not written off or adjusted)			
<b>Profit and Loss Account</b>	13	1,629.10	2,312.10
<b>TOTAL</b>		<b>13,893.97</b>	<b>16,335.97</b>
<b>Notes to the Accounts</b>	20		
<b>Segment Information</b>	21		
<b>Related Party Disclosure</b>	22		
<b>Significant Accounting Policies</b>	23		

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  
Bhavesh Dhupelia  
Partner  
Membership Number : 042070  
Mumbai, 27th April, 2007

For and on behalf of the Board  
H.N. Sethna  
Rajeev Gopal  
Vikram Jain  
Chairman  
Managing Director  
Manager - Legal & Company Secretary  
Mumbai, 27th April, 2007

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2007

	Schedule	For the year ended 31st March, 2007 (Rs. in Lacs)	For the year ended 31st March, 2006 (Rs. in Lacs)
<b>INCOME</b>			
Sales and Services	14	17,426.53	14,036.84
Other Income	15	131.27	228.20
		<u>17,557.80</u>	<u>14,265.04</u>
<b>EXPENDITURE</b>			
Cost of Trading Products		424.61	354.12
Raw Materials Consumed		9,550.56	6,836.64
(Increase) / Decrease in Stocks	16	172.25	521.54
Employee Costs	17	2,776.74	3,409.72
Other Costs	18	3,638.78	4,067.94
Interest	19	107.36	219.64
Depreciation		244.01	235.02
		<u>16,914.31</u>	<u>15,644.62</u>
Less : Debited to Capital and Other Accounts		82.38	126.29
		<u>16,831.93</u>	<u>15,518.33</u>
<b>PROFIT / (LOSS) BEFORE TAXATION</b>		<u>725.87</u>	<u>(1,253.29)</u>
<b>Income Tax Expenses :</b>			
Current Taxation		23.00	13.80
Fringe Benefit Tax		15.50	47.37
		<u>38.50</u>	<u>61.17</u>
<b>PROFIT / (LOSS) AFTER TAXATION</b>		<u>687.37</u>	<u>(1,314.46)</u>
Profit and Loss Account Deficit Brought Forward		(2,384.74)	(1,070.28)
Balance Carried Over (Refer Schedule 13)		<u>(1,697.37)</u>	<u>(2,384.74)</u>
Earnings per share (Rs.) - Basic and Diluted (See Note 13 of Schedule 20)		1.32	(2.53)
Face Value (Rs.)		1.00	1.00
<b>Notes to the Accounts</b>	20		
<b>Segment Information</b>	21		
<b>Related Party Disclosure</b>	22		
<b>Significant Accounting Policy</b>	23		

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  
Bhavesh Dhupelia  
Partner  
Membership Number : 042070  
Mumbai, 27th April, 2007

For and on behalf of the Board  
H.N. Sethna  
Rajeev Gopal  
Vikram Jain  
Chairman  
Managing Director  
Manager - Legal & Company Secretary  
Mumbai, 27th April, 2007

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2007

	For the year ended 31st March, 2007 (Rs. in Lacs)	For the year ended 31st March, 2006 (Rs. in Lacs)
<b>A. CASH FLOW FROM OPERATING ACTIVITIES :</b>		
Profit/(Loss) before Exceptional Items and Taxation	725.87	(1,253.29)
Adjustments for :		
Depreciation	244.01	235.02
Amortisation of Expenses under Voluntary Retirement Schemes	—	459.19
Interest Expenses	110.46	221.86
Interest Income	(3.10)	(2.22)
(Gain) / Loss on Sale of Investments	—	7.35
Provisions Written Back	(6.92)	(48.74)
(Profit) / Loss on Fixed Assets Disposed / Scrapped (Net)	(3.17)	(8.39)
Provision / Write off of Doubtful / Bad Debts, Advances, Deposits (Net) & spares	29.02	485.31
	370.30	1,349.38
Operating Profit / (Loss) Before Working Capital Changes	1,096.17	96.09
Adjustments for :		
Inventories	(423.14)	100.20
Sundry Debtors	775.40	(473.14)
Loans and Advances	587.79	282.31
Current Liabilities and Provisions	1,667.95	(120.92)
	2,608.00	(211.56)
Direct Taxes Paid	(53.01)	(86.31)
<b>NET CASH FLOW FROM / (USED IN) OPERATING ACTIVITIES</b>	<b>3,651.16</b>	<b>(201.78)</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES :</b>		
Lease Income	—	—
Purchase of Fixed Assets	(1,018.49)	(142.64)
Sale of Fixed Assets (including exceptional items)	11.62	13.39
Rs. Nil, 2005-06 - Rs. Nil)		
Sale Proceeds of Investments	—	35.00
Interest Received	3.10	2.22
<b>NET CASH FLOW FROM / (USED IN) INVESTING ACTIVITIES</b>	<b>(1,003.77)</b>	<b>(92.03)</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES :</b>		
Proceeds from Borrowings :		
Cash Credit / Working Capital Demand Loan	(2,588.75)	(73.27)
Loan from a Subsidiary Co.	30.00	—
Unclaimed Dividend Paid	—	—
Interest Paid (Net)	(115.55)	(231.69)
<b>NET CASH FLOW FROM / (USED IN) FINANCING ACTIVITIES</b>	<b>(2,674.30)</b>	<b>(304.96)</b>
<b>D. NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS :</b>		
(A + B + C)	(26.91)	(598.77)
<b>E. RECONCILIATION :</b>		
CASH AND CASH EQUIVALENTS - AT BEGINNING OF THE YEAR (Refer Schedule 9)	87.28	686.05
CASH AND CASH EQUIVALENTS - AT THE END OF THE YEAR (Refer Schedule 9)	60.37	87.28
	(26.91)	(598.77)

## 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  
Bhavesh Dhupelia  
Partner  
Membership Number : 042070  
Mumbai, 27th April, 2007

For and on behalf of the Board  
H.N. Sethna  
Rajeev Gopal  
Vikram Jain  
Chairman  
Managing Director  
Manager - Legal & Company Secretary  
Mumbai, 27th April, 2007



## SCHEDULES TO THE ACCOUNTS

## 1. SHARE CAPITAL

	As at 31st March, 2007 (Rs. in Lacs)	As at 31st March, 2006 (Rs. in Lacs)
<b>Authorised :</b>		
55,00,00,000 (2005-06 : 55,00,00,000) Equity Shares of Re. 1 (2005-06 : Re. 1) each (Refer Note (a) below)	5,500.00	5,500.00
93,00,000 (2005-06 : 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>
<b>Issued and Subscribed and Paid up :</b>		
5,20,00,000 (2005-06 : 5,20,00,000) Equity Shares of Re. 1 (2005-06 : Re. 1) each fully paid up (Refer Note (a) below)	520.00	520.00
52,00,000 (2005-06 : 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 5,50,00,000 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 fully paid by way of bonus shares by capitalisation of reserves.
- (d) 4,90,08,170 equity shares of Re. 1 each and 52,00,000, 0.05% redeemable cumulative preference shares of Rs. 100 each are held by Russell Credit Limited, the holding company. Out of these, 45,00,000 preference shares were due for redemption on March 28, 2007 & 7,00,000 shares will be due for redemption on July 29, 2007. The date of redemption of these preference shares have been extended upto September 15, 2007 with the consent of preference shareholder.

## 2. RESERVES AND SURPLUS

	As at 31st March, 2007 (Rs. in Lacs)	As at 31st March, 2006 (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	7,532.07	6,841.61
Add : Re-instatement of value of assets held earlier for sale (See Note (b) of schedule 4 and 4 of Schedule 20)	<u>116.75</u>	<u>690.46</u>
Balance at the end of the year	7,648.82	7,532.07
General Reserve as per last Balance Sheet	72.64	72.64
Debit Balance in Profit and Loss Account (as per contra - Schedule 13)	<u>72.64</u>	<u>72.64</u>
	<u>7,693.97</u>	<u>7,577.22</u>

## 3. LOAN FUNDS

## 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
—	<u>2,588.75</u>

## Unsecured :

Loan from a Subsidiary Company  
[due within one year Rs. 480.00 lacs, (2005-06 : Rs. 450.00 lacs)]

480.00	450.00
<u>480.00</u>	<u>450.00</u>
<u>480.00</u>	<u>3,038.75</u>

## SCHEDULES TO THE ACCOUNTS

## 4. FIXED ASSETS

(Rs. in lacs)

GROSS BLOCK					ACCUMULATED DEPRECIATION / IMPAIRMENT								NET BLOCK	
Description	Cost/Valuation as at April 1, 2006	Additions	Deductions/ Adjustments	Cost/Valuation as at March 31, 2007	As at April 1, 2006		Charge on account of			On Deductions/ Adjustments	As at March 31, 2007		As at March 31, 2007	As at March 31, 2006
					Depreciation	Impairment	Depreciation for the year	Impairment	Held for Sale (See Note (b) below)		Depreciation	Impairment		
Intangible Assets														
Leasehold Land	187.79	—	—	187.79	0.66	187.13	—	—	—	—	0.66	187.13	—	—
Tangible Assets														
Freehold Land (See Notes (b) below)	7,886.51	—	—	7,886.51	—	284.48	—	—	(116.75)	—	—	167.73	7,718.78	7,602.03
Buildings (See Notes (b) below)	6,096.92	66.58	52.40	6,111.10	5,807.80	—	11.67	—	—	50.12	5,769.35	—	341.75	289.12
Plant	492.90	84.77	1.29	576.38	293.82	—	23.71	—	—	1.22	316.31	—	260.07	199.08
Machinery	3,735.74	71.36	5.15	3,801.95	2,556.10	—	146.21	—	—	1.73	2,700.58	—	1,101.37	1,179.64
Factory Equipment	303.14	26.33	0.85	328.62	199.20	—	13.04	—	—	0.67	211.57	—	117.05	103.94
Railway Sidings	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Furniture and fittings/ Computers/ Office Equipment	588.56	224.59	20.34	792.81	403.45	—	41.51	—	—	19.13	425.83	—	366.98	185.11
Motor Cars, Lorries, Tractors and Launches	108.60	0.02	18.77	89.85	68.78	—	7.87	—	—	17.48	59.17	—	30.68	39.82
	19,400.16	473.65	98.80	19,775.01	9,329.81	471.61	244.01	—	(116.75)	90.35	9,483.47	354.86	9,936.68	9,598.74
Previous Year	19,230.26	203.86	33.96	19,400.16	9,123.75	1,162.07	235.02	—	(690.46)	28.96	9,329.81	471.61		
Capital Work in Progress [including advances Rs. 8.00 lacs (2005-06 : Rs. 5.80 lacs)]													619.60	74.76
													10,556.28	9,673.50

## 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.
- (b) During the year, assets having cost of Rs. 751.75 are no longer held for sale and accordingly, the impairment recognised in the earlier years on such assets amounting to Rs. 116.75 lacs (cost Rs. 751.75 lacs less net realisable value Rs. 635.00 lacs) has been reinstated with a corresponding increase in the revaluation reserve.
- (c) Additions to machinery is net of foreign exchange gain Rs. Nil (2005-06 : Rs. 13.14 lacs).

## 5. INVESTMENTS

As at  
31st March, 2007  
(Rs. in Lacs)

As at  
31st March, 2006  
(Rs. in Lacs)

## LONG TERM INVESTMENTS (NON TRADE, UNQUOTED)

## Investments in subsidiary companies

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 93,80,589 1% Redeemable Cumulative Preference Shares of Rs. 10 each fully paid	765.40 938.06	765.40 938.06
Less : Provision for Diminution	3,497.11	3,497.11

## Other Investments

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
Mirage Advertising and Marketing Limited 12,488 Equity Shares of Rs. 10 each fully paid	1.25	1.25
Less : Provision for Diminution	1.27	1.27
	1.25	1.25
	0.02	0.02
	0.02	0.02
Aggregate of Unquoted Investments - At Book Value	0.02	0.02

## 6. DEFERRED TAX ASSET (NET)

Deferred Tax Liability - Difference between book depreciation and depreciation under the Income Tax Act, 1961.

Less : Deferred Tax Assets - On Unabsorbed depreciation as per Income Tax Act, 1961\*

366.14	328.75
366.14	328.75
—	—

\* 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.

## SCHEDULES TO THE ACCOUNTS

	As at 31st March, 2007 (Rs. in Lacs)	As at 31st March, 2006 (Rs. in Lacs)
<b>7. INVENTORIES</b>		
(See note 3 of Schedule 20)		
Stores and Spares (Net of obsolescence)	457.69	379.79
Raw Materials	1,997.04	1,498.09
Semi-finished Products	127.37	45.58
Finished Products	500.61	746.94
Trading Products	18.47	26.18
	<u>3,101.18</u>	<u>2,696.58</u>
<b>8. SUNDRY DEBTORS</b>		
(Secured to the extent of deposits received from customers)		
Considered Good (including debtors over six months old Rs. 98.67 lacs - 2005-06 : Rs. 69.70 lacs)		
– Due from ultimate holding company	—	929.76
– Due from others	244.07	97.98
	<u>244.07</u>	<u>1,027.74</u>
Considered Doubtful (over six months old)	481.55	493.20
Less : Provision For Doubtful Debts	<u>481.55</u>	<u>493.20</u>
	<u>244.07</u>	<u>1,027.74</u>
<b>9. CASH AND BANK BALANCES</b>		
Cash in Hand : [including remittances in transit Rs. 26.77 lacs (2005-06 : Rs. 4.99 lacs)]	37.53	21.26
Cheques in hand	—	7.44
	<u>37.53</u>	<u>28.70</u>
Balances with Scheduled Banks on:		
Current Account	22.76	58.50
Deposit Account	0.08	0.08
	<u>22.84</u>	<u>58.58</u>
	<u>60.37</u>	<u>87.28</u>
<b>10. LOANS AND ADVANCES</b>		
(Unsecured and considered good - Unless otherwise stated)		
Loans to Subsidiary Companies (See Note 5 (i) (a) (b) and (c) of Schedule 20)		
– Considered Good	505.90	608.36
– Considered Doubtful	136.20	136.20
	<u>642.10</u>	<u>744.56</u>
Other Loans		
– Considered Good	—	—
– Considered Doubtful	—	—
	<u>—</u>	<u>—</u>
Less : Provision For Doubtful Loans	<u>136.20</u>	<u>136.20</u>
	<u>505.90</u>	<u>608.36</u>
Sundry Advances and Claims Recoverable - Subsidiary Companies (See Note 5 (ii) of Schedule 20)	882.94	1,506.98
Other (See Note 9 (b) of Schedule 20)		
– Considered Good	530.18	526.88
– Considered Doubtful	35.54	35.54
	<u>1,448.66</u>	<u>2,069.40</u>
Less : Provision for Doubtful Advances	<u>35.54</u>	<u>35.54</u>
	<u>1,413.12</u>	<u>2,033.86</u>
Prepaid Expenses	111.62	120.87
Balance with Customs, Port Trust, Excise Authorities, etc. (Includes Rs. 4.38 lacs (2005-06 : Rs. 5.99 lacs) receivable against Cenvat Credit)	284.39	116.87
Deposits		
– Considered Good	559.05	584.12
– Considered Doubtful	10.90	10.90
	<u>569.95</u>	<u>595.02</u>
Less : Provision for Doubtful Deposits	<u>10.90</u>	<u>10.90</u>
	<u>559.05</u>	<u>584.12</u>
Advance Tax and Tax Deducted at Source (Net of Provision for Taxation Rs. 277.74 lacs - 2005-06 : Rs. 254.74 lacs)	182.13	167.62
Advance Fringe Benefits Tax (Net of Provision for Taxation Rs. 62.87 lacs - 2005-06 : Rs. 47.37 lacs)	—	—
	<u>3,056.21</u>	<u>3,631.70</u>

## SCHEDULES TO THE ACCOUNTS

## 11. CURRENT LIABILITIES AND PROVISIONS

	As at 31st March, 2007 (Rs. in Lacs)	As at 31st March, 2006 (Rs. in Lacs)
Current Liabilities :		
Acceptances	0.80	—
Advances Received from Customers	62.33	71.03
Sundry Creditors (See Note 7 of Schedule 20) [Due to ultimate holding company Rs. 2242.59 lacs, (2005-06 : Rs. 374.14 lacs)]	4,518.01	2,451.11
Dealers' Deposits	73.41	183.27
Interest Accrued but not Due	—	5.08
	<u>4,654.55</u>	<u>2,710.49</u>
Provisions :		
Leave Encashment	90.77	93.95
Diminution in value of machinery	7.94	7.94
Gratuity	—	280.57
	<u>98.71</u>	<u>382.46</u>
	<u>4,753.26</u>	<u>3,092.95</u>

## 12. MISCELLANEOUS EXPENDITURE

(to the extent not written off or adjusted)

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

## 13. PROFIT AND LOSS ACCOUNT

Debit Balance in Profit and Loss Account	1,697.37	2,384.74
Add : Gratuity Transitional Liability (Refer note 15 of Schedule 20)	4.37	—
Less : As per Contra in General Reserve (Schedule 2)	72.64	72.64
	<u>1,629.10</u>	<u>2,312.10</u>

## 14. SALES AND SERVICES

	For the year ended 31st March, 2007 (Rs. in Lacs)	For the year ended 31st March, 2006 (Rs. in Lacs)
Sales (Net of Sales Tax)	19,357.28	15,603.64
Less : Excise Duty	<u>2,088.55</u>	<u>1,614.84</u>
Technical Fees, Service Charges etc. – Gross (tax deducted at source Rs. Nil (2005-06 : Rs. 2.24 lacs)	67.35	46.24
Lease Income - Gross [tax deducted at source Rs. 20.30 lacs (2005-06 : Rs. 0.40 lacs)]	90.45	1.80
	<u>17,426.53</u>	<u>14,036.84</u>

## 15. OTHER INCOME

Provisions/Liabilities Written Back as no longer Required (Net)	6.92	48.74
Insurance Claims	0.56	0.54
Sales Tax/Octroi Duty Refund	—	0.71
Income from Sale of Energy	38.41	36.78
Exchange Gain (Net)	—	—
Gain on Sale of Assets (Net)	3.17	8.39
Miscellaneous Receipts (including sale of scrap and empties Rs. 52.65 lacs - 2005-06 : Rs. 61.01 lacs)	82.21	133.04
	<u>131.27</u>	<u>228.20</u>

## 16. (INCREASE)/DECREASE IN STOCKS

Semi-finished Products :		
Opening Stock	45.58	64.19
Closing Stock	<u>127.37</u>	<u>45.58</u>
Finished and Trading Products :		
Opening Stock	773.12	1,276.05
Closing Stock	<u>519.08</u>	<u>773.12</u>
	<u>172.25</u>	<u>502.93</u>
	<u>172.25</u>	<u>521.54</u>

## 17. EMPLOYEE COSTS

Salaries, Wages and Bonus	2,253.62	2,347.18
Contribution to Provident and Other Funds	370.11	444.69
Staff and Workers' Welfare Expenses	153.01	158.66
Compensation paid to Employees under the Voluntary Retirement Schemes	—	459.19
	<u>2,776.74</u>	<u>3,409.72</u>

## SCHEDULES TO THE ACCOUNTS

	For the year ended 31st March, 2007 (Rs. in Lacs)		For the year ended 31st March, 2006 (Rs. in Lacs)	
<b>18. OTHER COSTS</b>				
Stores and Spares Consumed (Including provision made for obsolete spares)		436.76		392.03
Power and Fuel		1,004.88		804.51
Rent (See Note 14 of Schedule 20)		23.17		36.09
Rates and Taxes		32.09		30.20
Repairs and Maintenance :				
– Machinery		105.38		84.68
– Buildings		67.01		70.41
– Other Assets		38.88		39.02
Insurance		86.96		84.10
Directors' Sitting Fees		1.05		1.75
Freight and Transport		720.27		688.76
CFA's / Stockists Costs		89.31		431.90
Provision/Write off of Doubtful / Bad Debts, Advances and Deposits (Net)		29.02		410.21
Travelling and Conveyance		158.40		318.39
Export Commission		5.79		—
Advertisement		7.01		13.02
Sales Promotion		265.61		93.44
Donations		0.24		5.66
Exchange Loss		0.15		0.83
Loss on Sale of Investments		—		7.35
Commission to brokers		(0.06)		—
Other Expenses		566.86		555.59
		<u>3,638.78</u>		<u>4,067.94</u>
<b>19. INTEREST</b>				
Cash Credit (Including Working Capital Demand Loan)	68.58		176.91	
Others	<u>41.88</u>	110.46	<u>44.95</u>	221.86
Less : Interest Income				
Interest on Bank and Other Deposits – Gross	—		0.35	
[tax deducted at source Rs. Nil (2005-06 : Rs. 0.14 lacs)]				
Other Interest [tax deducted at source Rs. Nil (2005-06 : 0.22 lacs)]	<u>3.10</u>	<u>3.10</u>	<u>1.87</u>	<u>2.22</u>
		<u>107.36</u>		<u>219.64</u>



## SCHEDULES TO THE ACCOUNTS

## 20. 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. 319.13 lacs (2005-06 Rs. 13.64 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. 1855.15 lacs (2005-06: Rs. 2777.52 lacs). These comprise:

- Excise Duty, Sales Taxes and Indirect Taxes claims disputed by the Company relating to issues of applicability and classification aggregating Rs. 176.98 lacs (2005-06: Rs. 769.88 lacs).
- Local authority Taxes/Cess/Royalty on property, utilities, etc. claims disputed by the Company relating to issues of applicability and determination aggregating Rs. 230.92 lacs (2005-06 : Rs. 156.16 lacs).
- Third party claims arising from disputes relating to contracts aggregating Rs. 1176.61 lacs (2005-06 : Rs. 1611.99 lacs).
- Other matters Rs. 270.64 lacs (2005-06 : Rs. 239.49 lacs) [includes Income Tax Rs. 199.21 lacs (2005-06 : 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 (2005-06 : 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. 32.34 lacs. (2005-06 : Rs. 31.64 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. 1979.64 lacs (2005-06 : Rs. 2219.27 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. 235.35 lacs (2005-06 : Rs. 336.59 lacs), where necessary formalities and entries have not been completed.

- (e) Arrears of dividend on redeemable cumulative preference shares aggregate Rs.15.49 lacs (2005-06 : Rs. 12.89 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 with the Foreign Exchange Appellate Board. During the year, the Appellate Board has dismissed the appeal filed by the Company and the amount has been charged to the profit and loss account in these financial statements.

3. The Company had suspended operations in its unit at Dhubri, Assam from April 1997. Further, during the year 2004-05, a technical evaluation had been carried out by the Company of the fixed assets (excluding land) aggregating Rs. 47.66 lacs (2005-06 : Rs. 51.65 lacs) and inventories of stores & spares aggregating Rs. 35.54 lacs (2005-06 : Rs. 36.50 lacs) at Dhubri, based on which all these assets are considered

to be in good condition and usable.

4. During the year, assets having a cost of Rs. 751.75 lacs are no longer held for sale and accordingly the impairment recognised in an earlier year on such assets amounting to Rs. 116.75 lacs (cost Rs. 751.75 lacs less net realisable value Rs. 635.00 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. 450.05 lacs (2005-06 : Rs. 567.51 lacs).

[maximum amount due at any time during the year Rs. 775.40 lacs (2005-06: Rs. 752.69 lacs)].

- (b) Pavan Poplar Limited Rs. 157.30 lacs (2005-06 : Rs. 156.40 lacs)

[maximum amount due at any time during the year Rs. 162.20 lacs (2005-06 : Rs. 161.40 lacs)].

- (c) Prag Agro Farm Limited Rs. 34.74 lacs (2005-06 : 20.65 lacs)

[maximum amount due at any time during the year Rs. 34.74 lacs (2005-06 : 20.65 lacs)].

- (ii) Sundry advances include balances due from Wimco Seedlings Limited Rs. 882.94 lacs (2005-06 : Rs. 1506.98 lacs) being advance paid in a prior year to be adjusted against supply of wood of the Poplar trees grown by the Subsidiary Company.

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. a) Dues to small-scale industrial undertakings Rs.14.82 (2005-06 : Rs. 1.37 lacs). These amounts are not outstanding for more than 30 days as at March 31, 2007.

- b) Dues to micro, small & medium-scale enterprises - Rs. Nil.

The above information and that given in Schedule 12 – "Current Liabilities and Provisions – Sundry Creditors" as at March 31, 2007 regarding small scale industries and micro, small & medium-scale enterprises has been determined to the extent such parties have been identified on the basis of information available with the Company.

8. Remuneration to Auditors

	2006-07 (Rs.in lacs)	2005-06 (Rs.in lacs)
Audit Fees	13.50	17.55
Out of Pocket expenses	1.01	1.43

9. (a) Salaries, wages & bonus and other costs include remuneration to Directors (including the erstwhile Managing Director upto July 1, 2005) amounting to Rs. Nil (2005-06 : Rs. 6.91 lacs) and is inclusive of estimated money value of benefits of Rs.Nil (2005-06 : Rs. 1.18 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.

- (b) Sundry advances & claims recoverable – others, include an amount of Rs. 5.99 lacs (2005-06 : 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. The Company has filed a recovery suit in the Bombay High Court. This amount has been provided for in 2000-01.

## SCHEDULES TO THE ACCOUNTS

## 20. NOTES TO THE ACCOUNTS (contd.)

## 10. (a) ANNUAL LICENSED CAPACITY

	Unit	2006-07	2005-06
Matches	Million boxes	5,000	5,000

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

	Unit	2006-07	2005-06
Matches (on 3 shift basis 300 working days)	Million boxes	5,000	5,000

## (c) OPENING STOCK \*

	Unit	01.04.2006		01.04.2005	
		Quantity	(Rs. in lacs)	Quantity	(Rs. in lacs)
<b>Own Production</b>					
Matches	Million boxes	223	746.94	307	1,055.91
Machines	Numbers	3	—	3	—
<b>Trading</b>					
Matches	Million boxes	10	26.18	25	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	—	—	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.

## (d) ACTUAL PRODUCTION

	Unit	2006-07	2005-06
Matches	Million boxes	4,540	3,663
Machines	Numbers	67	60

## (e) COST OF TRADING PRODUCTS

	Unit	2006-07		2005-06	
		Quantity	(Rs. in lacs)	Quantity	(Rs. in lacs)
Matches	Million boxes	132	418.36	111	332.01
Machines	Numbers	1	6.25	1	5.50
Homelites Mosquito Coils	Thousand Nos.	—	—	5,427	50.26
Shampoos	Thousand Litres	—	—	—	—
Talc	Kgs	—	—	—	—
Lighters	Thousand Nos.	—	—	—	—
Blended Spices	Kgs.	—	—	—	—
Himalaya Throat Drops	Thousand Nos.	—	—	—	—
Sub total			424.61		387.77
Less : Purchase return : Himalaya Throat Drops	Thousand Nos.		—	-18,203	-33.65
			424.61		354.12

## (f) DETAILS OF SALES

	Unit	2006-07		2005-06	
		Quantity*	(Rs. in lacs)	Quantity*	(Rs. in lacs)
<b>Own Production</b>					
Matches	Million boxes	4,648	17878.99	3,747	14,277.40
Machines	Numbers	67	767.13	60	600.27
<b>Trading</b>					
Matches	Million boxes	136	511.65	126	467.73
Machines	Numbers	1	9.38	1	7.70
Homelites Mosquito Coils	Thousand Nos.	2,007	22.97	5,615	56.51
Shampoos	Thousand Litres	—	—	24	2.88
Talc	Kgs	—	—	7,227	0.54
Cough Syrups	Thousand Litres	—	—	0	0.34
Cough Drops	Kgs	—	—	14,521	0.34
Blended Spices	Kgs	—	—	1,448	—
Himalaya Throat Drops	Thousand Nos.	—	—	14,034	48.24
Lighters	Thousand Nos.	49	1.74	63	4.97
Others			166.35		136.72
Sub total			19,358.21		15,603.64
Less : Sales returns					
Shampoos	Thousand Litres	37	(0.02)		—
Talc	Kgs	307	(0.06)		—
Cough Drops	Kgs	7,632	(0.80)		—
Himalaya Throat Drops	Thousand Nos.	14	(0.05)		—
			19,357.28		15,603.64

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

## SCHEDULES TO THE ACCOUNTS

## 20. NOTES TO THE ACCOUNTS (contd.)

## (g) CLOSING STOCK \*

		<u>31.03.2007</u>		<u>31.03.2006</u>	
	Unit	Quantity	(Rs. in lacs)	Quantity	(Rs. in lacs)
<b>Own Production</b>					
Matches	Million boxes	115	500.61	223	746.94
Machines	Numbers	3	—	3	—
<b>Trading</b>					
Matches	Million boxes	6	18.47	10	26.18
Homelites Mosquito Coils	Thousand Nos.	325	—	2,332	—
Shampoos	Thousand Litres	45	—	8	—
Talc	Kgs	1,403	—	1,096	—
Cough Syrups	Thousand Litres	1	—	1	—
Cough Drops	Kgs	7,997	—	365	—
Blended Spices	Kgs	0	—	0	—
Himalaya Throat Drops	Thousand Nos.	1,858	—	1,858	—
Lighters	Thousand Nos.	2	—	51	—
Total			<u>519.08</u>		<u>773.12</u>

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

## 11. Details of Raw Materials and Components\* consumed.

		<u>2006-2007</u>		<u>2005-2006</u>	
	Unit	Quantity	(Rs. in lacs)	Quantity	(Rs. in lacs)
Wood	CMHub	26,416	1,158.31	21,014	811.46
Splints and Veneers	Million	1,32,925	1,421.66	1,03,025	947.64
Cardboard and Paper	Tonnes	14,317	3,737.77	12,452	2,703.43
Chemicals	Tonnes	6,964	2,285.69	5,369	1,634.40
Others			<u>947.13</u>		<u>739.70</u>
			<u>9,550.56</u>		<u>6,836.64</u>
		%		%	
Imported		3	316.90	3	230.33
Indigenous		97	<u>9,233.66</u>	97	<u>6,606.31</u>
			<u>9,550.56</u>		<u>6,836.64</u>

\* includes shortages / excesses.

	<u>2006-2007</u>	<u>2005-2006</u>
	(Rs. in lacs)	(Rs. in lacs)
12. (a) Value of Imports calculated on C.I.F. basis		
Raw Materials, and Spare Parts	524.73	252.28
Capital Goods	169.64	—
(b) Expenditure in Foreign Currency :		
Travelling	2.47	0.28
(c) Earnings in Foreign Exchange :		
Exports of goods calculated on F.O.B. basis	84.82	43.71
[Export earnings in Indian Rupees amounting to Rs. Nil lacs (2005-06 : Rs. 2.81 lacs) have been excluded]		

	<u>2006-2007</u>	<u>2005-2006</u>
	(Rs. in lacs)	(Rs. in lacs)
13. Earnings Per Share		
Profit / (Loss) after taxation (Rs. in lacs)	687.37	(1314.46)
Arrears of Preference dividend and including		
Preference dividend tax (Rs. in lacs)	3.04	2.96
Profit / (Loss) attributable to equity shareholders (Rs. in lacs)	684.33	(1317.42)
Number of equity shares	5,20,00,000	5,20,00,000
Earnings per share (Rs.) – Basic and Diluted	1.32	(2.53)
Nominal value of an equity share (Rs.)	1	1

## 14. Leases : Where the Company is a lessee/licensee

- 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.
- Lease payments are recognised in the statement of Profit and Loss Account under 'Rent' in Schedule 18.

## SCHEDULES TO THE ACCOUNTS

## 20. NOTES TO THE ACCOUNTS (contd.)

## 15. EMPLOYEE DEFINED BENEFITS

Effective April 1, 2006 the Company adopted the revised accounting standard on employee benefits. Pursuant to the adoption, the transitional obligations of the Company amounted to Rs. 4.37 lacs. As required by the standard, the obligation has been recorded with the transfer of Rs. 4.37 lacs to debit balance of profit & loss account. The following table set out the status as required under AS 15.

	Rs. in Lacs	
	<b>Defined Benefit Plans</b>	
	<b>Gratuity FUNDED</b>	<b>Leave Encashment UNFUNDED</b>
<b>Change in obligation during the year ended March 31, 2007</b>		
1. Obligation at period beginning	804.79	93.95
2. Service Cost	52.97	8.89
3. Interest Cost	60.36	5.21
4. Actuarial (Gains) / Losses	(16.27)	31.82
5. Benefits payments	(90.15)	(49.10)
6. Obligations at period end	811.70	90.77
<b>Change in plan Assets</b>		
1. Plan assets at the beginning of the year	598.74	—
2. Expected return on plan assets	53.89	—
3. Contribution by employers	318.32	49.10
4. Actual benefits paid	(90.15)	(49.10)
5. Actuarial Gains / (Losses)	(3.91)	—
6. Plan assets at the end of the year	876.89	Nil
<b>Reconciliation of present value of the obligation and the fair value of the plan assets</b>		
1. Fair value of plan asset at the end of the year	876.89	—
2. Present value of the defined benefit obligations at the end of the period	811.70	—
3. Asset recognised in the balance sheet	65.19	—
<b>Cost for the period</b>		
1. Service Cost	52.97	8.89
2. Interest Cost	60.36	5.21
3. Return on Plan Asset	(49.98)	—
4. Actuarial (Gains) / Losses	(16.27)	31.82
<b>Net cost</b>	47.08	45.92
<b>Investment details of plan assets</b>		
The Gratuity Scheme is invested in a Group-cum-Life Assurance cash accumulation policy offered by Life Insurance Corporation (LIC) of India		
<b>Actual return on plan assets</b>	49.98	—
<b>Actuarial Assumptions :</b>		
1. Discount Rate	7.50%	7.50%
2. Expected return on plan assets	9.00%	—

- Amounts recognised as an expense and included in the Schedule 17
  - in "Salaries, Wages and Bonus" Rs.45.92 lacs for leave encashment
  - in "Contribution to Provident and Other Funds" Rs.47.08 lacs for gratuity.
- Basis used to determine expected rate of return on assets:
 

The Gratuity Scheme is invested in a Group-cum-Life Assurance cash accumulation policy offered by Life Insurance Corporation (LIC) of India. The invested return earned on the policy comprises bonuses declared by LIC having regard to LIC's investment earnings. The information on the allocation of the fund into major asset classes and expected return on each major class are not readily available. We understand that LIC's overall portfolio of assets is well diversified and as such, the long-term return on the policy is expected to be higher than the rate of return on Central Government bonds.
- The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors such as supply and demand in the employment market.

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

## SCHEDULES TO THE ACCOUNTS

## 21. SEGMENT INFORMATION

Segment Information for the year ended March 31, 2007

## (I) Information about Primary Business Segments :

Rs. in Lacs

	Match		Engineering		Services		Other businesses		Unallocated		Total	
	2006-07	2005-06	2006-07	2005-06	2006-07	2005-06	2006-07	2005-06	2006-07	2005-06	2006-07	2005-06
<b>Revenue</b>												
External	18,406.62	14,755.01	994.23	744.89	—	—	23.78	149.98	90.45	1.80	19,515.08	15,651.68
Inter-Segment	—	4.66	—	—	—	—	—	—	—	—	—	4.66
Total Revenue	18,406.62	14,759.67	994.23	744.89	—	—	23.78	149.98	90.45	1.80	19,515.08	15,656.34
Less: Eliminations on account of Inter Segment Revenue	—	4.66	—	—	—	—	—	—	—	—	—	4.66
Total Revenue	18,406.62	14,755.01	994.23	744.89	—	—	23.78	149.98	90.45	1.80	19,515.08	15,651.68
<b>Result</b>												
Segment Result	681.66	(775.79)	216.12	154.22	—	(17.95)	23.77	(99.27)	—	—	921.55	(738.79)
Unallocated expenditure net of unallocated income	—	—	—	—	—	—	—	—	(88.32)	(294.86)	(88.32)	(294.86)
Operating Profit	681.66	(775.79)	216.12	154.22	—	(17.95)	23.77	(99.27)	(88.32)	(294.86)	833.23	(1,033.65)
Interest Expenses	—	—	—	—	—	—	—	—	(110.46)	(221.86)	(110.46)	(221.86)
Interest Income	—	—	—	—	—	—	—	—	3.10	2.22	3.10	2.22
Provision for taxation (Including Wealth Tax & Fringe Benefit Tax)	—	—	—	—	—	—	—	—	(38.50)	(61.17)	(38.50)	(61.17)
Profit / (Loss) from ordinary activities	681.66	(775.79)	216.12	154.22	—	(17.95)	23.77	(99.27)	(234.18)	(575.67)	687.37	(1,314.46)
Exceptional Items	—	—	—	—	—	—	—	—	—	—	—	—
Net Profit / (Loss)	681.66	(775.79)	216.12	154.22	—	(17.95)	23.77	(99.27)	(234.18)	(575.67)	687.37	(1,314.46)
<b>Other Information</b>												
Segment assets	14,652.65	14,707.39	541.74	335.90	—	—	84.45	91.51	1,739.29	1,981.42	17,018.13	17,116.23
Segment liabilities	4,389.97	2,792.85	260.66	149.74	—	—	101.11	135.48	481.52	3,053.04	5,233.26	6,131.11
Capital Expenditure	875.38	124.35	16.93	2.37	—	—	—	—	126.18	15.92	1,018.49	142.64
Depreciation	191.78	180.05	3.62	2.95	—	—	—	—	48.61	52.02	244.01	235.02
Non-cash expenses other than depreciation :												
Provision for doubtful debts, advances & deposits	26.81	165.71	—	11.92	—	17.95	—	51.55	—	136.19	26.81	383.32
Amortisation of expenses under VRS	—	459.19	—	—	—	—	—	—	—	—	—	459.19

## (II) Information about Secondary Business Segments :

Rs. in Lacs

	India		Outside India		Total	
	2006-07	2005-06	2006-07	2005-06	2006-07	2005-06
<b>Revenue by Geographical Segments</b>						
Sales & Services	19,428.37	15,605.16	86.71	46.52	19,515.08	15,651.68
Carrying Amount of Segment Assets	17,018.13	17,116.23	—	—	17,018.13	17,116.23
Capital Expenditure	1,018.49	142.64	—	—	1,018.49	142.64

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.

## 21. NOTES TO SEGMENT INFORMATION

- The business segment has been considered as the primary segment. The Company is organised into three main business segments, Match, Engineering 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.
- Segment revenue in each of the above business segments primarily include sales and services in the respective segments.
- The segment revenues in the geographical segments considered for disclosure are as follows:
  - Revenue within India includes sales to customers located within India and earnings in India.
  - Revenue outside India includes sales to customers located outside India and earnings outside India.
- Segment revenue, results, assets and liabilities include the respective amounts identifiable to each of the above segments and amounts allocated on a reasonable basis.

- Parties over whom Company exercises control :

**Subsidiary Companies**

Wimco Seedlings Limited	(WSL)
Pavan Poplar Limited	(PPL)
Prag Agro Farm Limited	(PAFL)
Wimco Boards Limited	(WBL)

- Other related Parties with whom the Company had transactions

**Fellow subsidiaries**

ITC Infotech India Limited

- Directors of the Company:

Whole Time Directors	Rajeev Gopal
Non-Executive Directors	H. N. Sethna
	C. R. Dua
	D. Dutta
	R. L. Auddy
	R. K. Singhi
	R. Srinivasan
	Rajiv Tandon
	Suresh Mathur

## 22. RELATED PARTY DISCLOSURES

- Parties exercising control over Company :

Related Party	Relationship
ITC Limited	Ultimate holding Company
Russell Credit Limited	Holds 94.25% of the equity share capital #

# No transactions during the year.



## 22.5. Transaction with related parties

Rs. in Lacs

	ULTIMATE HOLDING COMPANY		Subsidiary Company				Fellow Subsidiaries				Total	
	ITC Ltd.		WSL		PPL		PAEL		WBL		ITC Infotech India Ltd.	
	2006-07	2005-06	2006-07	2005-06	2006-07	2005-06	2006-07	2005-06	2006-07	2005-06	2006-07	2005-06
Sale of goods & services	17,753.78	3,716.56	—	—	—	—	—	—	—	—	17,753.78	3,716.56
Purchase of raw materials and components	2,954.79	1,454.22	648.00	450.96	—	—	—	—	—	—	3,602.79	1,905.18
Purchase of Services	0.80	2.03	—	—	—	—	—	—	—	—	41.01	16.94
Cost of Trading Products	—	—	—	—	—	—	—	—	—	—	—	—
Lease Income	—	—	—	—	—	—	—	—	—	—	—	—
Expenses Reimbursed	25.14	—	132.76	164.80	—	—	—	—	90.45	1.80	90.45	1.80
Expenses Recovered	288.52	—	226.24	130.03	—	—	—	—	—	—	157.90	164.80
Interest Expenses	—	—	—	—	—	—	—	—	28.63	27.00	524.86	130.03
Purchase of Fixed Assets	—	—	—	—	—	—	—	—	—	—	28.63	27.00
Loans & Advances given during the year	—	—	—	—	23.90	20.20	22.09	20.65	—	—	—	—
Loans & Advances taken during the year	—	—	—	—	—	—	—	—	30.00	—	45.99	40.85
Repayment of loans & advances	—	—	—	—	23.00	—	8.00	—	—	—	30.00	—
Outstanding Loans & Advances	—	—	1,333.00	2,074.48	157.30	156.40	34.74	20.65	—	—	31.00	—
Provision for Loans & Advances	—	—	—	—	136.20	136.20	—	—	—	—	1,525.04	2,251.53
Outstanding Receivables (Excluding TDS Cert)	—	929.76	—	—	—	—	—	—	—	—	136.20	136.20
Outstanding Payables (Excluding TDS Cert.)	478.96	374.14	—	—	—	—	—	—	480.00	450.00	—	929.76
Advance Payable	1,763.63	—	1,703.46	1,703.46	—	—	—	—	1,793.65	1,793.65	16.01	826.41
Investments	—	—	—	—	—	—	—	—	—	—	—	—
Provision for Investments	—	—	1,703.46	1,703.46	—	—	—	—	1,793.65	1,793.65	1,763.63	3,497.11
	—	—	1,703.46	1,703.46	—	—	—	—	1,793.65	1,793.65	3,497.11	3,497.11

# Swedish Match AB was ultimate holding company upto 30th June 2005 and hence previous years transactions have been provided.

## 22.6 Details relating to persons referred to in 22.4 above

(Rs. in lacs)

Name of Persons	2006-07	2005-06
John F Doherty *	—	5.16
H.N. Sethna **	0.30	0.35
Suresh Mathur **	0.05	0.45
C.R.Dua **	0.25	0.30
Anish Choshal **	—	0.10
Mr. D Dutta **	0.30	0.35
Mr. R L Auddy **	0.15	0.20

\* Remuneration

\*\* Sitting Fees

Professional Fees paid / payable to a partnership firm in which Directors are partners: Rs. Nil (Previous year : Rs. 0.36 lacs)

## SCHEDULES TO THE ACCOUNTS

## 23. 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

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 :

	Rates %
(i) Building	1.63 to 3.34
Plant, machinery and factory equipment	4.75 to 10.34
Furniture and fittings/office equipment	6.33
Computers	31.67
Motor cars, lorries, tractors and launches	7.07 to 11.31
(ii) Assets identified as held for disposals are stated at lower of their book value and estimated net realisable value.	
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, 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) fringe benefit tax 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

- 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.
- Contributions for retirement gratuity is funded with Life Insurance Corporation of India and the accrual is based on valuation done by an independent actuary on the balance sheet date.
- 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. Where there is a possible obligation or a present obligation and the likelihood of outflow of resources is remote, no provision or disclosure is made.

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 *Chairman*  
Rajeev Gopal *Managing Director*  
Vikram Jain *Manager - Legal & Company Secretary*  
Mumbai, 27th April, 2007

## 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, 2007	March 31, 2007
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, 2007 Rs. 7.06  (Rs. 4,848.05)	March 31, 2007 (Rs. 181.33)  (Rs. 1,504.65)
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, 2007 Nil  Nil	March 31, 2007 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, 27th April, 2007

Place : Mumbai  
Date : 27th April, 2007

**REPORT OF THE DIRECTORS FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2007**

Your Directors present their Report for the financial year ended on 31st March, 2007.

**Company Performance**

During the year, the Company has earned net profit of Rs. 7.10 lakhs as against net loss of Rs. 18.02 lakhs incurred in the last year. The Company has subleased the land and factory building.

**Dividend**

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

**Directors**

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 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 March 31, 2007 and of the profit 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 M/s. C. R. Sivaramakrishnan, A. Saha and V. S. Jain.

**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.

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

Since the Company is not carrying on manufacturing 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*

V. S. Jain *Director*

Mumbai, 20th April, 2007

**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 31st March, 2007 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, 2007 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2007 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, 2007;
  - b. in the case of the profit and loss account, of the profit 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

Bhavesh Dhupelia  
Partner

Mumbai, 20th April, 2007

Membership No. : 042070

**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, 2007, 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 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 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.
- There were no dues on account of cess under Section 441A of the Companies Act, 1956 since the aforesaid section has not yet been made effective by the Central Government.
- 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, 2007 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; and 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) According to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments.
- (xv) 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) 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

Bhavesh Dhupelia  
Partner

Mumbai, 20th April, 2007

Membership No. : 042070

## BALANCE SHEET AS AT 31ST MARCH, 2007

	Schedule	As at 31st March, 2007 (Rs.)	As at 31st March, 2006 (Rs.)
<b>SOURCES OF FUNDS</b>			
<b>Shareholders' Funds</b>			
Share Capital	1	58,93,65,230	58,93,65,230
<b>TOTAL</b>		<b>58,93,65,230</b>	<b>58,93,65,230</b>
<b>APPLICATION OF FUNDS</b>			
<b>Fixed Assets</b>			
Gross Block	2	8,59,49,280	8,59,49,280
Less : Accumulated Depreciation		57,14,286	28,57,143
Less : Provision for Impairment		2,59,49,280	2,59,49,280
Net Block		5,42,85,714	5,71,42,857
<b>Current Assets, Loans and Advances</b>			
Sundry Debtors	3	9,69,500	—
Cash and Bank Balances	4	6,41,221	28,46,371
Loans and Advances	5	4,96,73,381	4,53,71,843
		5,12,84,102	4,82,18,214
<b>Less: Current Liabilities and Provisions</b>			
Current Liabilities	6	2,99,400	8,00,654
		2,99,400	8,00,654
Net Current Assets		5,09,84,702	4,74,17,560
<b>Profit and Loss Account</b>		<b>48,40,94,814</b>	<b>48,48,04,813</b>
<b>TOTAL</b>		<b>58,93,65,230</b>	<b>58,93,65,230</b>
<b>Notes to the Accounts</b>	10		
<b>Related Party Disclosure</b>	11		
<b>Significant Accounting Policies</b>	12		
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  
Bhavesh Dhupelia  
Partner  
Membership No. : 042070  
Mumbai, 20th April, 2007

For and on behalf of the Board  
C. R. Sivaramakrishnan  
Vikram Jain  
Anu Rai  
Director  
Director  
Company Secretary  
Mumbai, 20th April, 2007



## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2007

	Schedule	For the year ended 31st March, 2007 (Rs.)	For the year ended 31st March, 2006 (Rs.)
<b>INCOME</b>			
Rent Income	7	1,12,50,000	—
Other Income	8	35,82,840	27,00,000
		<u>1,48,32,840</u>	<u>27,00,000</u>
<b>EXPENDITURE</b>			
Other Costs	9	95,59,751	7,35,757
Depreciation		28,57,143	28,57,143
		<u>1,24,16,894</u>	<u>35,92,900</u>
<b>Profit / (Loss) Before Taxation</b>		<b>24,15,946</b>	<b>(8,92,900)</b>
Income Tax expenses:			
- Current Tax		17,05,947	9,08,820
<b>Profit / (Loss) After Taxation</b>		<b>7,09,999</b>	<b>(18,01,720)</b>
<b>Profit and Loss Account Deficit Brought Forward</b>		<b>(48,48,04,813)</b>	<b>(48,30,03,093)</b>
<b>Profit and Loss Account Deficit Carried to Balance Sheet</b>		<b>(48,40,94,814)</b>	<b>(48,48,04,813)</b>
<b>Earnings Per Share - Basic and Diluted</b> (Refer Note 3 to Schedule 10)		<b>0.03</b>	<b>(0.11)</b>
<b>Notes to the Accounts</b>	10		
<b>Related Party Disclosure</b>	11		
<b>Significant Accounting Policies</b>	12		

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  
Bhavesh Dhupelia  
Partner  
Membership No. : 042070  
Mumbai, 20th April, 2007

For and on behalf of the Board  
C. R. Sivaramakrishnan *Director*  
Vikram Jain *Director*  
Anu Rai *Company Secretary*  
Mumbai, 20th April, 2007

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2007

	For the year ended 31st March, 2007 (Rs.)	For the year ended 31st March, 2006 (Rs.)
<b>A. CASH FLOW FROM OPERATING ACTIVITIES :</b>		
Profit / (Loss) before Exceptional Items and Taxation	24,15,946	(8,92,900)
<b>Adjustments for :</b>		
Depreciation	28,57,143	28,57,143
Interest Income	(28,63,172)	(27,00,000)
Liabilities written back	(7,19,668)	—
	<u>(7,25,697)</u>	<u>1,57,143</u>
Operating Profit / (Loss) Before Working Capital Changes	16,90,249	(7,35,757)
<b>Adjustments for :</b>		
Sundry Debtors	(9,69,500)	—
Loans and Advances	3,64,511	56,202
Current Liabilities and Provisions	2,18,414	(42,026)
	<u>(3,86,575)</u>	<u>14,176</u>
Direct Taxes Paid	(33,71,996)	(9,07,852)
<b>NET CASH FLOW USED IN OPERATING ACTIVITIES</b>	<b>(20,68,322)</b>	<b>(16,29,433)</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES :</b>		
Interest Received	28,63,172	27,00,000
Loan granted to a Holding Company	(30,00,000)	—
<b>NET CASH FLOW (USED IN) / FROM INVESTING ACTIVITIES</b>	<b>(1,36,828)</b>	<b>27,00,000</b>
<b>C. CASH FLOW FROM / (USED IN) FINANCING ACTIVITIES :</b>	<b>—</b>	<b>—</b>
<b>D. NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS : (A+B+C)</b>	<b>(22,05,150)</b>	<b>10,70,567</b>
<b>E. RECONCILIATION :</b>		
CASH AND CASH EQUIVALENTS - AT BEGINNING OF THE YEAR (Refer Schedule 4)	28,46,371	17,75,804
CASH AND CASH EQUIVALENTS - AT THE END OF THE YEAR (Refer Schedule 4)	6,41,221	28,46,371
	<u>(22,05,150)</u>	<u>10,70,567</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  
Bhavesh Dhupelia  
Partner  
Membership No. : 042070  
Mumbai, 20th April, 2007

For and on behalf of the Board  
C. R. Sivaramakrishnan *Director*  
Vikram Jain *Director*  
Anu Rai *Company Secretary*  
Mumbai, 20th April, 2007

## SCHEDULES TO THE ACCOUNTS

	As at 31st March, 2007 (Rs.)	As at 31st March, 2006 (Rs.)
<b>1. SHARE CAPITAL</b>		
<b>Authorised:</b>		
2,50,00,000 (2005-06 : 2,50,00,000) Equity Shares of Rs.10 each	25,00,00,000	25,00,00,000
41,00,000 (2005-06 : 41,00,000) 0.05% Redeemable Preference Shares of Rs.100 each	41,00,00,000	41,00,00,000
	<u>66,00,00,000</u>	<u>66,00,00,000</u>
<b>Issued, Subscribed and Paid-Up:</b>		
1,79,36,523 (2005-06 : 1,79,36,523) Equity Shares of Rs. 10 each fully paid- up.	17,93,65,230	17,93,65,230
41,00,000 (2005-06 : 41,00,000) 0.05% Redeemable Cumulative Preference Shares of Rs. 100 each fully paid up	41,00,00,000	41,00,00,000
	<u>58,93,65,230</u>	<u>58,93,65,230</u>

**Notes:**

- (a) All the above Equity Shares are held by Wimco Limited, the holding company, and its nominees.  
(b) The date of redemption of preference shares which were redeemable at par by August 31, 2006 has been extended by one year with the consent of preference shareholders.

**2. FIXED ASSETS**

Description	GROSS BLOCK			ACCUMULATED DEPRECIATION/IMPAIRMENT					NET BLOCK	
	Cost/Valuation as at 1st April, 2006 (Rs.)	Additions (Rs.)	Cost/Valuation As at 31st March, 2007 (Rs.)	As at April 1, 2006		Depreciation for the year (Rs.)	As at March 31, 2007		As at 31st March, 2007 (Rs.)	As at 31st March, 2006 (Rs.)
				Depreciation (Rs.)	Impairment (Rs.)		Depreciation (Rs.)	Impairment (Rs.)		
<b>Intangible Assets</b>										
Leasehold Land	2,59,49,280	—	2,59,49,280	—	2,59,49,280	—	—	2,59,49,280	—	—
<b>Tangible Assets</b>										
Buildings	6,00,00,000	—	6,00,00,000	28,57,143	—	28,57,143	57,14,286	—	5,42,85,714	5,71,42,857
Total	8,59,49,280	—	8,59,49,280	28,57,143	2,59,49,280	28,57,143	57,14,286	2,59,49,280	5,42,85,714	5,71,42,857
Previous Year	2,59,49,280	6,00,00,000	8,59,49,280	—	2,59,49,280	28,57,143	28,57,143	2,59,49,280	5,71,42,857	

	As at 31st March, 2007 (Rs.)	As at 31st March, 2006 (Rs.)
<b>3. SUNDRY DEBTORS</b>		
Unsecured, considered good		
– Due from ultimate holding company	9,69,500	—
	<u>9,69,500</u>	<u>—</u>
<b>4. CASH AND BANK BALANCES</b>		
With Scheduled Bank on :		
– Current Account	6,41,189	28,46,188
Cash in Hand	32	183
	<u>6,41,221</u>	<u>28,46,371</u>
<b>5. LOANS AND ADVANCES</b>		
(Unless otherwise stated, unsecured and considered good)		
Loan to Wimco Limited, the holding company maximum amount due at any time during the year Rs. 4,80,00,000 (2005-2006 : Rs. 4,50,00,000)	4,80,00,000	4,50,00,000
Advances recoverable in Cash or in kind or for value to be received		
- Considered Good	—	3,64,511
- Considered Doubtful	3,000	3,000
	<u>3,000</u>	<u>3,67,511</u>
Less : Provision for doubtful deposits	<u>3,000</u>	<u>3,000</u>
	—	3,64,511
Advance Tax and Tax deducted at source	16,73,381	7,332
(Net of Provision for Taxation Rs. 46,82,476 (2005-06 : Rs. 29,76,529))	<u>4,96,73,381</u>	<u>4,53,71,843</u>
<b>6. CURRENT LIABILITIES AND PROVISIONS</b>		
<b>Current Liabilities:</b>		
Sundry Creditors (Refer note below)	2,99,400	8,00,654
	<u>2,99,400</u>	<u>8,00,654</u>

**Notes:**

## Sundry Creditors include :

- Rs. Nil (2005-06: Rs. 65,500) due for more than 30 days to small scale industrial undertaking.  
– Rs. Nil - due to Micro, Small and Medium Scale Enterprises

## SCHEDULES TO THE ACCOUNTS

	For the year ended 31st March, 2007 (Rs.)	For the year ended 31st March, 2006 (Rs.)
<b>7. RENT INCOME</b>		
Lease Rent (Tax Deducted at Source Rs. 25,24,500)	1,12,50,000	—
	<u>1,12,50,000</u>	<u>—</u>
<b>8. OTHER INCOME</b>		
Interest on Loan given to Wimco Limited [Tax Deducted at Source Rs. 6,42,496; (2005-06 : Rs. 6,05,876)]	28,63,172	27,00,000
Liabilities written back as no longer required	7,19,668	—
	<u>35,82,840</u>	<u>27,00,000</u>
<b>9. OTHER COSTS</b>		
Lease Rent	90,45,000	1,80,000
Legal and Professional fees	28,500	20,000
Filing fees	8,151	1,084
Rates and Taxes	36,073	28,619
Insurance	3,58,040	4,17,713
Auditor's Remuneration - Audit Fees	75,000	75,000
Provision for Doubtful Debts, advances and deposits	—	3,000
Other Expenses	8,987	10,341
	<u>95,59,751</u>	<u>7,35,757</u>

## 10. NOTES TO THE ACCOUNTS

- Unexpired lease commitments in respect of cancellable lease as on 31st March, 2007 as lessee amounts to Rs. 23,70,00,000 (2005-06 : Rs. 37,35,000).
  - Arrears of dividend on redeemable cumulative preference shares aggregate Rs. 11,44,583 (2005-06 : Rs. 9,39,583).
- 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, 2007 have not been accounted for.
- Earnings Per Share**

	2006-07	2005-06
Profit/ (Loss) for the Year After Taxation (Rs.) (A)	7,09,999	(18,01,720)
Add : Arrears of Preference Dividend and including Preference Dividend Tax (Rs.) (B)	(2,39,840)	(2,33,751)
Profit/ (Loss) Attributable to Equity Shareholders (Rs.) (C=A+B)	4,70,159	(20,35,471)
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)	0.03	(0.11)
Nominal Value of an Equity Share	10	10
- No remuneration is payable to the Manager during the year (2005-06 : Nil).
- 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, 2007.
- 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.

## 11. RELATED PARTY DISCLOSURE

## 1. Parties exercising control over Company

Related Party	Relationship
ITC Limited	Ultimate Holding Company
Russell Credit Limited	Holding Company of Wimco Limited #
Wimco Limited	Holding Company

# no transaction during the year

## 2. Transaction with related parties

Particulars	Ultimate Holding Company		Holding Company		Total	
	ITC Limited		Wimco Limited			
	2006-07	2005-06	2006-07	2005-06	2006-07	2005-06
Lease Income	1,12,50,000	—	—	—	1,12,50,000	—
Interest Income	—	—	28,63,172	27,00,000	28,63,172	27,00,000
Lease Rent payment	—	—	90,45,000	1,80,000	90,45,000	1,80,000
Inter Corporate Loan granted	—	—	30,00,000	—	30,00,000	—
Loans Outstanding	—	—	4,80,00,000	4,50,00,000	4,80,00,000	4,50,00,000
Receivable	9,69,500	—	—	—	9,69,500	—

## SCHEDULES TO THE ACCOUNTS

## 12. SIGNIFICANT ACCOUNTING POLICIES

## 1. Basis for Preparation of Accounts

The accounts have been prepared under the historical cost convention on the accrual basis of accounting 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") to the extent applicable.

The accumulated losses of the Company as at March 31, 2007 have substantially eroded the net worth of the Company. During the year, the Company has leased out its building and leasehold land to its ultimate holding company at a monthly rent of Rs. 12,50,000/-. In view of this, the management of the Company is of the opinion that it will continue to operate 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

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 asset 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.

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 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. 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. Where there is a possible or a present obligation and the likelihood of outflow of resources is remote, no provision or disclosure is made.

For and on behalf of the Board

C. R. Sivaramakrishnan *Director*

Vikram Jain *Director*

Anu Rai *Company Secretary*

Mumbai, 20th April, 2007

## 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 7  
Date Month Year**II. Capital raised during the year: (Amount in Rs. Thousands)**

Public Issue

Rights Issue

      N I L      N I L

Bonus Issue

Private Placement

      N I L      N I L**III. Position of mobilisation and deployment of funds: (Amount in Rs. Thousands)**

Total Liabilities

Total Assets

      5 8 9 3 6 5      5 8 9 3 6 5**Sources of Funds**

Paid up Capital

Reserves and Surplus

      5 8 9 3 6 5      N I L

Secured Loans

Unsecured Loans

      N I L      N I L**Application of Funds**

Net Fixed Assets

Investments

      5 4 2 8 6      N I L

Net Current Assets

Miscellaneous Expenditure

      5 0 9 8 5      N I L

Accumulated Losses

      4 8 4 0 9 4**IV. Performance of Company : (Amount in Rs. Thousands)**

Turnover (Including other Income)

Total Expenditure

      1 4 8 3 3      1 2 4 1 7

+ - Profit/Loss Before Tax

+ - Profit/Loss After Tax

☒ ☐     2 4 1 6☒ ☐     7 1 0

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

+ - Earnings per Share in Rs.

Dividend Rate % age

☒ ☐     0 . 0 3      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, 2007**

Your Directors present their report for the financial year ended 31st March, 2007.

**Company Performance**

During the year, the Company has incurred a net loss of Rs. 181.33 lakhs after considering provision for diminution of investment of Rs. 381.90 lakhs. The Company has sold 22,43,222 saplings during the year as against 12,56,409 saplings sold in the last year registering growth of 79%. Realisation per sapling has also been improved from Rs.16.12 to Rs.18.46.

**Dividend**

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

**Directors**

Mr. V. Malhotra, and Dr. J. P Chandra have resigned from the Board of the Company with effect from 31.03.2007. The Board places on record its appreciation for the services rendered by Mr. Malhotra and Dr. Chandra during their tenure as Director of the Company.

Mr. A. Saha, Director has been appointed as a Whole-time Director of the Company with effect from 1st April, 2007 for a period of 3 years. His appointment is subject to the approval of the members at the ensuing Annual General Meeting.

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

**Directors' 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, 2007 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 M/s. A. Saha, C.R. Sivaramakrishnan and 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.

**Subsidiaries**

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

**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, 2007

A. Saha  
S. Agarwal  
*Executive Director  
Director*

**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 fields 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

in the existing technological practices to match the practical field requirements if needed are carried out in house.

**c) Expenditure on R & D**

Particulars	2006-07 (Rs.)	2005-06 (Rs.)
Capital	Nil	Nil
Recurring	11,19,492	12,80,304
	<u>11,19,492</u>	<u>12,80,304</u>
Total R & D Expenditure as percentage of total turnover :	0.90%	1.56%
d) Foreign Exchange Earnings :	Rs. 2,21,865	Nil
Foreign Exchange Outgo :	Rs. 3,574	Rs. 3,170

**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 31, March, 2007 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, 2007 from being appointed as a Director in terms of clause (g) of sub-section (1) of Section 274 of the Act;

(vi) the Company has made the provision for diminution in the value of its investments aggregating to Rs. 38,190,204 during the 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, 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, 2007;
- (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

Bhavesh Dhupelia  
Partner

Mumbai, 20th April, 2007

Membership No: 042070

## 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, 2007, 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 explanations 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 inventories 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 system.
- (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 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.  
  
There were no dues on account of cess under Section 441A of the Companies Act, 1956 since the aforesaid section has not yet been made effective by the Central Government.  
  
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, 2007 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 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.	5,67,13,443	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 instead of agricultural income.	9,51,826	Assessment year 2001-2002	Commissioner of Income Tax (Appeal), New Delhi
Income Tax Act, 1961	Penalty demanded under Section 271 (1) (c) of the Income Tax Act.	39,63,120	Assessment year 2003-2004	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) According to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments.
- (xv) 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 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) 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

Bhavesh Dhupelia  
Partner  
Membership No : 042070

Mumbai, 20th April, 2007

## BALANCE SHEET AS AT 31ST MARCH, 2007

	Schedule	As at 31st March, 2007 Rs.	As at 31st March, 2006 Rs.
<b>SOURCES OF FUNDS</b>			
<b>Shareholders' Funds</b>			
Share Capital	1	17,77,62,150	17,77,62,150
Reserves and Surplus	2	1,57,01,735	1,57,64,446
		<u>19,34,63,885</u>	<u>19,35,26,596</u>
<b>Loan Funds</b>	3		
Secured Loans		—	75,00,000
Unsecured Loans		9,34,87,635	10,52,89,488
		<u>28,69,51,520</u>	<u>30,63,16,084</u>
<b>APPLICATION OF FUNDS</b>			
<b>Fixed Assets</b>	4		
Gross Block		4,53,48,552	4,55,60,228
Less : Accumulated depreciation		1,70,18,632	1,68,76,185
Net Block		<u>2,83,29,920</u>	<u>2,86,84,043</u>
Capital Work-in-Progress		—	34,215
		<u>2,83,29,920</u>	<u>2,87,18,258</u>
<b>Investments</b>	5	5,99,11,230	9,81,07,434
<b>Current Assets, Loans and Advances</b>			
Plantation Work-in-Progress		4,68,91,742	11,45,72,079
Inventories	6	2,25,000	2,42,687
Sundry debtors	7	2,17,440	5,51,606
Cash and bank balances	8	62,07,862	38,59,576
Loans and advances	9	8,02,51,894	7,49,03,327
		<u>13,37,93,938</u>	<u>19,41,29,275</u>
<b>Less : Current Liabilities and Provisions</b>			
Current Liabilities	10	10,25,70,536	16,42,23,191
Provisions	11	11,11,298	12,36,152
		<u>10,36,81,834</u>	<u>16,54,59,343</u>
<b>Net Current Assets</b>		<u>3,01,12,104</u>	<u>2,86,69,932</u>
<b>Profit and Loss Account</b>		<u>16,85,98,266</u>	<u>15,08,20,460</u>
		<u>28,69,51,520</u>	<u>30,63,16,084</u>
<b>Notes to the Accounts</b>	18		
<b>Related Party disclosure</b>	19		
<b>Significant accounting policies</b>	20		

The Schedule referred to above and the 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  
Bhavesh Dhupelia  
Partner  
Membership No. 042070  
Mumbai, 20th April, 2007

For and on behalf of the Board  
A. Saha Executive Director  
S. Agarwal Director  
Nidhi Agarwal Company Secretary  
Bareilly, 18th April, 2007

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2007

	Schedule	For the year ended 31st March, 2007 Rs.	For the year ended 31st March, 2006 Rs.
<b>INCOME</b>			
Sales and services	12	12,37,02,549	8,05,09,248
Other Income	13	42,303	5,64,271
		<u>12,37,44,852</u>	<u>8,10,73,519</u>
<b>EXPENDITURE</b>			
(Increase) /Decrease in Stocks	14	6,76,98,023	4,43,00,992
Purchases		82,463	1,06,045
Employee Costs	15	88,57,519	79,45,356
Other Costs	16	2,62,48,096	2,21,74,199
Interest	17	1,87,493	5,87,289
Depreciation		5,10,949	7,93,590
Less : Transfer from revaluation reserve		<u>(62,710)</u>	<u>(62,710)</u>
		<u>4,48,239</u>	<u>7,30,880</u>
		<u>10,35,21,833</u>	<u>7,58,44,761</u>
<b>Profit before extra ordinary items and taxation</b>		<b>2,02,23,019</b>	<b>52,28,758</b>
<b>Extra ordinary items:</b>			
Provision for diminution in value of investment		3,81,90,204	—
<b>(Loss)/Profit before taxation</b>		<b>(1,79,67,185)</b>	<b>52,28,758</b>
<b>Less:</b>			
Current Tax: related to earlier years		8,864	—
Fringe Benefits Tax		1,56,772	2,60,726
<b>(Loss)/Profit after taxation</b>		<b>(1,81,32,821)</b>	<b>49,68,032</b>
<b>Profit and loss account deficit brought forward</b>		<b>(15,08,20,460)</b>	<b>(15,57,88,492)</b>
<b>Gratuity Transational Assets (Refer note No. 9 of Schedule 18) :</b>		<b>3,55,015</b>	<b>—</b>
<b>Balance Carried Over</b>		<b>(16,85,98,266)</b>	<b>(15,08,20,460)</b>
<b>Earnings per share (in rupees) - Basic and Diluted (Refer Note 5 of Schedule 18) :</b>			
Excluding extra-ordinary items (net of tax expenses)		2.26	0.46
Including extra-ordinary items (net of tax expenses)		(2.29)	0.46
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  
Bhavesh Dhupelia  
Partner  
Membership No. 042070  
Mumbai, 20th April, 2007

For and on behalf of the Board  
A. Saha Executive Director  
S. Agarwal Director  
Nidhi Agarwal Company Secretary  
Bareilly, 18th April, 2007

## CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2007

		For the year ended 31st March, 2007 (Rs.)	For the year ended 31st March, 2006 (Rs.)
<b>A. CASH FLOW FROM OPERATING ACTIVITIES :</b>			
Profit/(Loss) before Extraordinary items and Taxation		2,02,23,019	52,28,758
Adjustments for :			
Depreciation	4,48,239		7,30,880
Loss on sale of assets	33,272		—
Sundry balances written back	24,303		43,996
Income from Investments	—		(1,831)
		<u>5,05,814</u>	<u>—</u>
Operating Profit/(Loss) Before Working Capital Changes		2,07,28,833	60,01,803
Adjustments for :			
Plantation Work-in-Progress	6,76,80,337		4,44,19,107
Inventories	17,687		(1,18,115)
Debtors	3,34,166		(5,04,714)
Loans and Advances	(1,71,449)		(11,94,670)
Current Liabilities and Provisions	(6,15,30,438)		(4,36,10,868)
		<u>63,30,303</u>	<u>(10,09,259)</u>
Direct Taxes paid		(52,59,114)	(2,57,533)
<b>NET CASH FLOW FROM/(USED IN) INVESTING ACTIVITIES</b>		<u>2,18,00,022</u>	<u>47,35,011</u>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES :</b>			
Purchase of Fixed Assets	(1,95,705)		(1,02,195)
Sale of Fixed Assets	39,822		—
Income received from Investments	—		1,831
Sale of Investments	6,000		—
<b>NET CASH FLOW FROM/(USED IN) OPERATING ACTIVITIES</b>		<u>(1,49,883)</u>	<u>(1,00,364)</u>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>			
Proceed from Borrowings :			
Loan from a Holding Company	(1,17,45,433)		(51,17,421)
Loan from a Subsidiary Company	(56,420)		—
Short Term Working Capital Loan paid	(75,00,000)		5,00,000
<b>NET CASH FLOW FROM/(USED IN) FINANCING ACTIVITIES</b>		<u>(1,93,01,853)</u>	<u>(46,17,421)</u>
<b>D. NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS : (A+B+C)</b>		<u>23,48,286</u>	<u>17,226</u>
<b>E. RECONCILIATION</b>			
CASH AND CASH EQUIVALENTS - AT BEGINNING OF THE YEAR		38,59,576	38,42,350
CASH AND CASH EQUIVALENTS - AT END OF THE YEAR		<u>62,07,862</u>	<u>38,59,576</u>
		<u>23,48,286</u>	<u>17,226</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 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

Bhavesh Dhupelia  
Partner  
Membership No. 042070  
Mumbai, 20th April, 2007

For and on behalf of the Board  
A. Saha Executive Director  
S. Agarwal Director  
Nidhi Agarwal Company Secretary  
Bareilly, 18th April, 2007

## SCHEDULES TO THE ACCOUNTS

	As at 31st March, 2007 (Rs.)	As at 31st March, 2006 (Rs.)
<b>1. SHARE CAPITAL</b>		
<b>Authorised :</b>		
1,10,00,000 (2005-06 : 1,10,00,000) Equity Shares of Rs. 10 each	11,00,00,000	11,00,00,000
1,00,00,000 (2005-06 : 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(2005-06 :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>
<b>Issued, Subscribed and Paid up :</b>		
83,95,626 (2005-06 : 83,95,626) equity shares of Rs. 10 each fully paid.	8,39,56,260	8,39,56,260
93,80,589 (2005-06 : 93,80,589) 1% redeemable cumulative preference shares of Rs. 10 each fully paid.	9,38,05,890	9,38,05,890
	<u>17,77,62,150</u>	<u>17,77,62,150</u>
<b>Of the above :</b>		
83,95,626 (2005-06 : 83,95,626) equity shares are held by Wimco Limited, the holding Company and its nominees.		
93,80,589 (2005-06 : 93,80,589) 1% redeemable preference shares are held by Wimco Limited, the holding Company.		
<b>2. RESERVES AND SURPLUS</b>		
<b>Capital Reserve</b>		
Surplus on sale of land	4,10,466	4,10,466
<b>Revaluation reserve</b>		
Balance at the beginning of the year	1,53,53,979	1,54,16,690
Less : Transfer to profit and loss account	62,710	62,710
Balance at the end of the year	<u>1,52,91,269</u>	<u>1,53,53,980</u>
	<u>1,57,01,735</u>	<u>1,57,64,446</u>
<b>3. LOAN FUNDS</b>		
<b>SECURED</b>		
Cash Credit (including working capital demand loan) with Banks (secured by a 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>—</u>	<u>75,00,000</u>
<b>UNSECURED</b>		
<b>Loans and advances from subsidiary</b>		
- Pavan Poplar Limited (Refer Note below)	4,84,82,129	4,85,38,549
<b>Other loans and advances</b>		
Wimco Limited, holding company (Refer Note below)	4,50,05,506	5,67,50,939
	<u>9,34,87,635</u>	<u>10,52,89,488</u>
	<u>9,34,87,635</u>	<u>11,27,89,488</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, 2006	Additions	Deductions	As at 31 March, 2007	As at 1 April, 2006	Charge for the year	Deductions during the year	As at 31 March, 2007	As at 31 March, 2007	As at 31 March, 2006
<b>Trangible Assets</b>										
Land (freehold)	2,00,95,000	—	—	2,00,95,000	—	—	—	—	2,00,95,000	2,00,95,000
Buildings	1,44,28,171	95,946	—	1,45,24,117	73,24,588	1,58,380	46,700	74,36,268	70,87,849	71,03,584
Plant and machinery	35,86,674	5,800	48,132	35,44,342	31,24,394	75,412	—	31,99,806	3,44,536	4,62,280
Furniture and fixture	12,26,826	22,700	1,04,369	11,45,157	8,64,066	77,373	73,011	8,68,428	2,76,729	3,62,759
Office Equipments	20,14,745	1,05,474	2,82,936	18,37,283	17,12,697	46,513	2,43,045	15,16,165	3,21,118	3,02,049
Vehicle	42,08,812	—	6,159	42,02,653	38,50,440	1,53,271	5,746	39,97,965	2,04,688	3,58,371
	4,55,60,228	2,29,920	4,41,596	4,53,48,552	1,68,76,185	5,10,949	3,68,503	1,70,18,632	2,83,29,920	2,86,84,043
2005-06	4,54,92,248	67,980	—	4,55,60,228	1,60,82,595	7,93,590	—	1,68,76,185	—	—
CAPITAL WORK-IN-PROGRESS									—	34,215
									2,83,29,920	2,87,18,258

	As at 31st March, 2007 (Rs.)	As at 31st March, 2006 (Rs.)		As at 31st March, 2007 (Rs.)	As at 31st March, 2006 (Rs.)
<b>5. INVESTMENTS</b>					
<b>A Long term investments</b>			Liability towards investor education and protection fund		
<b>Government securities (unquoted)</b>			-Unclaimed balances of unit holders (not due)	25,90,360	25,90,360
National Saving Certificates	4,000	10,000	Other current liabilities	3,86,184	2,26,255
(All of the above have been pledged with various Mandi Samitis)				10,25,70,536	16,42,23,191
<b>B Investments in wholly owned subsidiary companies (unquoted)</b>			<b>11. PROVISIONS</b>		
Pavan Poplar Limited			Gratuity	—	2,68,184
55,10,004 (2005-06: 55,10,004) equity shares of Rs. 10 each fully paid	5,99,06,230	5,99,06,230	Leave encashment	11,11,298	9,64,775
(including 6 Equity Shares held by nominees)			Provision for Fringe Benefit Tax [net of advance tax of Rs. Nil (2005-06 : Rs. 2,57,533)]	—	3,193
Prag Agro Farm Limited				11,11,298	12,36,152
38,00,020 (2005-06: 38,00,020) equity shares of Rs. 10 each, fully paid (including 6 Equity Shares held by nominees)	3,81,90,204	3,81,90,204			
Less Provision for Diminution	(3,81,90,204)	—	<b>12. SALES AND SERVICES</b>		
<b>C Current Investments</b>			Sales	12,34,80,684	8,05,09,248
Billaspur Cane Development Corporation Limited (unquoted, non-trade) 100 (2005-06: 100) equity shares of Rs. 10 each, fully paid	1,000	1,000	Consultancy income	2,21,865	—
	5,99,11,230	9,81,07,434		12,37,02,549	8,05,09,248
Aggregate book value of unquoted investments	5,99,11,230	9,81,07,434	<b>13. OTHER INCOME</b>		
			Interest		
<b>6. INVENTORIES</b>			—On investments (Long term)	—	1,831
Finished and trade goods / produce	2,25,000	2,42,687	—On income tax refund	18,000	—
	2,25,000	2,42,687	Sundry balances written back	24,303	43,996
			Insurance Claim	—	5,02,432
<b>7. DEBTORS</b>			Miscellaneous income	42,303	16,012
(Unsecured)					
Debts outstanding for a period exceeding six months	50,000	—	<b>14. (INCREASE) /DECREASE IN STOCK</b>		
Considered good	23,000	23,000	<b>Plantation work-in-progress</b>		
Considered doubtful	73,000	23,000	Opening stock	11,45,72,079	15,89,91,186
Less : Provision for doubtful debts	(23,000)	(23,000)	Closing stock	4,68,91,742	11,45,72,079
	50,000	—	Net (increase)/decrease	6,76,80,337	4,44,19,107
Other debts - Considered good	1,67,440	5,51,606	<b>Finished and traded goods/produce</b>		
	2,17,440	5,51,606	Opening stock	2,42,687	1,24,572
			Closing stock	2,25,000	2,42,687
<b>8. CASH AND BANK BALANCES</b>			Net (increase)/decrease	17,687	(1,18,115)
Cash in hand	1,19,455	1,56,584	<b>Total net (increase) /decrease</b>	6,76,98,023	4,43,00,992
Cheques in hand	5,000	—	<b>15. EMPLOYEE COSTS</b>		
Balances with scheduled banks on			Salaries, wages and bonus	71,42,836	60,01,856
-current accounts [includes Rs. 24,739 (2005-06: Rs. 24,739) lying in "Restricted" bank account]	34,93,047	11,12,632	Contribution to provident and other funds	8,26,729	7,74,510
unclaimed balances due to unit holders of Poplar Unit Schemes.	25,90,360	25,90,360	Staff and Workers welfare expenses	4,23,975	4,40,581
	62,07,862	38,59,576	Gratuity	2,67,428	4,47,444
			Leave encashment	1,96,551	2,80,965
				88,57,519	79,45,356
<b>9. LOANS AND ADVANCES</b>			<b>16. OTHER COSTS</b>		
(Unsecured)			(Refer Note 11 and 12 of Schedule 18)		
Advances recoverable in cash or in kind for value to be received			Plantation and cultivation	60,80,067	61,16,174
- Considered good	33,173	44,068	Travelling and conveyance	19,96,184	17,88,882
- Considered doubtful	1,01,08,570	1,01,08,570	Power and fuel	14,55,928	16,09,254
	1,01,41,743	1,01,52,638	Measurement and extraction	51,13,001	33,46,069
Less : Provision for doubtful advances	1,01,08,570	1,01,08,570	Rent	37,25,309	24,04,665
	33,173	44,068	Security Charges	15,37,457	14,65,162
Loans and advances to subsidiary			Freight outward	23,43,244	15,48,577
Prag Agro Farm Limited	6,66,66,892	6,68,01,860	Legal and professional fees	8,06,960	7,37,937
[maximum amount outstanding during the year Rs. 6,69,67,256 (2005-06: Rs. 6,68,01,860)]			Auditors' remuneration		
Trade tax recoverable	74,836	69,811	- Audit fees (Refer note 7 of Schedule 18)	3,50,000	3,50,000
Advance to suppliers	38,621	—	- Out of pocket expenses	12,043	11,815
Prepaid expenses	29,42,330	25,75,139	Insurance	4,63,337	5,69,908
Tax deducted at source/Advance Tax [Net of provision for taxation Rs. Nil (2005-06: Rs. 4,74,915)]	1,04,00,295	53,18,668	Repair and maintenance		
Advance Fringe Benefit Tax	8,658	—	- buildings	4,53,877	2,10,230
Interest accrued on investments	2,567	9,259	- plant and machinery	42,090	56,970
Security deposit	84,522	84,522	- others	7,62,568	6,21,059
	8,02,51,894	7,49,03,327	Doubtful advances written off	248	55,002
			Communication	4,39,499	4,04,283
<b>10. CURRENT LIABILITIES</b>			Printing and stationery	2,42,114	1,55,872
Advance received from Customers	6,08,050	2,83,664	Bank charges	99,670	1,36,513
Advance for purchase of poplar trees (Refer Note 2 on Schedule 18)	8,82,94,344	15,06,97,869	Rates and taxes	46,219	61,625
Sundry creditors	1,06,91,598	1,04,25,043	Advertisement	71,624	37,285
			Tools consumed	22,995	22,408
			Entertainment	15,369	9,472
			Loss on sale of fixed assets	33,272	—
			Other Expenses	1,35,021	4,55,037
				2,62,48,096	2,21,74,199
			<b>17. INTEREST</b>		
			On Cash Credit (including Working Capital Demand Loan)	1,87,493	5,87,289
				1,87,493	5,87,289

## SCHEDULES TO THE ACCOUNTS

## 18. Notes to Accounts

1. (a) Claims against the Company not acknowledged as debts Rs. 7,25,75,714 (2005-06 Rs. 8,48,51,307). These comprise :

- Excise Duty, Sales Taxes and Indirect Taxes claims disputed by the Company relating to issues of applicability and classification aggregating Rs. 74,836 (2005-06: Rs. 69,811).
- Local authority Taxes/Cess/Royalty on property, utilities etc. claims disputed by the Company relating to issues of applicability and determination aggregating Rs. Nil (2005-06 Rs. Nil).
- Third party claims arising from disputes relating to contracts aggregating to Rs. 8,87,180 (2005-06 Rs. 33,87,180).
- Other matters: Income Tax aggregating to Rs. 7,16,13,698 (2005-06 Rs. 8,13,94,316).

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. 84,60,521 (2005-06: Rs. 75,22,462) excluding dividend tax.
2. Advances against purchase of poplar aggregating Rs. 8,82,94,344 (2005-06: Rs. 15,06,97,869) 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, 25th 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 preference 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 31st March, 2007, the Company has an investment of Rs. 3,81,90,204 (2005-06 : Rs. 3,81,90,204) in its subsidiary Prag Agro Farm Limited which have been fully provided for. The Company has also granted an interest free loan of Rs. 6,66,66,892 (2005-06 : Rs. 6,68,01,860) 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. **Earnings per share**

The computation of earnings per share is set out below :

	31-03-2007		31-03-2006	
	Excluding Extraordinary Items	Including Extraordinary Items	Excluding Extraordinary Items	Including Extraordinary Items
Net Profit after tax (Rs.)	2,00,57,383	(1,81,32,821)	49,68,032	49,68,032
Less : Arrears of Preference dividend and including preference dividend tax for the year (Rs)	(10,97,482)	(10,97,482)	(10,69,622)	(10,69,622)
Net Profit attributable to equity shareholders (A)	1,89,59,621	(1,92,30,303)	38,98,410	38,98,410
Weighted average number of equity shares outstanding during the year (B)	83,95,626	83,95,626	83,95,626	83,95,626
Earnings per share of face value Rs. 10(A/B)	2.26	(2.29)	0.46	0.46

## 6. Segment information

The Company's activities involve predominantly business of growing & selling agricultural produce in India which is considered to be a single business segment since these are subject to similar risks and returns. Further, the business is carried out in India and product sold primarily in India and hence there are no reportable geographical segments. Hence the financial statements are reflective of the information required by Accounting Standard 17- Segment reporting issued by the Institute of Chartered Accountants of India.

## 7. Auditor's Remuneration

	2006-2007	2005-2006
Audit fees	3,50,000	3,50,000
Out of pocket expenses	12,043	11,815
	<u>3,62,043</u>	<u>3,61,815</u>

## 8. Quantitative details

Particulars	Unit	31-03-2007		31-03-2006	
		Quantity	Rs.	Quantity	Rs.
<b>(A) Opening stock</b>					
<b><u>Plantation work in Progress</u></b>					
Agricultural produce/plants*			53,730		19,84,207
Livestock*			—		14,954
Poplar ETPs*			56,61,743		58,83,674
Poplar and Kadam trees	Nos.	2,56,637	10,88,56,606	3,23,936	15,11,08,351
			11,45,72,079		15,89,91,186
<b><u>Finished</u></b>					
Agricultural produce/plants*			14,931		43,816
Hiko trays**	Nos.	1,282	80,756	1,309	80,756
Wood (from own trees)			1,47,000		—
			2,42,687		1,24,572
<b>(b) Purchases</b>					
Others			82,463		1,06,045
			82,463		1,06,045
<b>(c) Sales</b>					
Agricultural produce/plants*			28,94,211		65,34,010
Hiko trays**	Nos.	1282	—	27	1,350
Livestock*			—		25,532
Poplar and Kadam wood* (from own trees)			7,20,54,280		4,46,70,933
Poplar ETPs	Nos.	22,43,222	4,14,14,914	12,56,409	2,02,56,157
Others*			71,17,279		90,21,266
			12,34,80,684		8,05,09,248
<b>(d) Closing stock</b>					
<b><u>Plantation work in Progress</u></b>					
Agricultural produce/plants*			5,59,400		53,730
Poplar ETPs*			61,35,925		56,61,743
Poplar and Kadam trees	Nos.	1,35,619	4,01,96,417	2,56,637	10,88,56,606
			4,68,91,742		11,45,72,079
<b><u>Finished</u></b>					
Agricultural produce/plants*			—		14,931
Hiko trays**	Nos.	—	—	1,282	80,756
Wood (from own trees)			2,25,000		1,47,000
			2,25,000		2,42,687

\* Due to the typical nature of product, it is not possible to state quantities.

\*\* Sales includes Hiko trays used in household activity.

## SCHEDULES TO THE ACCOUNTS

## 9. Employee Defined Benefits

Effective April 1, 2006 the Company adopted the revised accounting standard on employee benefits. Pursuant to the adoption, the transitional asset of the Company amounted to Rs. 3.55 lacs. As required by the standard, the asset has been recorded with the transfer of Rs. 3.55 lacs to debit balance of Profit and Loss Account.

The following table set out the status as required under AS 15. (Rs.)

	Defined Benefit Plans	
	Gratuity	Leave Encashment
<b>Change in obligation during the year ended March 31, 2007</b>		
1. Obligation at period beginning	15,95,424	9,64,775
2. Service Cost	1,53,134	1,02,638
3. Interest Cost	1,19,657	70,482
4. Actuarial (Gains) / Losses	1,51,979	23,431
5. Benefits payments	(2,00,828)	(50,028)
6. Obligations at period end	18,19,366	11,11,298
<b>Change in plan Assets</b>		
1. Plan assets at the beginning of the year	16,82,255	—
2. Expected return on plan assets	1,26,169	—
3. Contribution by employers	2,93,322	—
4. Actual benefits paid	(2,00,828)	—
5. Actuarial Gains / (Losses)	31,173	—
6. Plan assets at the end of the year	19,32,091	—
<b>Reconciliation of present value of the obligation and the fair value of the plan assets</b>		
1. Fair value of plan asset at the end of the year	19,32,091	
2. Present value of the defined benefit obligations at the end of the period	18,19,366	
3. Asset / (Liability) recognised in the balance sheet	1,12,725	
<b>Cost for the period</b>		
1. Service Cost	1,53,134	1,02,638
2. Interest Cost	1,19,657	70,482
3. Return on Plan Asset	(1,57,342)	—
4. Actuarial (Gains) / Losses	1,51,979	23,431
<b>Net cost</b>	2,67,428	1,96,551
<b>Investment details of plan assets</b>		
The Gratuity Scheme is invested in a Group-cum-Life Assurance cash accumulation policy offered by Life Insurance Corporation (LIC) of India		
<b>Actual return on plan assets</b>	1,57,342	—
<b>Actuarial Assumptions:</b>		
1. Discount Rate	7.50%	7.50%
2. Salary Escalation	5.00%	5.00%
3. Expected return on plan assets	7.50%	—

**Basis used to determine expected rate of return on assets:**

The invested return earned on the policy comprises bonuses declared by LIC having regard to LIC's investment earnings. The information on the allocation of the fund into major asset classes and expected return on each major class are not readily available. We understand that LIC's overall portfolio of assets is well diversified and as such, the long-term return on the policy is expected to be higher than the rate of return on Central Government bonds.

## 10. (a) Expenditure in foreign currency

	2006-07	2005-06
Travel	3,574	3,710

## (b) Earning in foreign currency

	2006-07	2005-06
Consultancy Income	2,21,865	—

- Research and development expenses incurred during the year as ascertained by the management, amounting to Rs. 11,19,492 (2005-06 : Rs. 12,80,304) have been charged to appropriate heads of expenses.
- Plantation and cultivation expenses include amounts paid to casual labourers Rs. 49,38,912 (2005-06 : Rs. 48,94,241).
- Land and building located at Rudrapur were revalued on 31st 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 reserve. The excess depreciation charge on account of the revaluation is adjusted against the revaluation reserve as detailed below :

Particulars	For the year ended 31st March, 2007	For the year ended 31st March, 2006
Depreciation for the year calculated in accordance with accounting policy	5,10,949	7,93,590
Less : Adjusted against revaluation reserve	62,710	62,710
Depreciation for the year charged to the profit and loss account	4,48,239	7,30,880

- The Order passed by the District Magistrate authorizing the State revenue 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.
- 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 the Company

ITC Ltd.	— Ultimate holding company of Wimco Limited
Russell Credit (ITC)	— Holding company of Wimco Limited #
Wimco Limited	— Holding company
#	no transaction during the financial year 2006-07

## b) Parties over whom Company exercises control

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

## c) Transactions with related parties.

(Rs.)

PARTICULARS	HOLDING COMPANIES				Subsidiary Companies				TOTAL	
	Wimco Limited		ITC LIMITED		PPL		PAFL		2006-07	2005-06
	2006-07	2005-06	2006-07	2005-06	2006-07	2005-06	2006-07	2005-06		
Sale of Goods (Including Sales Tax)	6,48,00,111	4,50,95,577	14,455	—	—	86,480	33,120	—	6,48,43,431	4,51,82,057
Loans taken	1,32,75,682	1,30,03,697	—	—	25,87,388	11,69,125	—	—	1,58,63,070	1,41,72,822
Loan repayment	2,26,24,528	1,64,80,474	—	—	26,43,808	10,82,645	—	—	2,52,68,336	1,75,63,119
Loans given	—	—	—	—	—	—	9,07,266	14,74,738	9,07,266	14,74,738
Receipts towards loan repayments	—	—	—	—	—	—	10,75,354	10,74,284	10,75,354	10,74,284
Outstanding Loans and Advances	—	—	—	—	—	—	6,66,66,892	6,68,01,860	6,66,66,892	6,68,01,860
Outstanding unsecured loans	4,50,05,506	5,67,50,939	—	—	4,84,82,129	4,85,38,549	—	—	9,32,78,569	10,52,89,488
Outstanding Receivable	—	—	14,455	—	—	—	—	—	14,455	—
Outstanding Payables (Excluding TDS Cert.)	8,82,94,344	15,06,97,870	—	—	82,87,088	82,87,088	—	—	9,65,81,432	15,89,84,958
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 accumulated losses of the Company as at 31st March, 2007 have resulted in erosion of substantial portion of the Company's net worth. During the year the Company has reported improved performance and the Company has also received a letter of financial support from its holding Company, Wimco Limited. In view of the above and also considering the cash flow projections, the financial statements are prepared on a going concern basis.

## 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

Fixed assets are stated at cost of acquisition or revaluation 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.

Building and civil works on leasehold land are charged on straight line basis over the period of lease.

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

In accordance with AS 28, with effect from April 1, 2004 where there is an indication of impairment of the Company's asset, 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 necessarily 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.
- The Company has considered an average yield of 0.22cmh 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).

## (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

- Provision for leave encashment, which is a defined benefit, is accrued based on an actuarial valuation at Balance Sheet date performed by an independent actuary.
- The Company has taken a group policy with the Life Insurance Corporation of India ("LIC") to cover its liabilities towards employees' gratuity and superannuation. The Gratuity liability is determined based on an actuarial valuation performed by an independent actuary at the Balance Sheet date.

## SCHEDULES TO THE ACCOUNTS

## 20. SIGNIFICANT ACCOUNTING POLICIES (Contd.)

## 7. Revenue recognition

Consultancy income is recognized on rendering service in accordance with related contracts with the customers.

## 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 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. Where there is a possible or a present obligation and the likelihood of outflow of resources is remote, no provision or disclosure is made.

## 10. Taxation

Income-tax expense comprises current tax, fringe benefit tax and deferred tax charge or credit. Current tax and fringe benefit tax is determined in accordance with the Income Tax Act 1961. 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. As the Company is engaged in growing and selling agricultural produce, such income is exempt under Income Tax. Accordingly, there are no deferred tax assets/liabilities arising therefrom.

## 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')

The basic earnings per share ('EPS') is computed by dividing the net profit attributable to the equity shareholders for the year by the weighted average number of equity shares outstanding during the reporting period. Diluted EPS is computed by dividing the net profit attributable to the equity shareholders for the year by the weighted average number of equity and equivalent dilutive equity shares outstanding during the year except where the results would be anti-dilutive.

For and on behalf of the Board

A. Saha Executive Director  
S. Agarwal Director  
Nidhi Agarwal Company Secretary  
Bareilly 18th April, 2007

## 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, 2007	March 31, 2007
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, 2007 Rs. (2.01) Lacs Rs. 145.74 Lacs	31st March, 2007 Rs. (14.06) Lacs Rs. (768.40) 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 for the financial year ended.	31st March, 2007 Nil	31st March, 2007 Nil
ii) Profit for the previous financial year of the subsidiary since it become the company's subsidiary.		

For and on behalf of the Board

A. Saha Executive Director  
S. Agarwal Director  
Nidhi Agarwal Company Secretary  
Bareilly, 18th April, 2007

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)

## Sources of Funds

Total Liabilities   
Paid-up Capital   
Secured Loans   
Total Assets   
Reserves and Surplus   
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   
Profit/Loss After Tax   
(Please tick appropriate box + for profit, - for loss)  
+ - Earnings per Share in Rs.   
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



**REPORT OF THE DIRECTORS FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2007**

Your Directors present their report for the financial year ended on 31st March, 2007.

**Performance**

During the year, the Company has suffered a net loss of Rs. 14.06 lakhs as against a loss of Rs. 25.03 lakhs suffered in the last year.

**Dividend**

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

**Directors**

Mr. V. Malhotra, resigned as Director of the Company with effect from 31st March, 2007. The Board places on record its appreciation for the services rendered by him during his tenure as Director.

Mr. A. Saha was appointed as Additional Director of the Company during the year and holds office up to the date of the ensuing Annual General Meeting. Notice in writing pursuant to Section 257 of the Companies Act, 1956 has been received from a member signifying his intention to propose the candidature of Mr. A. Saha for the office of Director. Your Directors have pleasure in recommending his appointment.

Mr. C.R. Sivaramakrishnan retires by rotation at the ensuing Annual General Meeting and being eligible, offers himself 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 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 March 31, 2007 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.

**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

A. Saha Director

S. Agarwal Director

Bareilly, 18th April, 2007

**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, 2007 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 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, 2007 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2007 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, 2007;
  - 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 the Cash Flow Statements, of the cash flows for the year ended on that date.

For BSR & Co.  
Chartered Accountants  
Bhavesh Dhupelia  
Partner

Mumbai, 20th April, 2007

Membership No. : 042070

**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, 2007, 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 explanations 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 inventories 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 system.

- (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, 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 provident fund, investor education and protection fund, employees' state insurance, sales tax, wealth tax, service tax, custom duty and excise duty.
- There were no dues on account of cess under Section 441A of the Companies Act, 1956 since the aforesaid section has not yet been made effective by the Central Government.
- 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, 2007 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 and also in the 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) According to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments.
- (xv) 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) 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  
Bhavesh Dhupelia  
Partner

Mumbai, 20th April, 2007

Membership No. : 042070

## BALANCE SHEET AS AT 31ST MARCH, 2007

	Schedule	As at 31st March, 2007 (Rs.)	As at 31st March, 2006 (Rs.)
<b>SOURCES OF FUNDS</b>			
Shareholders' Funds			
Share Capital	1	3,80,00,200	3,80,00,200
Loan Funds			
Unsecured Loan	2	7,01,41,239	6,88,66,860
<b>Total</b>		<b>10,81,41,439</b>	<b>10,68,67,060</b>
<b>APPLICATION OF FUNDS</b>			
Fixed Assets	3		
Gross Block		10,19,68,195	10,19,68,195
Less : Accumulated Depreciation		2,27,61,274	2,16,06,261
Provision for Impairment		5,10,01,947	5,10,01,947
Net Block		2,82,04,974	2,93,59,987
Current Assets			
Inventories	4	16,23,715	7,10,011
Sundry Debtors	5	21,180	1,02,126
Cash and Bank Balances	6	2,76,854	69,225
Loans and Advances	7	41	172
		19,21,790	8,81,534
<b>Less : Current Liabilities and Provisions</b>	8		
Current Liabilities		2,30,546	2,14,668
Provisions		500	—
		2,31,046	2,14,668
<b>Net Current Assets/(Liabilities)</b>		<b>16,90,744</b>	<b>6,66,866</b>
<b>Profit &amp; Loss Account</b>		<b>7,82,45,721</b>	<b>7,68,40,207</b>
<b>Total</b>		<b>10,81,41,439</b>	<b>10,68,67,060</b>
Notes to the Accounts	10		
Related Party Disclosure	11		
Significant Accounting Policies	12		

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  
Bhavesh Dhupelia  
Partner  
Membership Number : 042070  
Mumbai, 20th April, 2007

For and on behalf of the Board

S Agarwal Director  
A Saha Director  
Bareilly, April 18, 2007

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2007

	Schedule	For the year ended 31st March, 2007 (Rs.)	For the year ended 31st March, 2006 (Rs.)
<b>INCOME</b>			
Sales and services		33,56,250	4,37,851
Provision written back		—	2,99,560
		<u>33,56,250</u>	<u>7,37,411</u>
<b>EXPENDITURE</b>			
(Increase)/Decrease in Stock		(9,13,704)	(7,10,011)
Purchase		3,51,855	1,26,608
Other Costs	9	41,56,505	26,54,865
Depreciation		<u>11,55,013</u>	<u>11,55,013</u>
<b>TOTAL</b>		<u>47,49,669</u>	<u>32,26,475</u>
<b>Loss before Taxation</b>		<b>(13,93,419)</b>	<b>(24,89,064)</b>
Fringe Benefits Tax		<u>12,095</u>	<u>14,066</u>
<b>Loss after Taxation</b>		<b>(14,05,514)</b>	<b>(25,03,130)</b>
<b>Profit and Loss account Deficit Brought Forward</b>		<b>(7,68,40,207)</b>	<b>(7,43,37,077)</b>
<b>Balance Carried Over</b>		<b>(7,82,45,721)</b>	<b>(7,68,40,207)</b>
Earnings Per Share - Basic and Diluted (Refer Note 3 of Schedule 10)		<b>(0.37)</b>	<b>(0.66)</b>
<b>Notes to the Accounts</b>	10		
<b>Related Party Disclosure</b>	11		
<b>Significant Accounting Policies</b>	12		

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  
Bhavesh Dhupelia  
Partner  
Membership Number : 042070  
Mumbai, 20th April, 2007

For and on behalf of the Board

S Agarwal Director  
A Saha Director  
Bareilly, April 18, 2007

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2007

	For the year ended 31st March, 2007 (Rs.)	For the year ended 31st March, 2006 (Rs.)
<b>A. CASH FLOW FROM OPERATING ACTIVITIES :</b>		
(Loss) / Profit before Taxation	(13,93,419)	(24,89,064)
Adjustments for :		
Depreciation	<u>11,55,013</u>	<u>11,55,013</u>
Operating (Loss) / Profit Before Working Capital Changes	<u>(2,38,406)</u>	<u>(13,34,051)</u>
<b>Adjustments for :</b>		
Loans and Advances	19	—
Sundry Debtors	80,946	(1,02,126)
Inventory	(9,13,704)	(7,10,011)
Current Liabilities	<u>15,878</u>	<u>(2,37,802)</u>
	<b>(8,16,861)</b>	<b>(10,49,939)</b>
Direct Taxes Paid	<u>(11,483)</u>	<u>(21,404)</u>
<b>NET CASH FLOW FROM / (USED IN) OPERATING ACTIVITIES</b>	<b>(10,66,750)</b>	<b>(24,05,394)</b>
<b>B. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Loans from Holding Company	12,74,379	24,65,453
<b>NET CASH FLOW FROM/ (USED IN) FINANCING ACTIVITIES</b>	<b>12,74,379</b>	<b>24,65,453</b>
<b>C. NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS: (A+B)</b>	<b>2,07,629</b>	<b>60,059</b>
<b>D. RECONCILIATION</b>		
CASH AND CASH EQUIVALENTS - AT BEGINNING OF THE YEAR	69,225	9,166
CASH AND CASH EQUIVALENTS - AT THE END OF THE YEAR	<u>2,76,854</u>	<u>69,225</u>
	<b>2,07,629</b>	<b>60,059</b>

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  
Bhavesh Dhupelia  
Partner  
Membership Number : 042070  
Mumbai, 20th April, 2007

For and on behalf of the Board

S Agarwal Director  
A Saha Director  
Bareilly, April 18, 2007

## SCHEDULES TO THE ACCOUNTS

	As at 31st March, 2007 (Rs.)	As at 31st March, 2006 (Rs.)
<b>1. SHARE CAPITAL</b>		
<b>Authorised :</b>		
40,00,000 (2005-06: 40,00,000) Equity Shares of Rs. 10 each	<u>4,00,00,000</u>	<u>4,00,00,000</u>
<b>Issued, Subscribed and Paid-up :</b>		
38,00,020 (2005-06: 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>
<b>Notes:</b>		
– the above includes 38,00,000 (2005-06: 38,00,000) fully paid equity shares 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.		
<b>2. UNSECURED LOANS</b>		
Wimco Seedlings Limited (Holding Company)	<u>6,66,66,892</u>	6,68,01,860
Wimco Limited (Holding Company of Wimco Seedlings Limited)	<u>34,74,347</u>	20,65,000
	<u>7,01,41,239</u>	<u>6,88,66,860</u>

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

## 3. FIXED ASSETS

Description	Gross Block				Depreciation/Impairment					Net Block	
	As at 1st April, 2006	Additions	Deduction	As at 31st March, 2007	Up to 1st April, 2006		Charges For the Year	Up to 31st March, 2007		As at 31st March, 2007	As at 31st March, 2006
					Depreciation	Impairment		Depreciation	Impairment		
Intangible Asset											
Leasehold Land	10,16,90,195	—	—	10,16,90,195	2,15,35,916	5,10,01,947	11,43,228	2,26,79,144	5,10,01,947	2,80,09,104	2,91,52,332
Tangible Assets											
Building	1,79,500	—	—	1,79,500	29,623	—	5,878	35,501	—	1,43,999	1,49,877
Plant & Machinery	60,500	—	—	60,500	25,509	—	1,948	27,457	—	33,043	34,991
Furniture & Fixture	1,500	—	—	1,500	1,500	—	—	1,500	—	—	—
Vehicle	36,500	—	—	36,500	13,713	—	3,959	17,672	—	18,828	22,787
Total	10,19,68,195	—	—	10,19,68,195	2,16,06,261	5,10,01,947	11,55,013	2,27,61,274	5,10,01,947	2,82,04,974	2,93,59,987
2005-06	10,19,68,195	—	—	10,19,68,195	2,04,51,248	5,10,01,947	11,55,013	2,16,06,261	5,10,01,947	2,93,59,987	

	As at 31st March, 2007 (Rs.)	As at 31st March, 2006 (Rs.)	For the year ended 31st March, 2007 (Rs.)	For the year ended 31st March, 2006 (Rs.)
<b>4. INVENTORIES</b>				
Semi Finished Produce	15,40,915	7,10,011		
Finished Goods / Produce	82,800	—		
	<u>16,23,715</u>	<u>7,10,011</u>		
<b>5. DEBTORS</b>				
Unsecured - Considered Good:				
Under six months	21,180	1,02,126		
	<u>21,180</u>	<u>1,02,126</u>		
<b>6. CASH AND BANK BALANCES</b>				
Cash in Hand	9,842	5,203		
Balance with a Scheduled Bank				
– On Current Account	2,67,012	64,022		
	<u>2,76,854</u>	<u>69,225</u>		
<b>7. LOANS AND ADVANCES</b>				
Advance recoverable in Cash or in Kind or for value to be received	—	19		
Tax paid	41	41		
Advance Fringe Benefits Tax	—	112		
	<u>41</u>	<u>172</u>		
<b>8. CURRENT LIABILITIES &amp; PROVISIONS</b>				
<b>Current Liabilities</b>				
Sundry Creditors	1,44,936	1,63,558		
Advance received from customers	80,000	45,500		
Other Liabilities	5,610	5,610		
	<u>2,30,546</u>	<u>2,14,668</u>		
<b>Provisions</b>				
Fringe Benefit Tax	500	—		
	<u>500</u>	<u>—</u>		
<b>9. OTHER COSTS</b>				
Plantation & Cultivation	15,78,264	5,39,569		
Deputation Charges	9,23,127	9,04,799		
Travelling and Conveyance	1,45,097	86,900		
Power & Fuel	8,49,839	6,55,239		
Rent	8,197	8,197		
Rates and Taxes	22,059	37,392		
Legal & Professional	3,00,079	1,04,756		
Insurance	11,003	8,796		
Auditor's Remuneration				
– Audit Fees	1,00,000	1,00,000		
– Out of pocket expenses	5,040	3,460		
Repair & Maintenance				
– Building	27,029	22,088		
– Plant and Machinery	53,938	51,533		
– Others	76,282	1,06,861		
Communication	7,071	6,659		
Printing & Stationery	16,930	10,853		
Bank Charges	1,451	2,368		
Tools Consumed	2,335	3,254		
Donation	—	610		
Other Expenses	28,764	1,531		
	<u>41,56,505</u>	<u>26,54,865</u>		

## SCHEDULES TO THE ACCOUNTS

## 10. NOTES TO THE ACCOUNTS

- 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 Order passed by the District Magistrate authorising the State revenue authorities to take possession of the land leased to the Company has been stayed by the order of the High Court.

## 3. Earning per share

The computation of earnings per share is set out below:

	As at 31st March, 2007	As at 31st March, 2006
Net (Loss)/ Profit attributable to equity shareholders (Rs.) (A)	(14,05,514)	(25,03,130)
Weighted average number of equity shares outstanding during the year (Rs.) (B)	38,00,020	38,00,020
Earnings per share of face value Rs. 10 [(A)/(B)]	(0.37)	(0.66)

## 4. Segment information

The Company's activities involve predominantly business of growing & selling agricultural produce in India which is considered to be a single business segment since these are subject to similar risks and returns. Further, the business is carried out in India and product sold primarily in India and hence there are no reportable geographical segments. Hence the financial statements are reflective of the information required by Accounting Standard 17 - Segment Reporting issued by the Institute of Chartered Accountants of India.

- 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 current as well as previous financial years.

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

## 7. Quantitative details

Particulars	Unit	31-Mar-07		31-Mar-06	
		Quantity	Rs.	Quantity	Rs.
(a) <b>OPENING STOCK</b>					
<u>Semi Finished</u>					
– Agriculture produce		—	7,10,011	—	—
(b) <b>PURCHASE</b>					
– Seeds		—	3,18,735	—	1,26,608
– Poplar ETPs		—	33,120	—	—
(c) <b>SALES</b>					
– Wheat	Qtls	1,921	17,53,635	—	—
– Paddy	Qtls	2,011	12,52,546	—	—
– Sugarcane	Qtls	77	19,509	1,452	1,66,995
– Others		—	3,30,560	—	2,70,856
(d) <b>CLOSING STOCK</b>					
<u>Semi Finished</u>					
– Agriculture produce		—	15,40,915	—	7,10,011
<u>Finished Stock</u>					
– Agriculture produce		—	82,800	—	—

- 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 year's presentation.

## 11. RELATED PARTIES TRANSACTION

## 1. Parties exercising control over the Company

ITC Limited - Ultimate Holding Company #  
 Russell Credit Ltd. - Holding Company of Wimco Limited #  
 Wimco Limited - Holding Company of Wimco Seedlings Limited  
 Wimco Seedlings Limited - Holding Company  
 # no transaction during the year

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

Pavan Poplar Limited (PPL)

## 3. Transaction between related parties

(Rs.)

PARTICULARS	HOLDING COMPANY				FELLOW SUBSIDIARY COMPANIES		TOTAL	
	Wimco Limited		Wimco Seedlings Limited		PPL		2006-07	2005-06
	2006-07	2005-06	2006-07	2005-06	2006-07	2005-06		
Purchases	—	—	33,120	—	—	—	33,120	—
Loans taken	22,09,347	20,65,000	9,07,266	14,74,738	—	—	31,16,613	35,39,738
Loan repayment	8,00,000	—	10,75,354	10,74,284	—	—	18,75,354	10,74,284
Loans given	—	—	—	—	34,57,394	13,83,441	34,57,394	13,83,441
Receipts towards loan repayments	—	—	—	—	34,57,394	13,83,441	34,57,394	13,83,441
Outstanding unsecured loans	34,74,347	20,65,000	6,66,66,892	6,68,01,860	—	—	7,01,41,239	6,88,66,860

## 12. 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.

The accumulated losses of the Company as at March 31, 2007 have resulted in erosion of Company's net worth. At the year end, the Company's current assets exceeded its current liabilities by Rs. 16,90,744 (2005-06: Rs. 6,66,866) and its total liabilities exceeded its current assets by Rs. 6,84,50,495 (2005-06: Rs. 6,81,99,994). 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).

## SCHEDULES TO THE ACCOUNTS

## 12. SIGNIFICANT ACCOUNTING POLICIES (Contd.)

## 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

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

Building and civil works on leasehold land are charged on straight-line basis over the period of lease.

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

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, 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.

## 4. Inventories

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

## 5. Revenue recognition

Revenue from sale of goods is recognized on transfer of all significant risks and rewards of ownership to the buyer.

## 6. 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. Where there is a possible or a present obligation and the likelihood of outflow of resources is remote, no provision or disclosure is made.

## 7. Taxation

Income-tax expense comprises current tax, fringe benefit tax and deferred tax charge or credit. Current tax and fringe benefit tax is determined in accordance with the Income Tax Act 1961. 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. As the Company is engaged in growing and selling agricultural produce, such income is exempt under Income Tax. Accordingly, there are no deferred tax assets/liabilities arising therefrom.

## 8. Earning per share ('EPS')

The basic earnings per share ('EPS') is computed by dividing the net profit attributable to the equity shareholders for the year by the weighted average number of equity shares outstanding during the reporting period. Diluted EPS is computed by dividing the net profit attributable to the equity shareholders for the year by the weighted average number of equity and equivalent dilutive equity shares outstanding during the year, except where the results would be anti-dilutive.

For and on behalf of the Board

S Agarwal Director

A Saha Director

Bareilly, April 18, 2007

### 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   
+ - Profit/Loss After Tax   
(Please tick appropriate box + for profit, - for loss)  
+ - Earnings per Share in Rs.   
+ - Dividend Rate % age   
(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



**REPORT OF THE DIRECTORS FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2007**

Your Directors present their Report for the financial year ended on 31st March, 2007.

**Performance**

During the year, the Company has incurred a net loss of Rs. 2.01 lakhs as against as net loss of Rs. 9.49 lakhs incurred in the last year.

**Dividend**

In view of loss during the year under review, your directors regret their inability to recommend any dividend.

**Directors**

During the year, Mr. V. Malhotra and Dr. J.P. Chandra, resigned as Directors of the Company with effect from 31st March, 2007. The Board places on record its appreciation for the services rendered by them during their tenure as Director of the Company.

Mr. A. Saha was appointed as Additional Director of the Company during the year and hold office up to the date of the ensuing Annual General Meeting. Notice in writing pursuant to Section 257 of the Companies Act, 1956 has been received from a member signifying his intention to propose the candidature of Mr. A. Saha for the office of Director. Your Directors have pleasure in recommending his appointment.

Mr. S. Agarwal, retires by rotation at the ensuing Annual General Meeting and being eligible, offer himself 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 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, 2007 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 M/s. A. Saha, C.R. Sivaramakrishnan and 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.

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

S. Saha Director

S. Agarwal Director

Bareilly, 18th April, 2007

**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, 2007 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. 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, 2007 and taken on record by the Board of Directors, we report that none of the directors are disqualified as on 31st March, 2007 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, 2007;
  - 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

Bhavesdh Dhupelia  
Partner

Mumbai, 20th April, 2007

Membership No. : 04070

**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, 2007, 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 explanations 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 inventories 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 system.

- (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, custom duty and excise duty.
- There were no dues on account of cess under section 441A of the Companies Act, 1956 since the aforesaid section has not yet been made effective by the Central Government.
- 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 31 March 2007 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 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, 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) According to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments.
- (xv) 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) 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

Bhavesh Dhupelia  
Partner

Membership No: 042070

Mumbai, 20th April, 2007

## BALANCE SHEET AS AT 31ST MARCH, 2007

	Schedule	As at 31st March, 2007 (Rs.)	As at 31st March, 2006 (Rs.)
<b>I. SOURCES OF FUNDS</b>			
1. <b>Shareholders' Funds</b>			
a) Share Capital	1	5,51,00,040	5,51,00,040
b) Reserves & Surplus	2	1,48,72,847	1,50,73,740
		<u>6,99,72,887</u>	<u>7,01,73,780</u>
2. <b>Loan Funds</b>			
Unsecured Loans	3	1,57,30,009	1,56,39,921
<b>Total</b>		<u>8,57,02,896</u>	<u>8,58,13,701</u>
<b>II. APPLICATION OF FUNDS</b>			
1. <b>Fixed Assets</b>	4		
a) Gross Block		4,49,33,855	4,49,33,855
b) Less : Accumulated depreciation		1,34,62,386	1,23,10,877
Provision for Impairment		32,59,487	32,59,487
c) Net Block		<u>2,82,11,982</u>	<u>2,93,63,491</u>
3. <b>Current Assets, Loans and Advances</b>			
a) Inventories	5	19,81,192	12,20,151
b) Sundry Debtors	6	89,21,498	89,06,812
c) Cash and Bank Balances	7	7,47,153	2,24,638
d) Loans and Advances	8	4,85,30,273	4,85,74,503
		<u>6,01,80,116</u>	<u>5,89,26,104</u>
Less :			
4. <b>Less : Current Liabilities &amp; Provisions</b>			
a) Current Liabilities	9	21,97,618	22,33,128
b) Provisions	10	4,91,584	2,42,766
		<u>26,89,202</u>	<u>24,75,894</u>
<b>Net Current Assets</b>		<u>5,74,90,914</u>	<u>5,64,50,210</u>
<b>Total</b>		<u>8,57,02,896</u>	<u>8,58,13,701</u>
<b>Notes to the Accounts</b>	15		
<b>Related Party Disclosure</b>	16		
<b>Significant Accounting Policies</b>	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  
Bhavesh Dhupelia  
Partner  
Membership No : 042070  
Mumbai, 20th April, 2007

For and on behalf of the Board

S. Agarwal Director  
A. Saha Director  
Dr. R. C. Dhiman Manager  
Bareilly, 18th April, 2007

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2007

	Schedule	For the year ended 31st March, 2007 (Rs.)	For the year ended 31st March, 2006 (Rs.)
<b>I. INCOME</b>			
Sales		64,18,699	28,64,657
Other Income	11	<u>3,628</u>	<u>2,22,362</u>
		<u>64,22,327</u>	<u>30,87,019</u>
<b>II. EXPENDITURE</b>			
(Increase) / Decrease in Stock		(7,61,041)	(12,20,151)
Purchase		2,09,641	2,89,591
Employee Costs	12	15,24,784	10,55,219
Other Costs	13	44,85,200	27,50,870
Depreciation/Amortisation		<u>11,51,509</u>	<u>11,51,509</u>
		<u>66,10,093</u>	<u>40,27,038</u>
<b>III. (Loss) / Profit before Taxation</b>		<u>(1,87,766)</u>	<u>(9,40,019)</u>
Fringe Benefits Tax		13,128	9,109
(Loss) / Profit after Taxation		<u>(2,00,894)</u>	<u>(9,49,128)</u>
Balance in profit and loss account brought forward		<u>1,45,73,740</u>	<u>1,55,22,868</u>
Profit and loss account balance carried forward		<u>1,43,72,847</u>	<u>1,45,73,740</u>
Earnings per share (in Rs.) - Basic and Diluted (Refer Note 7 of Schedule 14)		(0.04)	(0.17)

Notes to Accounts	14
Related Party disclosure	15
Significant Accounting Policies	16

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  
Bhavesh Dhupelia  
Partner  
Membership No : 042070  
Mumbai, 20th April, 2007

For and on behalf of the Board

S. Agarwal Director  
A. Saha Director  
Dr. R. C. Dhiman Manager  
Bareilly, 18th April, 2007

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2007

	For the year ended 31st March, 2007 (Rs.)	For the year ended 31st March, 2006 (Rs.)
<b>A. CASH FLOW FROM OPERATING ACTIVITIES :</b>		
(Loss) / Profit before Taxation	(1,87,766)	(9,40,019)
Adjustment for :		
Amortisation	<u>11,51,509</u>	<u>11,51,509</u>
Operating (Loss) / Profit Before Working Capital Changes	<u>9,63,743</u>	<u>2,11,490</u>
<b>Adjustment for :</b>		
Debtors	(14,686)	(6,19,724)
Inventory	(7,61,042)	(12,20,151)
Loans and Advances	44,436	(259)
Current Liabilities and Provisions	<u>2,13,308</u>	<u>(1,76,161)</u>
	<u>(5,17,984)</u>	<u>(20,16,295)</u>
Direct Taxes Paid	<u>(13,333)</u>	<u>(9,253)</u>
<b>NET CASH FLOW FROM OPERATING ACTIVITIES</b>	<u>4,32,426</u>	<u>(18,14,058)</u>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES:</b>		
Proceeds from Borrowings :		
Loan from a Holding Company	90,089	20,20,000
<b>NET CASH FLOW FROM FINANCING ACTIVITIES</b>	<u>90,089</u>	<u>20,20,000</u>
<b>C. NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS :</b>		
(A+B+C)	<u>5,22,515</u>	<u>2,05,942</u>
<b>E. RECONCILIATION</b>		
CASH AND CASH EQUIVALENTS - AT BEGINNING OF THE YEAR		
Cash and Bank Balances	2,24,638	18,696
CASH AND CASH EQUIVALENTS - AT THE END OF THE YEAR		
Cash and bank Balances	<u>7,47,153</u>	<u>2,24,638</u>
	<u>5,22,515</u>	<u>2,05,942</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  
Bhavesh Dhupelia  
Partner  
Membership No : 40780  
Mumbai, 20th April, 2007

For and on behalf of the Board

S. Agarwal Director  
A. Saha Director  
Dr. R. C. Dhiman Manager  
Bareilly, 18th April, 2007

## SCHEDULES TO THE ACCOUNTS

	As at 31st March, 2007 (Rs.)	As at 31st March, 2006 (Rs.)
<b>1. SHARE CAPITAL</b>		
Authorised :		
1,00,00,000 (2005-06 : 1,00,00,000) equity shares of Rs. 10 each	<u>10,00,00,000</u>	<u>10,00,00,000</u>
Issued, Subscribed and paid up capital :		
55,10,004 (2005-06 : 55,10,004) equity shares of Rs. 10 each fully paid up.	<u>5,51,00,040</u>	<u>5,51,00,040</u>
Of the above, 38,00,000 (2005-06 : 38,00,000) equity shares of Rs. 10 each issued for consideration other than cash.		
55,10,004 (2005-06 : 55,10,004) equity shares are held by Wimco Seedlings Limited, the holding company and its nominees.		
<b>2. RESERVES AND SURPLUS</b>		
General Reserve	<u>5,00,000</u>	<u>5,00,000</u>
Profit & Loss Account	<u>1,43,72,847</u>	<u>1,45,73,740</u>
	<u>1,48,72,847</u>	<u>1,50,73,740</u>
<b>3. LOAN</b>		
Unsecured :		
– Wimco Limited (Ultimate Holding Company)	<u>1,57,30,009</u>	<u>1,56,39,921</u>
(Interest free, with no stipulation as to repayment terms)	<u>1,57,30,009</u>	<u>1,56,39,921</u>
<b>4. FIXED ASSETS</b>		

Description	GROSS BLOCK			ACCUMULATED DEPRECIATION/AMORTISATION/IMPAIRMENT					NET BLOCK	
	As at 1st April, 2006 (Rs.)	Additions during the period (Rs.)	As at 31st March, 2007 (Rs.)	Accumulated As at April, 2006		Charge for the period (Rs.)	Accumulated As at 31st March, 2007		As at 31st March, 2007 (Rs.)	As at 31st March, 2006 (Rs.)
				Depreciation (Rs.)	Impairment (Rs.)		Depreciation (Rs.)	Impairment (Rs.)		
Intangible Asset										
Leasehold Land	4,49,33,855	—	4,49,33,855	1,23,10,877	32,59,487	11,51,509	1,34,62,386	32,59,487	2,82,11,982	2,93,63,491
Total	4,49,33,855	—	4,49,33,855	1,23,10,877	32,59,487	11,51,509	1,34,62,386	32,59,487	2,82,11,982	2,93,63,491
2004-05	4,49,33,855	—	4,49,33,855	1,11,59,368	32,59,487	11,51,509	1,23,10,877	32,59,487	2,93,63,491	

	As at 31st March, 2007 (Rs.)	As at 31st March, 2006 (Rs.)		As at 31st March, 2007 (Rs.)	As at 31st March, 2006 (Rs.)
<b>5. INVENTORIES</b>			Taxes paid	<u>33,854</u>	<u>33,854</u>
Semi Finished Produce	<u>19,48,064</u>	<u>12,06,913</u>	Advanced Fringe Benefits Tax	<u>349</u>	<u>144</u>
Finished Goods/Produce	<u>33,128</u>	<u>13,238</u>	Interest accrued on investments	<u>2,500</u>	<u>—</u>
	<u>19,81,192</u>	<u>12,20,151</u>		<u>4,85,30,273</u>	<u>4,85,74,503</u>
<b>6. SUNDRY DEBTORS</b>			<b>9. CURRENT LIABILITIES</b>		
Unsecured, considered good			Sundry Creditors	<u>5,20,852</u>	<u>5,61,416</u>
[Refer Note (1) (ii) of Schedule 14]			Other current liabilities	<u>16,76,766</u>	<u>16,71,712</u>
Debts outstanding for a period exceeding six months.	<u>82,87,088</u>	<u>82,87,088</u>		<u>21,97,618</u>	<u>22,33,128</u>
Other debts	<u>6,34,410</u>	<u>6,19,724</u>	<b>10. PROVISIONS</b>		
	<u>89,21,498</u>	<u>89,06,812</u>	Leave encashment	<u>64,376</u>	<u>52,524</u>
(Debtors include Rs. 82,87,088 (2005-06: Rs. 82,87,088) due from Wimco Seedlings Limited, the holding company)			Gratuity	<u>4,27,208</u>	<u>1,90,242</u>
				<u>4,91,584</u>	<u>2,42,766</u>
<b>7. CASH AND BANK BALANCES</b>			<b>For the year ended 31st March, 2007 (Rs.)</b>		<b>For the year ended 31st March, 2006 (Rs.)</b>
Cash in Hand	<u>1,010</u>	<u>1,716</u>			
Balance with Scheduled Banks			<b>11. OTHER INCOME</b>		
– On Current Accounts	<u>7,06,143</u>	<u>1,82,922</u>	Provision no longer required written back	<u>1,128</u>	<u>2,22,362</u>
– On Deposit Accounts	<u>40,000</u>	<u>40,000</u>	Interest accrued on investment	<u>2,500</u>	<u>—</u>
	<u>7,47,153</u>	<u>2,24,638</u>		<u>3,628</u>	<u>2,22,362</u>
<b>8. LOANS AND ADVANCES</b>			<b>12. EMPLOYEE COSTS</b>		
Unsecured and considered good			Salary, wages and bonus	<u>10,83,258</u>	<u>9,47,811</u>
Loans and advances to Wimco Seedlings Limited, the holding company	<u>4,84,82,129</u>	<u>4,85,38,549</u>	Staff & worker expenses	<u>38,423</u>	<u>22,168</u>
[Refer Note (1) (i) of Schedule 14]			Contribution to provident & other funds	<u>1,01,724</u>	<u>85,240</u>
Maximum amount outstanding at any time during the year			Leave encashment	<u>33,513</u>	<u>—</u>
Rs. 4,85,38,549 (2005-06: Rs. 4,85,38,549)			Gratuity	<u>2,67,866</u>	<u>—</u>
Advances recoverable in cash or in kind or for value to be received	<u>11,441</u>	<u>1,956</u>		<u>15,24,784</u>	<u>10,55,219</u>

## SCHEDULES TO THE ACCOUNTS

	For the year ended 31st March, 2007 (Rs.)	For the year ended 31st March, 2006 (Rs.)
<b>13. OTHER COSTS</b>		
Plantation & cultivation	26,27,416	13,62,187
Travelling & conveyance expenses	1,53,903	81,758
Power & fuel	8,73,751	7,38,807
Rent	7,760	7,760
Rates and taxes	74,877	33,580
Legal and professional fees	3,90,751	1,86,275
Insurance	16,129	14,068
Auditors remuneration		
– Statutory audit fees	1,00,000	1,00,000
– Out of pocket expenses	5,120	3,840
Repair & maintenance		
– Building	27,024	25,377
– Plant and machinery	53,932	51,632
– Others	76,277	1,07,715
Communication	5,522	6,630
Printing & stationary	13,435	8,893
Bank charges	2,343	4,368
Tools consumed	2,331	2,741
Donation	500	10,933
Other expenses	54,129	4,306
	<b>44,85,200</b>	<b>27,50,870</b>

## 14. NOTES TO THE ACCOUNTS

- 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 out standing 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, 2007 is Rs. 4,84,82,129 (2005-06: Rs. 4,85,38,549).  
In view of the fact that the profitability of Wimco Seedlings Limited has improved considerably and based on the commitment given by Wimco Seedlings Limited towards repayment of these loans, the management is confident of recovering these loan and advances and accordingly no provision considered necessary.
  - Debtors include amount due Rs. 82,87,088 (2005-06: Rs. 82,87,088).
- Claims against the Company not acknowledged as debts Rs.6,64,524 (2005-06: Rs.6,64,524). These comprise:  
Local authority Taxes/Cess/Royalty on property, utilities etc. claims disputed by the Company relating to issues of applicability and determination aggregating Rs. 6,64,524 (2005-06: Rs. 6,64,524)
- 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 order passed by the District Magistrate authorizing the State revenue authorities to take possession of the land leased to the Company has been stayed by the order of the High Court.
- Employee Defined Benefits  
Effective April 1, 2006 the Company adopted the revised accounting standard on employee benefits. Pursuant to the adoption, there are no transitional obligations. The following table sets out the status as required under AS 15.

	Defined Benefit Plans	
	Gratuity UNFUNDED	Leave Encashment UNFUNDED
<b>Change in obligation during the year ended March 31, 2007</b>		
1. Obligation at period beginning	1,90,242	52,524
2. Service Cost	34,395	14,755
3. Interest Cost	13,109	3,127
4. Actuarial (Gains) / Losses	2,20,362	15,629
5. Benefits payments	(30,900)	(21,659)
6. Obligations at period end	4,27,208	64,376
<b>Change in plan Assets</b>		
1. Plan assets at the beginning of the year	—	—
2. Expected return on plan assets	—	—
3. Contribution by employers	30,900	21,659
4. Actual benefits paid	(30,900)	(21,659)
5. Actuarial (Gains) / Losses	—	—
6. Plan assets at the end of the year	Nil	Nil

	Defined Benefit Plans	
	Gratuity UNFUNDED	Leave Encashment UNFUNDED
<b>Reconciliation of present value of the obligation and the fair value of the plan assets</b>		
1. Fair value of plan asset at the end of the year	—	—
2. Present value of the defined benefit obligations at the end of the period	4,27,208	64,376
3. Asset recognised in the balance sheet	(4,27,208)	(64,376)
<b>Cost for the period</b>		
1. Service Cost	34,395	14,755
2. Interest Cost	13,109	3,127
3. Expected Return on Plan Asset	—	—
4. Actuarial (Gains) / Losses	2,20,362	15,629
<b>Net cost</b>	2,67,866	33,511
<b>Investment details of plan assets</b>		
The Gratuity Scheme is invested in a Group-cum-Life Assurance cash accumulation policy offered by Life Insurance Corporation (LIC) of India		
<b>Actual return on plan assets</b>	—	—
<b>Actuarial Assumptions:</b>		
1. Discount Rate	7.50%	7.50%
2. Salary Escalation	5.00%	5.00%
3. Expected return on plan assets	N/A	N/A

Basis used to determine expected rate of return on assets:

The invested return earned on the policy comprises bonuses declared by LIC having regard to LIC's investment earnings. The information on the allocation of the fund into major asset classes and expected return on each major class are not readily available

## 7. Earnings per share :

	2006-07	2005-06
(Loss) / Profit for the Year		
After Taxation (Rs.) (A)	(2,00,894)	(9,49,128)
Weighted Average number of Equity Shares outstanding during the year (B)	55,10,004	55,10,004
Earnings per Share – Basic and Diluted (Rs.) (A/B)	(0.04)	(0.17)
Nominal Value of an Equity Share	10	10

## 8. Segment information

The Company's activities involve predominantly business of growing & selling agricultural produce in India which is considered to be a single business segment since these are subject to similar risks and returns. Further, the business is carried out in India and product sold primarily in India and hence there are no reportable geographical segments. Hence the financial statements are reflective of the information required by Accounting Standard 17- Segment Reporting issued by the Institute of Chartered Accountants of India.

- 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 Companies Act, 1956 are either nil or not applicable to the Company for the current as well as previous financial years.
- Refer annexure for additional information pursuant to Part IV of Schedule VI to the Act.
- Quantitative details\*

Particulars	Unit	31st March, 2007	31st March, 2006
		Quantity	Rs.
<b>(a) OPENING STOCK</b>			
Semi Finished			
– Agriculture produce		—	—
Finished stock			
– Agriculture produce		—	—
<b>(b) PURCHASE</b>			
– Poplar ETPs		—	34,960
– Seeds		—	2,54,631
<b>(c) SALES</b>			
– Sugarcane	Qtls	22,497	28,94,763
– Paddy	Qtls	1,481	5,30,863
– Wheat	Qtls	3,261	26,19,993
– Others		—	3,73,080
<b>(d) CLOSING STOCK</b>			
Semi Finished			
– Agriculture produce		—	19,48,064
Finished stock			
– Agriculture produce		—	33,128
			12,06,913
			13,238

- The Company has not appointed a whole time Company Secretary as required by Section 383 A of The Companies Act, 1956 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 year's presentation.

## SCHEDULES TO THE ACCOUNTS

## 15. RELATED PARTIES TRANSACTION

## a) Parties exercising control over the Company

ITC Limited #	- Ultimate holding Company of Wimco Limited
Russell Credit Ltd. #	- Holding Company of Wimco Limited
Wimco Limited	- Holding Company of Wimco Seedlings Limited
Wimco Seedlings Ltd.	- Holding Company
# no transaction during the financial year 2006-07	

## b) Other related parties with whom the company had transactions, etc

**Fellow Subsidiary Company**  
Pavan Poplar Limited (PPL)

## c) Transactions between related parties

(Rs.)

	HOLDING COMPANY				FELLOW SUBSIDIARY COMPANIES		TOTAL	
	Wimco Limited		Wimco Seedlings Limited		PAFL		2006-07	2005-06
	2006-07	2005-06	2006-07	2005-06	2006-07	2005-06		
Purchases of raw materials and components	—	—	—	86,480	—	—	—	86,480
Loans given	—	—	25,87,388	11,69,125	—	—	25,87,388	11,69,125
Receipts towards loan repayments	—	—	26,43,808	10,82,645	—	—	26,43,808	10,82,945
Loans taken	23,90,088	20,20,000	—	—	34,57,394	13,83,441	58,47,482	34,03,441
Loan repayment	23,00,000	—	—	—	34,57,394	13,83,441	57,57,394	13,83,441
Outstanding Loans and Advances	—	—	4,84,82,129	4,85,38,549	—	—	4,84,82,129	4,85,38,549
Outstanding unsecured loans	1,57,30,009	1,56,39,921	—	—	—	—	1,57,30,009	1,56,39,921
Outstanding Debtors	—	—	82,87,088	82,87,088	—	—	82,87,088	82,87,088

## 16. 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

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.

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, 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.

## 4. Inventories

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

## 5. Retirement benefits

Contribution to Provident Fund is charged to Profit and Loss account as incurred. Gratuity and leave encashment costs, which are defined benefits, are accrued based on actuarial valuations performed by an independent actuary at the Balance Sheet date.

## 6. Revenue recognition

Revenue from sale of goods is recognized on transfer of all significant risks and rewards of ownership to the buyer.

## 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. Where there is a possible or a present obligation and the likelihood of outflow of resources is remote, no provision or disclosure is made.

## 8. Taxation

Income-tax expense comprises current tax, fringe benefit tax and deferred tax charge or credit. Current tax and fringe benefit tax is determined in accordance with the Income Tax Act 1961. 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. As the Company is engaged in growing and selling agricultural produce, such income is exempt under Income Tax. Accordingly, there are no deferred tax assets/liabilities arising therefrom.

## 9. Earnings per share ('EPS')

The basic earnings per share ('EPS') is computed by dividing the net profit attributable to the equity shareholders for the year by the weighted average number of equity shares outstanding during the reporting period. Diluted EPS is computed by dividing the net profit attributable to the equity shareholders for the year by the weighted average number of equity and equivalent dilutive equity shares outstanding during the year, except where the results would be anti-dilutive.

Bareilly, 18th April, 2007

For and on behalf of the Board  
S. Agarwal Director  
A. Saha Director  
Dr. R. C. Dhiman Manager





**REPORT OF THE DIRECTORS FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2007**

Your Directors submit their Report and Accounts for the financial year ended 31st March, 2007.

**Performance**

During the financial year ended 31st March, 2007, your Company recorded an income of Rs. 77.62 crores (previous year - Rs. 66.81 crores), profit before tax of Rs. 31.00 crores (previous year - Rs. 25.75 crores) and profit after tax of Rs. 20.69 crores (previous year - Rs. 17.66 crores) after providing for income tax of Rs. 10.31 crores (previous year - Rs. 8.09 crores). Earnings per share for the year stands at Rs. 8.62 (previous year Rs. 7.36). Cash Flow from Operations were Rs. 33.66 crores during the year (previous year Rs. 29.24 crores). Your Directors are pleased to recommend a dividend of Rs. 2.00 (previous year Rs. 2.00) per equity share for the year ended 31st March, 2007. Your Board further recommends a transfer to General Reserve of Rs. 1.55 crores (previous year - Rs. 1.32 crores).

Your Company's Hotel viz., ITC Hotel Kakatiya Sheraton & Towers renovated 72 Guest Rooms during the year, out of which 6 rooms were positioned as ITC One. During the year the Coffee Shop was also renovated at a cost of Rs. 3.20 crores providing luxurious ambience and positioned as the only contemporary 24 hours eatery truly global with the best of Hyderabad offerings. Your Company is planning to invest Rs. 14 crores in the coming financial year 2007-08 towards upgrading various facilities in your Company's Hotel ITC Hotel Kakatiya Sheraton & Towers which includes setting up of a world class Spa, renovation of additional 38 rooms, conversion of Peshawri restaurant into Kebab & Kurries and setting up of a new restaurant.

Your Company has entered into a License agreement with Sheraton International Inc. on 12th April, 2007, subject to the Government approval, pursuant to which your Company's hotel will now be operated under the Luxury Collection Brand. Application for obtaining the necessary approval from the Government of India is under process.

Your Company's Hotel also has implemented 'Six Sigma' quality initiatives during the year to further enhance service edge.

**Foreign Exchange Earnings and Outflow**

During the year, your Company earned foreign exchange of Rs. 46.05 crores (previous year - Rs. 34.05 crores). The utilisation of foreign exchange was Rs. 2.81 crores (previous year Rs. 1.89 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. During the year your Company's Hotel, ITC Hotel Kakatiya Sheraton & Towers received various awards / recognitions, significant amongst which are 'Environment Champion Among Large Hotels' by Federation of Hotel & Restaurant Associations of India, 'Greentech Silver Safety Award' in service sector for outstanding achievement in safety management by Greentech Foundation, 'Certificate of Appreciation' by Energy Conservation Mission and The Institution of Engineers (India) and 'HACCP Certification' for Food Safety System by Det Norske Veritas.

**Directors**

In accordance with the provisions of Article 151 of the Articles of Association of the Company, Mr. Pradeep Reddy and Mr. Nakul Anand will be retiring by rotation at the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment.

**Human Resource**

Your Company continues to attract and retain talent of the highest quality. Your Company has initiated various training and development programmes to sustain competitive edge.

The relationship between the staff and the management continued to be very cordial.

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 27th April, 2007 and recommended the same for the approval of the Board of Directors.

On behalf of the Board

G. Sivakumar Reddy

Chairman

Hyderabad, 27th April, 2007

**AUDITORS' REPORT TO THE MEMBERS OF SRINIVASA RESORTS LIMITED**

- We have audited the attached Balance Sheet of Srinivasa Resorts Limited as at March 31, 2007, 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.
- 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.
- 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 Act;
- On the basis of written representations received from the Directors as on March 31, 2007 and taken on record by the Board of Directors, none of the Directors is disqualified as on March 31, 2007 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 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, 2007;
  - in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
  - in the case of Cash Flow Statement, of the cash flows for the year ended on that date.

Srinivas Talluri

Partner

Membership No. : 29864

For and on behalf of

Lovelock & Lewes

Chartered Accountants

Hyderabad, 27th April, 2007

**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 as at and for the year ended March 31, 2007]

- The Company is maintaining proper records showing full particulars including quantitative details and situation of fixed assets.
  - 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.
  - 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.

- The inventory has been physically verified by the management during the year. In our opinion, the frequency of verification is reasonable.
  - 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.
  - 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.
- 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, employees' state insurance, income-tax, sales tax, wealth tax, service tax, customs duty, cess and other material statutory dues as applicable with the appropriate authorities. Investor Education and Protection Fund and 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, wealth tax, service tax, customs duty and cess which have not been deposited on account of any dispute except 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 (Rs. 47,11,300 paid under protest)	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

Excise duty is not applicable to the Company for the current year.

10. The Company has no accumulated losses as at March 31, 2007, 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.

Srinivas Talluri

Partner

Membership No. : 29864

For and on behalf of

Lovelock & Lewes

Chartered Accountants

Hyderabad, 27th April, 2007

## BALANCE SHEET AS AT 31ST MARCH, 2007

	Schedule	31st March, 2007 (Rs.)	31st March, 2006 (Rs.)
<b>I. SOURCES OF FUNDS</b>			
1. <b>Shareholders' Funds</b>			
a) Capital	1	24,00,00,000	24,00,00,000
b) Reserves and Surplus	2	46,64,15,051	31,56,23,323
		<b>70,64,15,051</b>	<b>55,56,23,323</b>
2. <b>Deferred Tax Liability - Net Total</b>	3	<b>7,93,89,468</b>	<b>8,10,12,830</b>
		<b>78,58,04,519</b>	<b>63,66,36,153</b>
<b>II. APPLICATION OF FUNDS</b>			
1. <b>Fixed Assets</b>	4		
a) Gross Block		70,66,16,207	65,44,83,558
b) Less : Depreciation		23,44,44,584	21,27,54,444
c) Net Block		47,21,71,623	44,17,29,114
d) Capital Work-in-Progress		92,78,194	59,66,211
		<b>48,14,49,817</b>	<b>44,76,95,325</b>
2. <b>Investments</b>	5	<b>22,15,89,270</b>	<b>12,79,26,512</b>
3. <b>Current Assets, Loans and Advances</b>			
a) Inventories	6	92,90,539	70,90,178
b) Sundry Debtors	7	1,97,12,605	2,89,41,474
c) Cash and Bank Balances	8	16,11,57,161	13,40,09,899
d) Other Current Assets	9	74,51,020	54,22,662
e) Loans and Advances	10	3,13,96,360	2,16,42,866
		<b>22,90,07,685</b>	<b>19,71,07,079</b>
<b>Less :</b>			
4. <b>Current Liabilities and Provisions</b>			
a) Liabilities	11	8,95,14,653	8,04,99,763
b) Provisions	12	5,67,27,600	5,55,93,000
		<b>14,62,42,253</b>	<b>13,60,92,763</b>
<b>Net Current Assets</b>		<b>8,27,65,432</b>	<b>6,10,14,316</b>
<b>Total</b>		<b>78,58,04,519</b>	<b>63,66,36,153</b>
<b>Notes to the Accounts</b>	19		
<b>Significant Accounting Policies</b>	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.

Srinivas Talluri  
Partner

For and on behalf of  
Lovelock & Lewes

Chartered Accountants

Hyderabad, 27th April, 2007

On behalf of the Board

N. R. Pradeep Reddy Director  
Kuldeep Bhartee Managing Director  
S. Sankar Company Secretary & Financial Controller

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2007

	Schedule	For the year ended 31st March, 2007 (Rs.)	For the year ended 31st March, 2006 (Rs.)
<b>I. INCOME</b>			
Gross Income from Operations		80,56,33,755	69,09,22,638
Less : Taxes		5,50,13,362	3,93,46,414
Net Income from Operations	13	75,06,20,393	65,15,76,224
Other Income	14	2,55,75,042	1,65,42,663
		<u>77,61,95,435</u>	<u>66,81,18,887</u>
<b>II. EXPENDITURE</b>			
Food, Beverage, etc. Consumed	15	6,90,93,980	6,16,67,499
Operating and Administrative Expenses	16	36,73,30,407	31,83,73,618
Depreciation		2,97,38,649	3,06,25,502
		<u>46,61,63,036</u>	<u>41,06,66,619</u>
<b>III. PROFIT</b>			
Profit before Taxation		31,00,32,399	25,74,52,268
Provision for Taxation	17	10,14,19,706	7,91,43,685
Fringe Benefit Tax		16,63,365	17,30,000
Profit after Taxation		20,69,49,328	17,65,78,583
Profit brought forward		29,61,73,720	18,75,72,137
Available for appropriation		<u>50,31,23,048</u>	<u>36,41,50,720</u>
<b>IV. APPROPRIATIONS</b>			
General Reserve		1,55,25,000	1,32,45,000
Proposed Dividend		4,80,00,000	4,80,00,000
Income Tax on Proposed Dividend		81,57,600	67,32,000
Profit Carried Forward		<u>43,14,40,448</u>	<u>29,61,73,720</u>
		<u>50,31,23,048</u>	<u>36,41,50,720</u>
<b>Basic and Diluted Earnings Per Share (Rs.)</b>	18	8.62	7.36
<b>Notes to the Accounts</b>	19		
<b>Significant Accounting Policies</b>	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.

Srinivas Talluri

Partner

For and on behalf of

Lovelock & Lewes

Chartered Accountants

Hyderabad, 27th April, 2007

On behalf of the Board

N. R. Pradeep Reddy Director  
Kuldeep Bhartee Managing Director  
S. Sankar Company Secretary &  
Financial Controller

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2007

	31st March, 2007 (Rs.)	31st March, 2006 (Rs.)
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
NET PROFIT BEFORE TAX	31,00,32,399	25,74,52,268
ADJUSTMENT FOR		
Depreciation	2,97,38,649	3,06,25,502
Interest Income	(70,29,397)	(29,43,177)
Fixed Assets Discarded - Net	41,18,326	46,38,275
Income from Current Investments	(99,22,444)	(38,31,478)
Profit on Sale of Current Investments - Net	(1,93,974)	(57,271)
Liability no longer required written back	—	(23,54,952)
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	<u>32,67,43,559</u>	<u>28,35,29,167</u>
ADJUSTMENT FOR		
Trade & Other Receivables	92,88,243	(1,35,29,651)
Inventories	(22,00,361)	19,47,833
Trade Payables	27,67,769	2,04,77,926
CASH GENERATED FROM OPERATIONS	<u>33,65,99,210</u>	<u>29,24,25,275</u>
Income Tax Paid	(11,33,80,872)	(9,27,75,701)
NET CASH FROM OPERATING ACTIVITIES	<u>22,32,18,338</u>	<u>19,96,49,574</u>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of Fixed Assets	(6,33,36,827)	(3,95,81,656)
Sale of Fixed Assets	5,55,551	5,64,114
Purchase of Current Investments	(129,69,73,015)	(98,09,11,807)
Sale / Redemption of Current Investments	120,33,10,258	85,29,95,295
Interest Received	49,40,998	26,03,449
Income from Current Investments	1,01,63,959	35,83,208
NET CASH USED IN INVESTING ACTIVITIES	<u>(14,13,39,076)</u>	<u>(16,07,47,397)</u>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Dividends etc., Paid	(4,80,00,000)	(3,60,00,000)
Income Tax on Dividend Paid	(67,32,000)	(50,49,000)
NET CASH USED IN FINANCING ACTIVITIES	<u>(5,47,32,000)</u>	<u>(4,10,49,000)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	<u>2,71,47,262</u>	<u>(21,46,823)</u>
OPENING CASH AND CASH EQUIVALENTS	13,40,09,899	13,61,56,722
CLOSING CASH AND CASH EQUIVALENTS	<u>16,11,57,161</u>	<u>13,40,09,899</u>
<b>CASH AND CASH EQUIVALENTS COMPRISE:</b>		
Cash and Bank Balances	16,11,57,161	13,40,09,899
Unrealised Loss / (Gain) on Foreign Currency Cash & Cash Equivalents	—	—
	<u>16,11,57,161</u>	<u>13,40,09,899</u>

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

Srinivas Talluri

Partner

For and on behalf of

Lovelock & Lewes

Chartered Accountants

Hyderabad, 27th April, 2007

On behalf of the Board

N. R. Pradeep Reddy Director  
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, 2007 (Rs.)	As at 31st March, 2007 (Rs.)	31st March, 2006 (Rs.)	As at 31st March, 2006 (Rs.)				
<b>1. CAPITAL</b>								
<b>Authorised</b>								
2,40,00,000 Equity Shares of Rs. 10/- each		<u>24,00,00,000</u>		<u>24,00,00,000</u>				
		<u>24,00,00,000</u>		<u>24,00,00,000</u>				
<b>Issued and Subscribed</b>								
*2,40,00,000 Equity Shares of Rs. 10/- each fully paid up.		<u>24,00,00,000</u>		<u>24,00,00,000</u>				
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.								
		<u>24,00,00,000</u>		<u>24,00,00,000</u>				
* Includes								
– 1,63,20,477 Equity Shares of Rs. 10/- each fully paid up held by the Holding Company, ITC Limited.								
<b>2. RESERVES AND SURPLUS</b>								
<b>Capital Reserve</b>		<u>94,603</u>		<u>94,603</u>				
<b>General Reserve</b>								
At the Commencement of the year	<u>1,93,55,000</u>		<u>61,10,000</u>					
Add : From Profit and Loss Account	<u>1,55,25,000</u>	<u>3,48,80,000</u>	<u>1,32,45,000</u>	<u>1,93,55,000</u>				
<b>Profit &amp; Loss Account</b>		<u>43,14,40,448</u>		<u>29,61,73,720</u>				
		<u>46,64,15,051</u>		<u>31,56,23,323</u>				
<b>3. DEFERRED TAX LIABILITY - NET</b>								
<b>Deferred Tax Liabilities</b>								
Depreciation - Timing difference		<u>8,00,86,230</u>		<u>8,13,87,567</u>				
		<u>8,00,86,230</u>		<u>8,13,87,567</u>				
<b>Less:</b>								
<b>Deferred Tax Assets</b>								
Employee Benefits		<u>6,96,762</u>		<u>3,74,737</u>				
		<u>6,96,762</u>		<u>3,74,737</u>				
<b>Deferred Tax Liability - Net</b>		<u>7,93,89,468</u>		<u>8,10,12,830</u>				
<b>4. FIXED ASSETS</b>								
Particulars	Original Cost as at 1.4.2006 (Rs.)	Additions (Rs.)	Withdrawals (Rs.)	Original Cost as at 31.3.2007 (Rs.)	Depreciation for the year (Rs.)	Depreciation on Withdrawals (Rs.)	Depreciation up to 31.3.2007 (Rs.)	Net Block as at 31.3.2007 (Rs.)
Freehold Land	1,00,00,000	—	—	1,00,00,000	—	—	—	1,00,00,000
Buildings	26,86,17,231	46,30,713	—	27,32,47,944	43,82,271	—	4,69,76,121	22,62,71,823
Plant and Machinery	22,89,36,026	2,64,60,176	38,17,531	25,15,78,671	1,30,98,381	12,95,065	7,97,79,681	17,17,98,990
Computers etc.	1,30,40,802	45,11,259	—	1,75,52,061	16,27,230	—	1,05,06,581	70,45,480
Furniture and Fixtures	13,06,30,339	2,10,57,546	86,63,237	14,30,24,648	98,18,152	66,52,197	9,51,31,130	4,78,93,518
Motor Vehicles	32,59,160	81,95,342	2,41,619	1,12,12,883	8,12,615	1,01,248	20,51,071	91,61,812
	65,44,83,558	6,48,55,036	1,27,22,387	70,66,16,207	2,97,38,649	80,48,510	23,44,44,584	47,21,71,623
Capital Work-in-Progress	59,66,211	3,93,22,670	3,60,10,687	92,78,194	—	—	—	92,78,194
Total	66,04,49,769	10,41,77,706	4,87,33,074	71,58,94,401	2,97,38,649	80,48,510	23,44,44,584	48,14,49,817
Previous Year	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

## SCHEDULES TO THE ACCOUNTS (Contd.)

	As at 31st March, 2007 (Rs.)	As at 31st March, 2006 (Rs.)		As at 31st March, 2007 (Rs.)	As at 31st March, 2006 (Rs.)
<b>5. INVESTMENTS</b>					
<b>Unquoted</b>					
<b>Long Term</b>					
Government Securities - National Savings Certificates (Deposits with or for deposit with authorities)	10,000	10,000	Principal Floating Institutional Dividend Reinvestment Daily 11,20,738 (Previous Year - Nil) Units of Rs. 10.00 each (1,99,97,474 Units purchased during the year and 1,88,76,736 Units sold during the year)	1,12,08,167	—
<b>Current - Other Investments</b>			Principal PNB Fixed Maturity Plan - 91 Days - Series VIII 10,00,000 (Previous Year - Nil) Units of Rs. 10.00 each (10,00,000 Units purchased during the year)	1,00,00,000	—
ABN AMRO FTP Series 2 Thirteen Month Plan Dividend 5,26,837 (Previous Year - 5,00,000) Units of Rs. 10.00 each (26,837 Units purchased during the year)	52,73,603	50,00,000	Principal PNB Fixed Maturity Plan - 385 Days - Series III 5,00,000 (Previous Year - Nil) Units of Rs. 10.00 each (5,00,000 Units purchased during the year)	50,00,000	—
ABN AMRO FTP Series 4 Quarterly Plan C Monthly Dividend 20,00,000 (Previous Year - Nil) Units of Rs. 10.00 each (20,00,000 Units purchased during the year)	2,00,00,000	—	Principal PNB Fixed Maturity Plan - 91 Days - Series VII 10,00,000 (Previous Year - Nil) Units of Rs. 10.00 each (10,00,000 Units purchased during the year)	1,00,00,000	—
Birla FTP Quarterly - Series 5 20,00,000 (Previous Year - Nil) Units of Rs. 10.00 each (20,00,000 Units purchased during the year)	2,00,00,000	—	Principal PNB Fixed Maturity Plan - 91 Days - Series III Nil (Previous Year - 15,00,000) Units of Rs. 10.00 each (15,00,000 Units sold during the year).	—	1,50,00,000
Birla FTP Quarterly - Series 7 20,00,000 (Previous Year - Nil) Units of Rs. 10.00 each (20,00,000 Units purchased during the year)	2,00,00,000	—	Pru ICICI Fixed Maturity Plan - 91 Days - Series 35 10,00,000 (Previous Year - Nil) Units of Rs. 10.00 each (10,00,000 Units purchased during the year)	1,00,00,000	—
Birla FTP Quarterly - Series 10 5,00,000 (Previous Year - Nil) Units of Rs. 10.00 each (5,00,000 Units purchased during the year)	50,00,000	—	Standard Chartered Fixed Maturity Plan Quarterly - Series 3 10,00,000 (Previous Year - Nil) Units of Rs. 10.00 each (10,00,000 Units purchased during the year)	1,00,00,000	—
Canfloater Short Term - Weekly Dividend Nil (Previous Year - 47,00,005) Units of Rs. 10.00 each (1,70,15,977 Units purchased and 2,17,15,982 Units sold during the year)	—	4,79,16,512	Standard Chartered Fixed Maturity Plan Quarterly - Series 4 10,00,000 (Previous Year - Nil) Units of Rs. 10.00 each (10,00,000 Units purchased during the year)	1,00,00,000	—
DBS Chola Fixed Maturity Plan III - Series 6 10,00,000 (Previous Year - Nil) Units of Rs. 10.00 each (10,00,000 Units purchased during the year)	1,00,00,000	—	Tata Fixed Horizon Fund Series 6 Scheme H 10,00,000 (Previous Year - Nil) Units of Rs. 10.00 each (10,00,000 Units purchased during the year)	1,00,00,000	—
Deutsche Fixed Term Fund - Series 8 - Dividend Option Nil (Previous Year - 50,00,000) Units of Rs. 10.00 each (50,00,000 Units sold during the year)	—	5,00,00,000	Tata Fixed Horizon Fund Series 8 Scheme E 10,00,000 (Previous Year - Nil) Units of Rs. 10.00 each (10,00,000 Units purchased during the year)	1,00,00,000	—
Grindlays Fixed Maturity - 16th Plan A - Dividend 10,00,000 (Previous Year - 10,00,000) Units of Rs. 10.00 each	1,00,00,000	1,00,00,000	Tata Fixed Horizon Fund Series 9 Scheme D 10,00,000 (Previous Year - Nil) Units of Rs. 10.00 each (10,00,000 Units purchased during the year)	1,00,00,000	—
Kotak FMP 3M Quarterly - Series 8 10,00,000 (Previous Year - Nil) Units of Rs. 10.00 each (10,00,000 Units purchased during the year)	1,00,00,000	—			
Kotak FMP 3M Quarterly - Series 10 10,09,745 (Previous Year - Nil) Units of Rs. 10.00 each (10,09,745 Units purchased during the year)	1,00,97,500	—			
Kotak FMP 3M Quarterly - Series 11 10,00,000 (Previous Year - Nil) Units of Rs. 10.00 each (10,00,000 Units purchased during the year)	1,00,00,000	—			
Kotak FMP 3M Quarterly - Series 12 5,00,000 (Previous Year - Nil) Units of Rs. 10.00 each (5,00,000 Units purchased during the year)	50,00,000	—			
				<u>22,15,89,270</u>	<u>12,79,26,512</u>
			During the year, the following current investments were purchased and sold ;		
			1]	10,00,000 Units of ABN AMRO FTP Series 3 Quarterly Plan E Dividend Option at a cost of Rs. 1,00,00,000/-.	
			2]	5,00,000 Units of UTI Fixed Maturity Plan Quarterly Series Dividend Option at a cost of Rs. 50,00,000/-.	
			3]	20,00,000 Units of JM Fixed Maturity Fund Series III Monthly Plan FMF M1 Dividend Plan at a cost of Rs. 2,00,00,000/-.	
			4]	71,23,540 Units of Canfloater Rate Short Term Dividend Fund at cost of Rs. 7,36,43,158/-.	



## SCHEDULES TO THE ACCOUNTS (Contd.)

	As at 31st March, 2007 (Rs.)	As at 31st March, 2006 (Rs.)
5] 4,11,80,172 Units of Prudential ICICI Floating Rate Plan D - Daily Dividend at cost of Rs. 41,18,01,721/-.		
6] 23,77,434 Units of Birla Bond Plus Instl. Fortnightly Dividend Reinvestment at cost of Rs. 2,50,00,000/-.		
7] 1,99,97,474 Units of Principal Floating Rate Fund SMP Instl. Option Dividend Reinvestment Daily at a cost of Rs. 19,99,88,743/-.		
8] 18,277 Units of Templeton India Short Term Income Plan Weekly Dividend Reinvestment at a cost of Rs. 2,00,18,512/-.		
9] 5,00,000 Units of Principal PNB Fixed Maturity Plan 91 Days at a cost of Rs. 50,00,000/-.		
10] 22,85,861 Units of Principal Floating Rate Fund STP Instl. Option Dividend Reinvestment Weekly at a cost of Rs. 2,50,00,000/-.		
11] 13,43,496 Units of ING Vysya Income Fund - Short Term Plan Dividend Option Reinvestment at a cost of Rs. 1,50,12,030/-.		
12] 10,00,000 Units of JM Fixed Maturity Fund Series III Quarterly Plan FMF Q2 Dividend Option at a cost of Rs. 1,00,00,000/-.		
13] 10,00,000 Units of LIC MF FMP Series 9 Dividend Plan at a cost of Rs. 1,00,00,000/-.		
14] 10,00,000 Units of ABN AMRO FTP Series 3 Quarterly Plan D Dividend Option at a cost of Rs. 1,00,00,000/-.		
15] 15,00,000 Units of ING Fixed Maturity Fund Series XIV Dividend Option at a cost of Rs. 1,50,00,000/-.		
16] 10,00,000 Units of Prudential ICICI FMP Series 32 Plan D retained Dividend at a cost of Rs. 1,00,00,000/-.		
17] 36,24,454 Units of Prudential ICICI Institutional Short Term Plan at a cost of Rs. 4,00,00,000/-.		
18] 10,00,000 Units of ABN AMRO FTP Series 3 Quarterly Plan H Monthly Dividend Option at a cost of Rs. 1,00,00,000/-.		
19] 10,00,000 Units of ABN AMRO FTP Series 3 Quarterly Plan G Monthly Dividend Option at a cost of Rs. 1,00,00,000/-.		
20] 4,53,975 Units of JM Short Term Fund Dividend Option at a cost of Rs. 50,00,000/-.		
21] 5,00,000 Units of HSBC Income Fund STP Instl. Weekly Dividend at a cost of Rs. 50,00,000/-.		
22] 5,00,000 Units of JM Fixed Maturity Fund Series III Quarterly Plan FMF Q4 Dividend Option at a cost of Rs. 50,00,000/-.		
23] 10,00,000 Units of Standard Chartered Fixed Maturity Plan Quarterly Series I Dividend at a cost of Rs. 1,00,00,000/-.		
24] 9,94,391 Units of Kotak Bond Short Term Monthly Dividend Option at a cost of Rs. 1,00,00,000/-.		
25] 10,00,000 Units of DBS Chola Fixed Maturity Plan Series 5 Quarterly Plan III at a cost of Rs. 1,00,00,000/-.		
	As at 31st March, 2007 (Rs.)	As at 31st March, 2006 (Rs.)
<b>6. INVENTORIES</b>		
Food, Beverage, etc.	62,75,396	41,64,971
Stores and Spare Parts	30,15,143	29,25,207
	<u>92,90,539</u>	<u>70,90,178</u>
<b>7. SUNDRY DEBTORS</b>		
Over 6 months old		
Good and Unsecured	22,04,188	14,86,552
Other Debts		
Good and Secured	1,62,176	16,518
Good and Unsecured	1,75,08,417	2,74,54,922
	<u>1,98,74,781</u>	<u>2,89,57,992</u>
Less : Deposits from normal Trade Debtors - Contra	1,62,176	16,518
	<u>1,97,12,605</u>	<u>2,89,41,474</u>
<b>8. CASH AND BANK BALANCES</b>		
With Scheduled Banks		
On Current Accounts etc.	1,98,01,377	2,45,89,947
On Margin Money	10,21,200	24,41,200
On Deposit Accounts	13,00,00,000	9,53,10,730
Cash and Cheques on Hand	1,03,34,584	1,16,68,022
	<u>16,11,57,161</u>	<u>13,40,09,899</u>
<b>9. OTHER CURRENT ASSETS</b>		
Good and Unsecured		
Deposits with Government, Public Bodies and Others	48,33,110	48,45,610
Interest Accrued on Deposits/Investments	26,17,910	5,77,052
	<u>74,51,020</u>	<u>54,22,662</u>
<b>10. LOANS AND ADVANCES</b>		
Good and Unsecured		
Loans to Others	5,920	12,940
Advances recoverable in cash or in kind or for value to be received*	1,53,00,215	1,30,01,899
Advances with Government and Public Bodies**	1,60,90,225	86,28,027
	<u>3,13,96,360</u>	<u>2,16,42,866</u>
* Includes Capital Advances of Rs. 48,26,375/- (Previous Year - Rs. 35,54,788/-)		
** Includes an amount of Rs. 1,58,26,570/- (Previous Year - Rs. 71,52,132/-) being advance payment of Income Tax, net of provisions		
<b>11. LIABILITIES</b>		
Sundry Creditors*	8,54,92,359	7,76,38,143
Sundry Deposits	41,84,470	28,78,138
Less : Deposits from Normal Trade Debtors - Contra	1,62,176	16,518
	<u>8,95,14,653#</u>	<u>8,04,99,763#</u>
# There is no outstanding amount to be credited to Investor Education & Protection Fund.		
* Refer Note (xi) on Schedule 19		
<b>12. PROVISIONS</b>		
Provision for Retirement Benefits	5,70,000	8,61,000
Proposed Dividend	4,80,00,000	4,80,00,000
Income Tax on Proposed Dividend	81,57,600	67,32,000
	<u>5,67,27,600</u>	<u>5,55,93,000</u>
	For the year ended 31st March, 2007 (Rs.)	For the year ended 31st March, 2006 (Rs.)
<b>13. INCOME FROM OPERATIONS (NET)</b>		
Rooms*	48,49,28,409	41,34,97,387
Food and Beverage	22,52,58,193	20,40,72,329
Recreation and Services	4,04,33,791	3,40,06,508
	<u>75,06,20,393</u>	<u>65,15,76,224</u>
* The Income from rooms are stated gross, the amount of tax deducted thereon is Rs. 29,45,343/- (Previous Year - Rs. 49,23,241/-)		
<b>14. OTHER INCOME</b>		
Miscellaneous Income	11,01,410	10,34,211
Service Charges	73,27,817	63,21,574
Income from Current Investments-Others*	99,22,444	38,31,478
Interest on Loans and Deposits etc.*	70,29,397	29,43,177
Profit on Sale of Current Investments - Net	1,93,974	57,271
Liability no longer required written back	—	23,54,952
	<u>2,55,75,042</u>	<u>1,65,42,663</u>
* The Income from Investments and Interest on Loans and Deposits etc., are stated gross, the amount of Income Tax deducted thereon is Rs. 13,65,249/- (Previous Year - Rs. 6,06,579/-)		



## SCHEDULES TO THE ACCOUNTS (Contd.)

	For the year ended 31st March, 2007 (Rs.)	For the year ended 31st March, 2006 (Rs.)
<b>15. FOOD, BEVERAGE, ETC. CONSUMED</b>		
Opening Stock	41,64,971	51,31,510
Add : Purchases	7,12,04,405	6,07,00,960
	7,53,69,376	6,58,32,470
Less : Closing Stock	62,75,396	41,64,971
	6,90,93,980	6,16,67,499
	(Rs.)	(Rs.)
<b>16. OPERATING AND ADMINISTRATIVE EXPENSES</b>		
Salaries, Wages and Bonus	3,45,25,610	3,13,64,888
Contribution to Provident and Other Funds	23,61,130	21,78,423
Workmen and Staff Welfare Expenses	1,00,96,088	94,93,199
Reimbursement of contractual remuneration	2,06,82,272	1,57,99,171
	6,76,65,100	5,88,35,681
Consumption of Stores and Supplies	3,71,07,824	2,66,22,483
Power and Fuel	3,83,86,873	4,01,18,750
Rent	34,45,451	26,50,177
Rates and Taxes	77,68,308	54,39,110
Insurance	57,30,933	45,65,014
Repairs - Building	92,99,654	1,10,25,806
- Machinery	1,13,00,274	96,56,420
- Others	1,25,51,574	89,09,194
Advertising / Sales Promotion	99,26,640	46,48,739
Electronic Data Processing	3,43,246	3,47,132
Travelling and Conveyance	1,31,03,865	1,16,53,903
Training	13,73,865	12,97,932
Legal Expenses	2,83,704	64,650
Postage, Telephone, Telex etc.	87,16,467	73,09,626
Commission paid to Travel Agents & Credit Cards	1,31,65,567	93,38,544
Bank Charges	69,885	1,48,133
Technical & Consultancy Fees	10,27,88,380	8,96,54,702
Loss on Exchange Fluctuations - Net	20,808	8,629
Contract Services	81,66,999	76,27,140
Miscellaneous Expenses	1,19,96,664	1,38,13,578
Fixed Assets Discarded - Net	41,18,326	46,38,275
	36,73,30,407	31,83,73,618
Miscellaneous Expenses include :		
Auditors' Remuneration and Expenses		
— Audit Fees	3,50,000	2,50,000
— Fee for Other Services	91,676	94,320
— Reimbursement of Expenses	9,500	7,900
<b>17. PROVISION FOR TAXATION</b>		
Income Tax :		
Current Year	10,30,43,068	8,92,00,000
Adjustments related to earlier years	—	3,90,406
Deferred Tax	(16,23,362)	(1,04,46,721)
	10,14,19,706	7,91,43,685
<b>18. EARNINGS PER SHARE</b>		
Profit after Taxation	20,69,49,328	17,65,78,583
Weighted average number of equity shares outstanding	2,40,00,000	2,40,00,000
Basic and diluted earnings per share in Rupees	8.62	7.36
(face value – Rs. 10/- per share)		
	2007	2006
	(Rs.)	(Rs.)
<b>19. NOTES TO THE ACCOUNTS</b>		
i) The Estimated Amount of Contracts remaining to be executed on Capital Account and not provided for	1,58,35,098	30,50,427

## 19. NOTES TO THE ACCOUNTS (Contd.)

ii) Contingent Liability				
a) Bank Guarantees towards Imports	10,21,182			24,41,200
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) 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 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	15,55,404			3,96,592
Other Perquisites	4,16,347			1,40,407
Contribution to Provident Fund & Other Funds	1,76,175			38,500
	21,47,926 #			5,75,499
# Includes Incremental remuneration from 1st July, 2006, to 21st March, 2007, amounting to Rs. 4,52,703/-, subject to shareholders' approval.				
iv) Earnings in Foreign Exchange	46,04,76,258			34,04,91,726
* Includes Rs. 44,69,17,516/- (Previous Year - Rs. 32,81,59,692/-) 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	1,62,113			—
Hotel Reservation/Marketing Expenses	69,00,674			16,92,817
Technical & Consultancy Fees and Others	1,38,36,374			1,07,97,820
	2,08,99,161			1,24,90,637
vi) Value of Imports during the year (CIF Basis)				
Capital Goods	53,98,540			56,33,705
Other Goods	18,74,917			7,87,901
	72,73,457			64,21,606
	2007			2006
	(Rs.)	%	(Rs.)	%
vii) Value of Consumption of Raw Materials, Stores & Supplies				
a) Raw Materials				
Indigenous	6,03,06,638	87.28	5,71,33,668	92.65
Imported	87,87,342	12.72	45,33,831	7.35
	6,90,93,980	100.00	6,16,67,499	100.00
b) Stores & Supplies				
Indigenous	3,52,32,907	94.95	2,63,07,813	98.82
Imported	18,74,917	5.05	3,14,670	1.18
	3,71,07,824	100.00	2,66,22,483	100.00

## SCHEDULES TO THE ACCOUNTS (Contd.)

## 19. NOTES TO THE ACCOUNTS (Contd.)

	2007 (Rs.)	2006 (Rs.)
viii) Information as per Order No. 46/114/2005-CL-III dated 9th May, 2005, issued by Ministry of Company Affairs Government of India.		
a) Income from :		
(i) Wine and Liquor	6,00,97,083	4,72,79,497
(ii) Telephone and Telex	1,76,84,394	1,47,69,376
	<u>7,77,81,477</u>	<u>6,20,48,873</u>
b) Consumption of :		
(i) Provisions, Beverages & Smokes (excluding Wine and Liquor)	5,33,43,619	4,87,06,349
(ii) Wine and Liquor		
Indigenous	69,63,019	82,76,029
Imported	87,87,342	46,85,121
	<u>6,90,93,980</u>	<u>6,16,67,499</u>

The Company has been exempted from disclosure of quantitative details as per Order No. 46/114/2005-CL-III dated 9th May, 2005 issued by Ministry 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 (Previous Year - Rs. Nil).

## xii) Related Party Disclosures under Accounting Standard 18

- 1) Holding Company : ITC Limited  
2) Other Related Parties with whom transactions have taken place during the year :

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

## 3) Key Management Personnel :

## Board of Directors

G. Sivakumar Reddy	- Chairman
S. S. H. Rehman	- Vice Chairman & Director
Nakul Anand	- Director
S. C. Sekhar	- Director
N. R. Pradeep Reddy	- Director
M. Riaz Ahmed	- Director
B. N. Suresh Reddy	- Director
Kuldeep Bhartee	- Managing Director

## 4) Summary of transactions during the year (Rupees in Lakhs) :

	Holding Company		Fellow Subsidiaries		Key Management Personnel		Relatives of Key Management Personnel(*)	
	2007	2006	2007	2006	2007	2006	2007	2006
1. Sale of Goods	2.41	0.24	—	—	—	—	—	—
2. Sale of Services	89.72	67.00	0.91	—	—	—	—	—
3. Purchase of Goods	1.47	2.97	—	—	—	—	—	—
4. Purchase of Services								
- Hotel Services	21.39	25.96	—	—	—	—	—	—
- Service Fee	905.52	756.26	—	—	—	—	—	—
- Rent towards Godown	—	—	—	—	—	—	5.94	3.00
5. Reimbursement of Contractual Remuneration	206.82	157.99	—	—	—	—	—	—
6. Expenses recovered	30.85	20.06	0.03	0.05	—	—	—	—
7. Expenses reimbursed	182.36	158.34	—	—	—	—	—	—
8. Dividend Payments	326.41	244.81	—	—	26.08	19.56	118.32	88.74
9. Balance outstanding at the year end :								
i) Debtors/Receivables	9.76	2.04	0.60	—	—	—	—	—
ii) Creditors/Payables	119.91	209.54	—	—	—	—	—	—

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.

## SCHEDULES TO THE ACCOUNTS (Contd.)

## 20. SIGNIFICANT ACCOUNTING POLICIES (Contd.)

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**

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

N. R. Pradeep Reddy *Director*  
Kuldeep Bhartee *Managing Director*  
S. Sankar *Company Secretary & Financial Controller*

Hyderabad, 27th April, 2007

**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: Representative of Statutory Auditors, Secretary: Mr. S. Sankar**

## REPORT OF THE DIRECTORS FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2007

Your Directors submit their Report and Accounts for the financial year ended 31st March, 2007.

### Performance

During the year your Company recorded net revenues of Rs. 724.57 lacs (previous year - Rs. 457.92 lacs) and earned a net profit of Rs. 138.26 lacs (previous year - Rs. 92.24 lacs) after providing for income tax of Rs. 78.79 lacs (previous year - Rs. 56.33 lacs). Earnings per share for the year stands at Rs. 30.72 (previous year - Rs. 20.50). Cash Flow from Operations were Rs. 177.10 lacs during the year (previous year - Rs. 47.33 lacs).

Your Directors are pleased to recommend a dividend of Rs. 3/- (previous year - Rs. 2/-) per equity share for the year ended 31st March, 2007. Your Board further recommends a transfer to General Reserve of Rs. 13.83 lacs (previous year - Rs. 6.92 lacs).

During the year under review, fifteen alliances were signed up for hotel properties at Jaipur, Jammu, Mahabalipuram, Thane, Bangalore, Navi Mumbai, Gurgaon, Pune, Visakhapatnam, Kohlapur, Hyderabad and two hotels each at Chennai and Shirdi, taking the total number of properties under Fortune brand to 33, with a total of 2,652 rooms. Of these, 18 are operating hotels whilst 12 hotels are slated to open during the course of the financial year 2007-08. Negotiations are underway for hotel properties at several attractive locations in the country in both business and leisure segments.

During the year, your Company received the Pacific Area Travel Writers Association (PATWA) award at Berlin for the Best First Class Hotel Chain in the Asia Pacific Region and the Hospitality Award for the Best First Class Hotel Chain 2006. Your Company's major thrust on brand promotion combined with focus on brand extensions has enabled 'Fortune Hotels' to maintain a premier position in the mid range segment.

### 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 - nil) but there was a foreign exchange outflow of Rs. 11.02 lacs. (previous year - Rs. 3.84 lacs).

### Directors

In accordance with the provisions of Article 143 of the Articles of Association of the Company, Mr. M. Riaz Ahmed and Mr. S.C. Sekhar will retire by

rotation at the forthcoming Annual General Meeting of the Company 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 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 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*

Gurgaon, 1st May, 2007

## COMPLIANCE CERTIFICATE

Company No. : U55101DL1995PLCO99973

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. (hereinafter referred to as '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, 2007 (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, all entries therein have been duly recorded.
2. The Company has duly filed the forms and returns as stated in "Annexure B" to this certificate, with the Registrar of Companies, Regional Director, Central Government, Company Law Board or other authorities within the time prescribed under the Act and the Rules made thereunder.
3. The Company, being a public limited company, comments are not required.
4. The Board of Directors duly met four times respectively on 28th April, 2006, 28th September, 2006, 27th December, 2006 and 29th March, 2007 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 its Register of Members during the financial year.
6. The Annual General Meeting for the financial year ended on 31st March, 2006 was held on 26th June, 2006 after giving due notice to the Members of the Company and others concerned 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 loans to its Directors or persons or firms or companies referred to under Section 295 of the Act.

9. The Company has not entered into any contract falling within the purview of Section 297 of the Act.
10. The Company was not required to make any entries in the register maintained under Section 301(1) of the Act. However, it has made necessary entries in register maintained under Section 301(3) of the Act.
11. As there were no instances falling within the purview of Section 314 of the Act, the Company has not obtained 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. The Company has:
  - (i) 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) 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) 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) not transferred any amount in Investor Education and Protection fund as there is no 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.
  - (v) duly complied with the requirements of Section 217 of the Act.
14. The Board of Directors of the Company is duly constituted and the appointment of Mr. Pawan Verma as Director has been duly made. Further, there was no other appointment of Additional Director or Alternate Director or Director to fill casual vacancy during the financial year.
15. The Company has not appointed any Managing Director/Whole time Director/Manager during the financial year.
16. The Company has not appointed any sole-selling agents during the financial year.
17. The Company was not required to obtain any approvals of the Central Government, Company Law Board, Regional Director, Registrar of Companies and/or such authorities prescribed under the various provisions of the Act during the financial year.
18. The Directors have disclosed their interest in other firms/companies to the Board of Directors pursuant to the provisions of the Act and the Rules made thereunder.
19. The Company has not issued any shares, debentures or other securities during the financial year.



20. The Company has not bought back any shares during the financial year.
21. The Company has neither preference capital nor debentures, thus redemption of preference shares or debentures is not applicable.
22. There were no transactions necessitating the Company to keep in abeyance the rights to dividend, rights shares and bonus shares pending registration of the transfer of shares.
23. The Company has not invited or accepted any deposits including any unsecured loans falling within the purview of Section 58A of the Act during the financial year.
24. The Company has not made any borrowings during the financial year ended.
25. The Company, during the financial year, has made investments in mutual funds issued by other bodies corporate in compliance with the provisions of the Act and has made necessary entries in the register kept for the purpose. However, there were no loans made or guarantees given or securities provided to other bodies corporate during the financial year.
26. The Company has not altered the provisions of the Memorandum with respect to situation of the Company's Registered Office 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 Share Capital of the Company during the year under scrutiny.
30. The Company has not altered its Articles of Association during the financial 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 under the Act was imposed on the Company during the financial year.
32. The Company has not received any money as security from its employees during the financial year.
33. The Company has not constituted a separate provident fund trust for its employees or class of its employees as contemplated under Section 418 of the Act.

For PB & Associates  
Company Secretaries  
Pooja Bhatia  
LLB, ACS  
CP : 6485

Gurgaon, 1st May, 2007

**ANNEXURE – 'A'**

**Registers maintained by the Company  
(As on March 31, 2007)**

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(3)
8.	Books of Accounts	209
9.	Register of Investments	372A
10.	Register of Share Transfer	

**ANNEXURE – 'B'**

**A. Forms & Returns filed with the Registrar of Companies, New Delhi  
(During the Year ended on March 31, 2007)**

Sl. No.	Particulars of Forms & Returns Filed	Date of Filing	Whether filed within prescribed time	Additional Fees paid
1.	Form 23AC for Annual Accounts u/s 220 of the Act for the year ended 31st March, 2006	22.07.2006	Yes	No
2.	Form 62 for Compliance Certificate u/s 383A of the Act for the year ended 31st March, 2006	22.07.2006	Yes	No
3.	Form 32 u/s 303 of the Act for the appointment of Mr. Pawan Kumar Verma as Director of the Company on 26th June, 2006	22.07.2006	Yes	No
4.	Form 20B for Annual Return u/s 159 of the Act made upto 26th June, 2006	22.08.2006	Yes	No
5.	Form DIN 3 u/s 266E of the Act (6 Forms)	07.12.2006	Yes	N.A.

**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, 2007, 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, 2007 which have not been deposited on account of any dispute.
- (x) The Company has no accumulated losses as at March 31, 2007 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, 2007 and taken on record by the Board of Directors, none of the Directors is disqualified as on March 31, 2007 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, 2007;
- (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  
Lovelock & Lewes  
Chartered Accountants

Gurgaon, May 1, 2007

**BALANCE SHEET AS AT 31ST MARCH, 2007**

	Schedule	(Rs.)	31st March, 2007 (Rs.)	(Rs.)	31st March, 2006 (Rs.)
<b>I. SOURCES OF FUNDS</b>					
1. Shareholders' Funds					
a) Capital	1	45,00,080		45,00,080	
b) Reserves and Surplus	2	3,65,30,469	4,10,30,549	2,48,77,791	2,93,77,871
2. Deferred Tax Liability	5		—		23,718
Total			4,10,30,549		2,94,01,589
<b>II. APPLICATION OF FUNDS</b>					
1. Fixed Assets	3				
a) Gross Block		45,50,972		35,11,154	
b) Less : Depreciation		12,48,893		8,68,973	
c) Net Block			33,02,079		26,42,181
2. Investments	4		45,00,000		25,00,000
3. Deferred Tax Assets	5		8,23,344		—
4. Current Assets, Loans and Advances					
a) Sundry Debtors	6	2,97,00,335		1,88,09,622	
b) Cash and Bank Balances	7	1,83,33,815		1,09,63,451	
c) Other Current Assets	8	9,34,578		2,34,430	
d) Loans and Advances	9	26,17,984		12,91,082	
		5,15,86,712		3,12,98,585	
Less :					
5. Current Liabilities and Provisions					
a) Liabilities	10	1,55,97,727		57,40,291	
b) Provisions	11	35,83,859		12,98,886	
		1,91,81,586		70,39,177	
Net Current Assets			3,24,05,126		2,42,59,408
Total			4,10,30,549		2,94,01,589
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  
Lovelock & Lewes  
Chartered Accountants  
Gurgaon, 1st May, 2007

On behalf of the Board  
S. C. Sekhar Director  
M. Riaz Ahmed Director



**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2007**

	Schedule	(Rs.)	For the year ended 31st March, 2007 (Rs.)	(Rs.)	For the year ended 31st March, 2006 (Rs.)
<b>I. INCOME</b>					
Gross Income from Operations		<b>8,00,36,735</b>		4,98,01,721	
Less : Taxes		<b>86,21,045</b>		46,09,595	
Net Income from Operations	12		<b>7,14,15,690</b>		4,51,92,126
Other Income	13		<b>10,41,348</b>		6,00,236
			<b>7,24,57,038</b>		4,57,92,362
<b>II. EXPENDITURE</b>					
Operating and Administrative Expenses	14		<b>5,01,34,177</b>		3,05,84,219
Depreciation	3		<b>6,17,345</b>		3,51,005
			<b>5,07,51,522</b>		3,09,35,224
<b>III. PROFIT</b>					
Profit before Taxation			<b>2,17,05,516</b>		1,48,57,138
Provision for Tax	15		<b>78,79,330</b>		56,32,834
Profit after Taxation			<b>1,38,26,186</b>		92,24,304
Profit brought Forward			<b>2,08,23,873</b>		1,33,17,635
Available for Appropriation			<b>3,46,50,059</b>		2,25,41,939
<b>IV. APPROPRIATIONS</b>					
General Reserve			<b>13,82,619</b>		6,91,823
Proposed Dividend			<b>13,50,024</b>		9,00,016
Income Tax on Proposed Dividend			<b>2,29,437</b>		1,26,227
Profit Carried Forward			<b>3,16,87,979</b>		2,08,23,873
			<b>3,46,50,059</b>		2,25,41,939
<b>Basic and Diluted Earnings Per Share (Rs.)</b>	16		<b>30.72</b>		20.50
<b>Notes to the Accounts</b>	17				
<b>Significant Accounting Policies</b>	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  
Gurgaon, 1st May, 2007

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, 2007 (Rs.)	31st March, 2006 (Rs.)
<b>A. NET PROFIT BEFORE TAX</b>	<b>2,17,05,516</b>	1,48,57,138
<b>ADJUSTMENTS FOR</b>		
Depreciation	<b>6,17,345</b>	3,51,005
Provision for defined benefits of Gratuity and Compensated Absences (net of payments made)	<b>8,36,297</b>	—
Interest Income	<b>(10,41,348)</b>	(5,60,849)
Fixed Assets - Loss on Sale / Write off-Net	<b>2,54,418</b>	5,11,313
Other items (Tax Deducted at Source)	<b>(41,09,082)</b>	(22,28,888)
<b>OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES</b>	<b>1,82,63,146</b>	1,29,29,719
<b>ADJUSTMENTS FOR</b>		
Trade & Other Receivables	<b>(1,04,10,484)</b>	(1,09,98,791)
Trade Payables	<b>98,57,436</b>	28,02,299
<b>CASH GENERATED FROM OPERATIONS</b>	<b>1,77,10,098</b>	47,33,227
Income Tax Paid (Net of Refunds)	<b>(59,57,541)</b>	(28,78,517)
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>1,17,52,557</b>	18,54,710
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of Fixed Assets	<b>(15,31,661)</b>	(15,65,799)
Sale of Fixed Assets	<b>—</b>	80,000
Purchase of Investment	<b>(20,00,000)</b>	—
Interest Received	<b>1,75,711</b>	3,27,157
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(33,55,950)</b>	(11,58,642)
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Dividend Paid	<b>(9,00,016)</b>	(6,75,012)
Income Tax on Dividend Paid	<b>(1,26,227)</b>	(94,671)
<b>NET CASH FLOW USED IN FINANCING ACTIVITIES</b>	<b>(10,26,243)</b>	(7,69,683)
<b>NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>73,70,364</b>	(73,615)
<b>OPENING CASH AND CASH EQUIVALENTS</b>	<b>1,09,63,451</b>	1,10,37,066
<b>CLOSING CASH AND CASH EQUIVALENTS</b>	<b>1,83,33,815</b>	1,09,63,451

Notes :

- Cash and cash equivalents comprise**  
Balance with Scheduled Banks in  
- Current Accounts etc.  
- Deposit Accounts  
Cash and Cheques in hand

- |       |                    |             |
|-------|--------------------|-------------|
| Total | <b>1,83,33,815</b> | 1,09,63,451 |
|-------|--------------------|-------------|
- 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.

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  
Gurgaon, 1st May, 2007

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, 2007 (Rs.)	As at 31st March, 2006 (Rs.)	As at 31st March, 2007 (Rs.)	As at 31st March, 2006 (Rs.)					
<b>1. CAPITAL</b>									
<b>Authorised</b>									
20,00,000 Equity Shares of Rs. 10/- each	<u>2,00,00,000</u>	<u>2,00,00,000</u>							
<b>Issued, Subscribed and Paid-up</b>									
*4,50,008 Equity Shares of Rs. 10/- each	<u>45,00,080</u>	<u>45,00,080</u>							
	<u>45,00,080</u>	<u>45,00,080</u>							
* Includes									
– 4,50,002 Equity Shares of Rs. 10/- each fully paid-up held by the Holding Company, ITC Limited and 6 shares held by ITC Limited jointly with Management personnel									
<b>2. RESERVES AND SURPLUS</b>									
<b>Capital Reserve</b>			<u>30,00,000</u>	<u>30,00,000</u>					
<b>General Reserve</b>									
At the commencement of the year	<u>10,53,918</u>			3,62,095					
Add : From Profit and Loss Account	<u>13,82,619</u>			6,91,823					
Less : Incremental liability for Employee Benefit as at April 1, 2006 - net of Deferred Tax of Rs. 3,01,411 (Refer note (ii) on Schedule 17)	<u>5,94,047</u>	<u>18,42,490</u>	<u>—</u>	10,53,918					
<b>Profit and Loss Account</b>		<u>3,16,87,979</u>		<u>2,08,23,873</u>					
		<u>3,65,30,469</u>		<u>2,48,77,791</u>					
<b>3. FIXED ASSETS</b>									
Particulars	Original Cost as at 1.4.2006 (Rs.)	Additions during the year (Rs.)	Withdrawals during the year (Rs.)	Original Cost as at 31.3.2007 (Rs.)	Depreciation upto 01.04.2006 (Rs.)	Depreciation for the year (Rs.)	Depreciation on Withdrawals (Rs.)	Depreciation upto 31.03.2007 (Rs.)	Net Block as at 31.3.2007 (Rs.)
Plant and Machinery	1,01,513	92,772	—	1,94,285	29,564	16,256	—	45,820	1,48,465
Computers	17,34,343	4,90,339	—	22,24,682	5,68,634	2,99,970	—	8,68,604	13,56,078
Furniture and Fixtures	11,83,455	7,400	—	11,90,855	45,767	2,09,305	—	2,55,072	9,35,783
Capitalised software	—	9,00,000	—	9,00,000	—	78,904	—	78,904	8,21,096
Motor Vehicle	4,91,843	41,150	4,91,843	41,150	2,25,008	12,910	2,37,425	493	40,657
Total	35,11,154	15,31,661	4,91,843	45,50,972	8,68,973	6,17,345	2,37,425	12,48,893	33,02,079
Previous Year	38,30,279	15,65,799	18,84,924	35,11,154	18,11,579	3,51,005	12,93,611	8,68,973	26,42,181
		As at 31st March, 2007 (Rs.)	As at 31st March, 2006 (Rs.)				As at 31st March, 2007 (Rs.)	As at 31st March, 2006 (Rs.)	
<b>4. INVESTMENTS</b>									
<b>Unquoted – Current</b>									
G184 Standard Chartered Fixed Maturity - Quarterly Series 7 - Growth 2,00,000 Units (Previous Year - Nil) of Rs. 10.00 each		<u>20,00,000</u>	—						
G37 Grindlays Fixed Maturity – 6th Plan – Growth 2,50,000 Units (Previous Year - 2,50,000 Units) of Rs. 10.00 each		<u>25,00,000</u>	<u>25,00,000</u>						
		<u>45,00,000</u>	<u>25,00,000</u>						
<b>5. DEFERRED TAX ASSETS / (LIABILITY) - (NET)</b>									
<b>Deferred Tax Assets</b>									
On Expenditure for the current year allowed under Income Tax Act, 1961 on payment basis only [Includes Rs. 3,01,411/- Deferred Tax Credit on Employee Benefits recognised consequent to early adoption of Accounting Standard-15 (Revised 2005)]		<u>9,71,016</u>	1,43,842						
<b>Less :</b>									
<b>Deferred Tax Liability</b>									
Depreciation - Timing Difference		<u>1,47,672</u>	1,67,560						
<b>Net Deferred Tax Assets / (Liability)</b>		<u>8,23,344</u>	(23,718)						
<b>6. SUNDRY DEBTORS</b>									
Over 6 months old									
Good and Unsecured		<u>1,12,67,937</u>	25,90,934						
Other Debts									
Good and Unsecured		<u>1,84,32,398</u>	1,62,18,688						
		<u>2,97,00,335</u>	1,88,09,622						
<b>7. CASH AND BANK BALANCES</b>									
With Scheduled Banks									
On Current Accounts etc.		<u>13,54,684</u>	5,90,827						
On Deposit Accounts		<u>1,65,00,000</u>	1,03,00,000						
Cash and Cheques in hand		<u>4,79,131</u>	72,624						
		<u>1,83,33,815</u>	1,09,63,451						
<b>8. OTHER CURRENT ASSETS</b>									
Good and Unsecured									
Deposits with Government, Public Bodies and Others							<u>1,52,612</u>		87,612
Interest Accrued on Deposit							<u>7,81,966</u>		1,46,818
							<u>9,34,578</u>		2,34,430
<b>9. LOANS AND ADVANCES</b>									
Good and Unsecured									
Advances recoverable in cash or in kind or for value to be received							<u>3,42,897</u>		8,88,126
Advances with Government and Public Bodies **							<u>22,75,087</u>		4,02,956
							<u>26,17,984</u>		12,91,082
** Includes advance payment of Income Tax net of provisions of Rs. 81,15,615/- (Previous Year – Rs. 57,90,000/-)									
<b>10. LIABILITIES</b>									
Sundry Creditors (Refer note (iv) on Schedule 17)							<u>1,55,97,727</u>		57,40,291
							<u>1,55,97,727</u>		57,40,291
<b>11. PROVISIONS</b>									
Provision for Employee Benefits							<u>20,04,398</u>		2,72,643
Proposed Dividend							<u>13,50,024</u>		9,00,016
Income Tax on Proposed Dividend							<u>2,29,437</u>		1,26,227
							<u>35,83,859</u>		12,98,886
<b>12. NET INCOME FROM OPERATIONS</b>									
Management Consultancy and Other Services*							<u>7,14,15,690</u>		4,51,92,126
							<u>7,14,15,690</u>		4,51,92,126
* The Income from Management Consultancy and Other Services is stated gross, the amount of Income Tax deducted thereon is Rs. 41,09,082/- (Previous Year - Rs. 22,28,888/-)									

## SCHEDULES TO THE ACCOUNTS (Contd.)

	For the year ended 31st March, 2007 (Rs.)	For the year ended 31st March, 2006 (Rs.)
<b>13. OTHER INCOME</b>		
Interest on Deposits**	10,00,488	5,49,889
Interest on Income Tax Refunds	40,860	10,960
Others	—	39,387
	<u>10,41,348</u>	<u>6,00,236</u>
** The Income from Interest on Deposits is stated gross, the amount of Income Tax deducted thereon is Rs. 2,30,489/- (Previous Year - Rs. 1,20,101/-)		
<b>14. OPERATING AND ADMINISTRATIVE EXPENSES</b>		
Salaries, Wages and Bonus (includes Rs. 14,00,497/- on account of Compensated absences)	2,03,26,346	1,14,36,344
Contribution to Provident and Other Funds (includes Rs. 2,38,381/- on account of Gratuity)	10,68,505	6,38,077
Workmen and Staff Welfare Expenses	16,57,053	14,42,772
Reimbursement of contractual remuneration	2,43,46,895	1,56,89,595
	<u>4,73,98,799</u>	<u>2,92,06,788</u>
Less : Recoveries	<u>1,80,69,971</u>	<u>1,07,09,571</u>
	2,93,28,828	1,84,97,217
Consumption of Stores and Supplies	6,77,879	5,91,840
Power and Fuel	8,32,435	6,88,662
Rent	22,19,239	15,12,408
Insurance	14,566	14,363
Repairs - Others	16,05,022	13,60,237
Advertising/Sales Promotion	81,03,861	17,59,160
Travelling and Conveyance	39,13,615	29,36,918
Legal Expenses	2,03,300	—
Postage, Telephones etc.	16,53,532	15,51,435
Bank Charges	4,281	3,706
Technical and Consultancy Fees	9,31,457	8,45,857
Miscellaneous Expenses	3,91,744	3,11,103
Fixed Assets Discarded - Net	<u>2,54,418</u>	<u>5,11,313</u>
	<u>5,01,34,177</u>	<u>3,05,84,219</u>
Miscellaneous Expenses Include :		
Auditors' Remuneration and Expenses :		
– Audit Fees	75,000	40,000
– Fees for Other Services	25,000	20,000
– Reimbursement of Expenses	<u>12,972</u>	<u>12,972</u>
	<u>1,12,972</u>	<u>72,972</u>
<b>15. PROVISION FOR TAXATION</b>		
Income Tax for the year :		
Current Tax	77,31,884	51,24,000
Deferred Tax	(5,45,651)	(1,57,166)
Fringe Benefit Tax	<u>3,83,731</u>	<u>6,66,000</u>
	<u>75,69,964</u>	<u>56,32,834</u>
Less : Adjustments related to previous years - Net		
Current Tax	<u>3,09,366</u>	<u>—</u>
	<u>78,79,330</u>	<u>56,32,834</u>
<b>16. EARNINGS PER SHARE</b>		
Profit after Taxation	1,38,26,186	92,24,304
Weighted average number of equity shares outstanding	4,50,008	4,50,008
Basic and diluted earnings per share in rupees (Face value - Rs. 10/- per share)	30.72	20.50

## 17. NOTES TO THE ACCOUNTS

i) Expenditure in Foreign Currency (On Payment Basis) : Travelling Rs. 11,01,678/- (Previous year - Rs. 3,83,922/-).

ii) The Company has during the year complied with the Accounting Standard 15 (Revised 2005) on Employee Benefits issued by the Institute of Chartered Accountants of India. In accordance with the transitional provisions of the Standard the Company has charged the incremental liability amounting to Rs. 52,078/- and Rs. 8,43,380/- as at April 1, 2006 in respect of the defined benefit schemes of gratuity and compensated absences respectively.

As a result of the adoption of this Standard the expenditure charged on account of compensated absences and gratuity benefit is (lower) / higher by Rs. (1,94,559/-) and Rs. 2,652/- with the consequent effect on the profit for the year.

iii) The Company has accounted for the long term defined benefits and contribution schemes as under :

## A) Defined Benefit Schemes:

## (a) Gratuity

The employees are entitled to gratuity that is computed as half-month's salary, for every completed year of service and is payable on retirement/termination. The Company makes provision of such gratuity liability in the books of accounts on the basis of actuarial valuation. The Company pays contribution to Life Insurance Corporation to fund its plan.

## (b) Leave Encashment /Compensated Absences

The employees are entitled for leave for each year of service and part thereof and subject to the limits specified, the unavailed portion of such leaves can be accumulated or encashed during /at the end of the service period. The plan is unfunded.

The reconciliation of opening and closing balances of the present value of the defined benefit obligations are as below :

	For the Year ended 31st March, 2007	
	Gratuity	Leave Encashment / Compensated Absences
Obligations at year beginning	2,13,371	11,12,069
Service Cost - Current	51,352	4,16,475
Interest Cost	11,971	62,148
Actuarial (gain) / loss	1,83,999	9,01,657
Benefit Paid	(1,07,527)	(5,66,852)
Obligations at year end	3,53,166	19,25,497
<b>Change in plan assets</b>		
Plan assets at year beginning, at fair value	1,61,293	—
Expected return on plan assets	17,240	—
Actuarial gain / (loss)	(8,299)	—
Contributions	2,35,729	—
Benefits paid	(1,07,527)	—
Plan assets at year end, at fair value	2,98,436	—
<b>Reconciliation of present value of the obligation and the fair value of the plan assets:</b>		
Present value of the defined benefit obligations at the end of the year	3,53,166	19,25,497
Fair value of the plan assets at the end of the year	2,98,436	—
<b>Liability recognised in the Balance Sheet</b>	<b>54,730</b>	<b>19,25,497</b>
<b>Defined benefit obligations cost for the year</b>		
Service Cost - Current	51,352	4,16,475
Interest Cost	11,971	62,148
Expected return on plan assets	(17,240)	—
Actuarial (gain) / loss	1,92,298	9,01,657
Net defined benefit obligations cost	2,38,381	13,80,280
<b>Investment details of plan assets</b>		
100% of the plan assets are lying in the Gratuity fund administered through Life Insurance Corporation of India (LIC) under its Group Gratuity Scheme.		
<b>The principal assumptions used in determining post-employment benefit obligations are shown below :</b>		

	2007 (in %)
Discount Rate	7.50 p.a.
Future salary increases	10.00 p.a.
Expected return on plan assets	7.50 p.a.
The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors such as supply and demand factors in the employment market.	

**SCHEDULES TO THE ACCOUNTS (Contd.)**

**17. NOTES TO THE ACCOUNTS (Contd.)**

**B) State Plans:**

The Company deposits an amount determined at a fixed percentage of basic pay every month to the State administered Provident Fund for the benefit of the employees. Accordingly, the Company's contribution during the year that has been charged to revenue amounts to Rs. 8,20,199/-.

- iv) 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. The Company, based on the information available on the status of the suppliers, does not have any dues to enterprises covered under The Micro, Small and Medium Enterprises Development Act, 2006.
- v) Sundry Debtors over six months include amounts which are under litigation. The management has been advised by its legal counsel that the amounts will be fully recovered.
- vi) 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.

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

- viii) Related party disclosures under Accounting Standard 18

- i) **Holding Company :** ITC Limited

- ii) **Other related parties with whom transactions have taken place during the year :**  
Fellow Subsidiary Companies : Srinivasa Resorts Limited, Surya Nepal (P) Limited

- iii) **Key Management Personnel :**

**Board of Directors**

S.S.H. Rehman

Nakul Anand

S.C. Sekhar

M. Riaz Ahmed

Pawan Verma

H.H. Maharaja Gaj Singh

**iv) Summary of transactions (Rupees) :**

	Transaction with	Holding Company		Fellow Subsidiaries		Key Management Personnel	
		31-03-2007	31-03-2006	31-03-2007	31-03-2006	31-03-2007	31-03-2006
1.	Receipt of Management & Consultancy fees* * Inclusive of Service Tax - Rs. 1,32,691/- (Previous year - Rs. 1,15,440/-)	23,65,241	12,47,214	—	—	—	—
2.	Purchase of Goods/Service - Hotel Services (Hotel stay & F&B Bills etc.)	— 1,84,538	— 2,82,503	— 91,155	— 93,843	— —	— —
3.	Acquisition Cost of Fixed Assets	—	11,67,804	—	—	—	—
4.	Rent Paid	3,71,880	2,47,920	—	—	—	—
5.	Reimbursement of Contractual Remuneration	2,43,46,895	1,56,89,595	—	—	—	—
6.	Dividend Payments	9,00,016	6,75,002	—	—	—	—
7.	Expense Recovered during the year (Amount recovered on account of payments made on behalf of related parties)	3,32,468	5,46,908	62,903	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)	54,61,427	39,64,939	—	5,000	—	—
9.	Closing Balance						
	i) Debtors/Receivables	2,057	—	—	—	—	—
	ii) Creditors/Payables	46,02,644	30,31,436	59,544	2,994	—	—

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

**18. SIGNIFICANT ACCOUNTING POLICIES**

**i) BASIS OF PREPARATION OF FINANCIAL STATEMENTS**

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

**ii) TURNOVER**

To state Net Income from Operations after deducting taxes and duties from invoiced value of services rendered.

**iii) FIXED ASSETS**

To state Fixed Assets at cost of acquisition inclusive of inward freight, duties and taxes and incidental expenses related to acquisition. To capitalise software where it is expected to provide future enduring economic benefits. The costs are capitalised in the year in which the relevant software is implemented for use.

**iv) 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 the Companies Act, 1956, whichever is lower, by equal annual installments. Capitalised software costs are amortised over a period of five years.

**v) INVESTMENT**

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.

**vi) INVESTMENT INCOME**

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

**vii) EMPLOYEE BENEFITS**

To make regular contributions to the State administered Provident Fund which are charged against revenue. To provide for long term defined benefit schemes of gratuity and compensated absences on the basis of actuarial valuation on the Balance Sheet date based on the Projected Unit Credit Method. In respect of gratuity, the Company funds the benefits through annual contributions to Life Insurance Corporation of India (LIC) under its Group Gratuity Scheme. The actuarial valuation of the liability towards the Gratuity Retirement benefits of the employees is made on the basis of assumptions with respect to the variable elements affecting the computations including estimation of interest rate of earnings on contributions to LIC.

To recognise the actuarial gains and losses in the Profit & Loss Account as income and expense in the period in which they occur.

**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) 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 profit & loss in the period in which they arise. Liability/Receivables on account of foreign

**SCHEDULES TO THE ACCOUNTS (Contd.)**

**18. SIGNIFICANT ACCOUNTING POLICIES (Contd.)**

currency are converted at the exchange rates prevailing as at the end of the year.

**x) BORROWING COSTS**

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

**xi) 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.

**xii) 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 facilitate compliance of the relevant provisions of the Companies Act, 1956 on the 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.

Gurgaon, 1st May, 2007

On behalf of the Board  
S. C. Sekhar Director  
M. Riaz Ahmed Director

**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 Loan   
Unsecured Loan   
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.



## REPORT OF THE DIRECTORS FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2007

Your Directors submit their Report and Accounts for the financial year ended 31st March, 2007.

### Performance

During the year under review, your Company earned a Licence Fee of Rs. 63.22 lacs (previous year - Rs. 33.93 lacs) and a net profit of Rs. 41.38 lacs (previous year - Rs. 20.89 lacs) after providing for income tax of Rs. 16.87 lacs (previous year - Rs. 7.22 lacs). Earnings per share for the year stands at Rs. 348.42 per share of Rs. 100/- (previous year - Rs. 175.90 per share of Rs. 100/-) Cash Flow from Operations were Rs. 48.72 lacs during the year (previous year - Rs. 12.78 lacs).

Your Directors are pleased to recommend a dividend of Rs. 30/- (previous year - Rs. 20/-) per equity share of Rs. 100/- each for the year ended 31st March, 2007. Your Board further recommends a transfer to General Reserve of Rs. 3.10 lacs (previous year - Rs. 1.57 lacs).

The Union Cabinet has approved the proposal of declaring the Veer Savarkar Airport at Port Blair as an international airport. This is bound to bring about a greater pace of development with special emphasis on tourism promotion.

### Conservation of Energy

Considering the fact that the hotel is under an operating licence with ITC 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. G.H.C. Jadwet and Mr. M. Riaz Ahmed 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 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 15 and 16 respectively, to the annual accounts.

On behalf of the Board

Mohan Bhatnagar *Director*  
M. Riaz Ahmed *Director*

Gurgaon, 2nd May, 2007

## COMPLIANCE CERTIFICATE

Company No. : U74899DL1976PLC105131  
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 M/s Bay Islands Hotels Limited (hereinafter referred to as '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, 2007 (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, except those as mentioned in "Annexure: B".
3. The Company, being a public limited company, comments are not required.
4. The Board of Directors duly met four times respectively on 28th April, 2006; 28th September, 2006; 29th December, 2006 and 29th March, 2007 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 its Register of Members during the financial year.
6. The Annual General Meeting for the financial year ended on 31st March, 2006 was held on 26th June, 2006 after giving due notice to the members of the Company and others concerned and the resolutions passed thereat were duly recorded in Minutes Book maintained for the purpose.
7. No extraordinary general meeting was held during the financial year.
8. The Company has not advanced any loans to its Directors or persons or firms or companies referred to under Section 295 of the Act.
9. The Company has not entered into any contracts falling within the purview of Section 297 of the Act.

10. The Company was not required to make any entries in the Register maintained under Section 301(1) of the Act. However, it has made necessary entries in Register maintained under Section 301(3) of the Act.
11. As there were no instances falling within the purview of Section 314 of the Act, the Company has not obtained 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. The Company has:
  - (i) 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) 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) 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) not transferred any amount in Investor Education and Protection Fund as there is no 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.
  - (v) 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/Whole-time Director/Manager during the financial year.
16. The Company has not appointed any sole selling agents during the financial year.
17. The Company was not required to obtain any approvals of the Central Government, Company Law Board, Regional Director, Registrar of Companies and/or such authorities prescribed under the various provisions of the Act during the financial year.
18. The Directors have disclosed their interest in other firms/companies to the Board of Directors pursuant to the provisions of the Act and the Rules made thereunder.
19. The Company has not issued any shares, debentures or other securities during the financial year.
20. The Company has not bought back any shares during the financial year.



21. There was no redemption of preference shares or debentures during the financial year.
22. There were no transactions necessitating the Company to keep in abeyance the rights to dividend, rights shares and bonus shares pending registration of the transfer of shares.
23. The Company has not invited/accepted any deposits including any unsecured loans falling within the purview of Section 58A of the Act during the financial year.
24. The Company has not made any borrowings during the financial year ended.
25. The Company has not made any loans or advances or given guarantees or provided securities to other bodies corporate 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 Company's Registered Office 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 name of the Company during the year under scrutiny.
29. The Company has not altered the provisions of the Memorandum with respect to Share Capital of the Company during the year under scrutiny.
30. The Company has not altered its Articles of Association during the financial year.
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 under the Act was imposed on the Company during the financial year.
32. The Company has not received any money as security from its employees during the financial year.
33. The Company has not constituted a separate provident fund trust for its employees or class of its employees as contemplated under Section 418 of the Act.

For PB & Associates  
Company Secretaries  
Pooja Bhatia  
LLB, ACS  
CP : 6485

New Delhi, 2nd May, 2007

#### ANNEXURE – 'A'

##### Registers maintained by the Company (As on March 31, 2007)

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(3)
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, 2007)

Sl. No.	Particulars of Forms & Returns Filed	Date of Filing	Whether filed within prescribed time	Additional Fees paid
1.	Form 23AC for Annual Accounts u/s 220 of the Act for the year ended 31st March, 2006	22.07.2006	Yes	No
2.	Form 62 for Compliance Certificate u/s 383A of the Act, for the financial year ended 31st March, 2006	22.07.2006	Yes	No
3.	Form 20B for Annual Return u/s 159 of the Act, made upto 26th June, 2006	22.08.2006	Yes	No
4.	Form DIN 3 u/s 266E of the Act	11.12.2006	No	N.A.
5.	Form DIN 3 u/s 266E of the Act	11.12.2006	No	N.A.
6.	Form DIN 3 u/s 266E of the Act	11.12.2006	No	N.A.
7.	Form DIN 3 u/s 266E of the Act	11.12.2006	No	N.A.
8.	Form DIN 3 u/s 266E of the Act	25.12.2006	Yes	N.A.

##### B. Forms & Returns filed with the Regional Director, Central Government or other authorities: Nil

#### REPORT OF THE AUDITORS TO THE MEMBERS

1. We have audited the attached Balance Sheet of Bay Islands Hotels Limited as at 31st March, 2007 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.
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. 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.
4. 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.
5. In our opinion, the Balance Sheet, Profit & 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).
6. On the basis of written representations received from the Directors as on 31st March, 2007 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, 2007 from being appointed as a Director in terms of Clause (g) of sub-section (1) of Section 274 of the Act.
7. 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 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:
  - (a) In the case of Balance Sheet, of the state of affairs of the Company as at 31st March, 2007.
  - (b) In the case of Profit and Loss Account, of the profit for the year ended on that date.
  - (c) In the case of Cash Flow Statement, of the cash flows for the year ended on that date.
8. As required by the Companies (Auditor's Report) Order, 2003, amended by the Companies (Auditor's 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 :-
  - (i) (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:
- The Company is regular in depositing the undisputed amount of statutory dues to the Government Accounts.
  - 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, 2007 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, 2nd May, 2007

## BALANCE SHEET AS AT 31ST MARCH, 2007

	Schedule	(Rs.)	As at 31st March, 2007 (Rs.)	(Rs.)	As at 31st March, 2006 (Rs.)
<b>I. SOURCES OF FUNDS</b>					
<b>Shareholders' Funds</b>					
(a) Capital	1	11,87,500		11,87,500	
(b) Reserves & Surplus	2	8,11,79,529	8,23,67,029	7,82,84,839	7,94,72,339
			8,23,67,029		7,94,72,339
<b>II. APPLICATION OF FUNDS</b>					
<b>1. Fixed Assets</b>	3				
(a) Gross Block		10,34,42,743		10,34,42,743	
(b) Less : Depreciation		2,62,59,491		2,51,47,211	
(c) Net Block			7,71,83,252		7,82,95,532
<b>2. Current Assets, Loans &amp; Advances</b>					
(a) Sundry Debtors	4	16,08,166		—	
(b) Cash and Bank Balances	5	24,22,699		37,348	
(c) Other Current Assets	6	37,748		—	
(d) Loans and Advances	7	3,65,380		6,01,090	
		44,33,993		6,38,438	
<b>Less :</b>					
<b>Current Liabilities and Provisions</b>					
(a) Liabilities	8	14,950		11,780	
(b) Provisions	9	4,16,795		2,70,809	
		4,31,745		2,82,589	
<b>Net Current Assets</b>			40,02,248		3,55,849
<b>3. Deferred Tax Asset (Net)</b>	10		11,81,529		8,20,958
<b>Total</b>			8,23,67,029		7,94,72,339
<b>Notes to the Accounts</b>	15				
<b>Significant Accounting Policies</b>	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.

For and on behalf of  
S. B. Dandekar & Company

V. Venkatesan  
Chartered Accountant  
Port Blair, 2nd May, 2007

On behalf of the Board

Mohan Bhatnagar Director  
M. Riaz Ahmed Director  
Gurgaon, 1st May, 2007

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2007

	Schedule	For the year ended 31st March, 2007 (Rs.)	For the year ended 31st March, 2006 (Rs.)
<b>I. INCOME</b>			
Operating Licence Fee		63,21,918	33,93,168
Other Income	11	52,694	—
		<u>63,74,612</u>	<u>33,93,168</u>
<b>II. EXPENDITURE</b>			
Operating and Administrative Expenses	12	2,64,254	2,94,940
Depreciation		2,86,220	2,87,217
		<u>5,50,474</u>	<u>5,82,157</u>
<b>III. PROFIT / (LOSS)</b>			
Profit Before Taxation		58,24,138	28,11,011
Taxation for the year	13	16,86,593	7,22,177
Profit After Taxation		41,37,545	20,88,834
Profit Brought Forward from Previous Year		57,34,871	40,73,509
Available for Appropriation		<u>98,72,416</u>	<u>61,62,343</u>
<b>IV. APPROPRIATIONS</b>			
General Reserve		3,10,316	1,56,663
Proposed Dividend		3,56,250	2,37,500
Tax on Proposed Dividend		60,545	33,309
Profit Carried Forward		<u>91,45,305</u>	<u>57,34,871</u>
		<u>98,72,416</u>	<u>61,62,343</u>
<b>Basic and Diluted Earnings Per Share (Rs.)</b>	14	<u>348.42</u>	<u>175.90</u>
<b>Notes to the Accounts</b>	15		
<b>Significant Accounting Policies</b>	16		
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, 2nd May, 2007

On behalf of the Board

Mohan Bhatnagar Director  
M. Riaz Ahmed Director  
Gurgaon, 1st May, 2007

## CASH FLOW STATEMENT

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

		For the year ended 31st March, 2007 (Rs.)	(Rs.)	For the year ended 31st March, 2006 (Rs.)	(Rs.)
<b>A. NET PROFIT BEFORE TAX</b>			58,24,138		28,11,011
Adjustments for :					
Depreciation		2,86,220		2,87,217	
Interest accrued		(37,748)		—	
			<u>2,48,472</u>		<u>2,87,217</u>
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES			60,72,610		30,98,228
Adjustments for :					
Trade and other Receivables		(12,03,891)		(1,96,815)	
Trade Payables		3,170	(12,00,721)	(16,22,949)	(18,19,764)
CASH GENERATED FROM OPERATIONS			<u>48,71,889</u>		<u>12,78,464</u>
Income Tax Paid			(22,15,729)		(10,41,274)
NET CASH FROM OPERATING ACTIVITIES			<u>26,56,160</u>		<u>2,37,190</u>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>					
Purchase of Investment		—	—	—	—
<b>NET CASH USED IN INVESTING ACTIVITIES</b>			<u>—</u>		<u>—</u>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>					
Dividends Paid		(2,37,500)		(2,37,500)	
Income Tax on Dividend Paid		(33,309)		(33,309)	
NET CASH FLOW USED IN FINANCING ACTIVITIES			<u>(2,70,809)</u>		<u>(2,70,809)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS			<u>23,85,351</u>		<u>(33,619)</u>
OPENING CASH AND CASH EQUIVALENTS			37,348		70,967
<b>CLOSING CASH AND CASH EQUIVALENTS</b>			<u>24,22,699</u>		<u>37,348</u>
<b>CASH AND CASH EQUIVALENTS COMPRISE :</b>					
Cash and Bank Balances		—	<u>24,22,699</u>	—	<u>37,348</u>

Per our Report attached to the Balance Sheet

For and on behalf of  
S. B. Dandekar & Company

V. Venkatesan  
Chartered Accountant  
Port Blair, 2nd May, 2007

On behalf of the Board

Mohan Bhatnagar Director  
M. Riaz Ahmed Director  
Gurgaon, 1st May, 2007

## SCHEDULES TO THE ACCOUNTS

	As at 31st March, 2007 (Rs.)	As at 31st March, 2006 (Rs.)
<b>1. CAPITAL</b>		
<b>Authorised</b>		
90,000 Equity Shares of Rs. 100/- each	90,00,000	90,00,000
30,000 - 13.5% Redeemable Cumulative Preference Shares of Rs. 100/- each	30,00,000	30,00,000
	<u>1,20,00,000</u>	<u>1,20,00,000</u>
<b>Issued, Subscribed &amp; Paid-up</b>		
11,875 Equity Shares of Rs.100/- each fully paid-up	11,87,500	11,87,500
	<u>11,87,500</u>	<u>11,87,500</u>

The above shares are held by the Holding Company - ITC Limited

**2. RESERVES & SURPLUS**

	As at 31st March, 2007 (Rs.)	As at 31st March, 2006 (Rs.)
<b>Revaluation Reserve</b>		
At the commencement of the year	6,76,89,066	6,85,15,126
Less : Depreciation	<u>8,26,060</u>	<u>8,26,060</u>
<b>Subsidy Reserve</b>	43,38,099	43,38,099
<b>General Reserve</b>		
At the commencement of the year	5,22,803	3,66,140
Add : Transferred from Profit & Loss Account	<u>3,10,316</u>	<u>1,56,663</u>
<b>Balance in Profit &amp; Loss Account</b>	91,45,305	57,34,871
	<u>8,11,79,529</u>	<u>7,82,84,839</u>

**3. FIXED ASSETS**

Particulars	Original Cost/ Professional Valuation as at 01.04.2006 (Rs.)	Additions during the year (Rs.)	Withdrawals during the year (Rs.)	Original Cost/ Professional Valuation as at 31.03.2007 (Rs.)	Depreciation for the year (Rs.)	Depreciation on withdrawals (Rs.)	Depreciation upto 31.03.2007 (Rs.)	Net Block as at 31.03.2007 (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	—	1,89,10,178	2,00,79,572
3. Plant & Machinery	70,45,674	—	—	70,45,674	30,997	—	69,41,994	1,03,680
4. Furniture & Fittings	4,07,319	—	—	4,07,319	—	—	4,07,319	—
Total	10,34,42,743	—	—	10,34,42,743	11,12,280	—	2,62,59,491	7,71,83,252
Previous Year	10,34,42,743	—	—	10,34,42,743	11,13,277	—	2,51,47,211	7,82,95,532

	As at 31st March, 2007 (Rs.)	As at 31st March, 2006 (Rs.)
<b>4. SUNDRY DEBTORS</b>		
Over 6 months old		
Good and Unsecured	—	—
Doubtful and Unsecured	—	—
Other Debts		
Good and Secured	—	—
Good and Unsecured	16,08,166	—
Less : Provision for Doubtful Debts	<u>—</u>	<u>—</u>
	<u>16,08,166</u>	<u>—</u>
Less : Deposits from normal Trade Debtors - Contra	<u>—</u>	<u>—</u>
	<u>16,08,166</u>	<u>—</u>

**5. CASH AND BANK BALANCES**

	As at 31st March, 2007 (Rs.)	As at 31st March, 2006 (Rs.)
With Scheduled Banks on Current Accounts	18,32,699	37,348
Deposit with Scheduled Banks	5,90,000	—
	<u>24,22,699</u>	<u>37,348</u>

**6. OTHER CURRENT ASSETS**

	As at 31st March, 2007 (Rs.)	As at 31st March, 2006 (Rs.)
Interest accrued on investment	37,748	—

**7. LOANS AND ADVANCES**

	As at 31st March, 2007 (Rs.)	As at 31st March, 2006 (Rs.)
Income Tax – Refund due for the year 2003-04	—	1,56,228
Income Tax – Refund due for the year 2004-05	—	2,48,047
Income Tax – Refund due for the year 2005-06	1,96,815	1,96,815
Income Tax (Net of provision for Tax)	<u>1,68,565</u>	<u>—</u>
	<u>3,65,380</u>	<u>6,01,090</u>

**8. LIABILITIES**

	As at 31st March, 2007 (Rs.)	As at 31st March, 2006 (Rs.)
<b>Sundry Creditors</b>		
Total outstanding dues to small scale industrial undertakings	—	—
Total outstanding dues to creditors other than small scale industrial undertakings***	14,950	11,780
	<u>14,950</u>	<u>11,780</u>

\*\*\* Includes payable to Holding  
Company Rs. Nil  
(Previous Year Rs. 2,526/-)

**9. PROVISIONS**

	As at 31st March, 2007 (Rs.)	As at 31st March, 2006 (Rs.)
Provision for proposed dividend	3,56,250	2,37,500
Tax on proposed dividend	<u>60,545</u>	<u>33,309</u>
	<u>4,16,795</u>	<u>2,70,809</u>

**10. DEFERRED TAX ASSET (NET)**

	As at 31st March, 2007 (Rs.)	As at 31st March, 2006 (Rs.)
Deferred Tax Assets	—	—
Less :		
Deferred Tax Liability	(11,81,529)	(8,20,958)
Depreciation - Timing Difference	<u>(11,81,529)</u>	<u>(8,20,958)</u>
<b>Net Deferred Tax Asset</b>	<u>11,81,529</u>	<u>8,20,958</u>

**11. OTHER INCOME**

	For the year ended 31st March, 2007 (Rs.)	For the year ended 31st March, 2006 (Rs.)
Interest on Fixed Deposit	41,531	—
Interest on Income Tax Refund	<u>11,163</u>	<u>—</u>
	<u>52,694</u>	<u>—</u>

**12. OPERATING AND ADMINISTRATIVE EXPENSES**

	For the year ended 31st March, 2007 (Rs.)	For the year ended 31st March, 2006 (Rs.)
Salaries, Wages and Bonus	97,554	78,906
Consumption of Stores and Spare Parts	30,000	15,000
Travelling and Conveyance	63,000	1,68,812
Bank Charges	1,350	80
Rates & Taxes	20,308	—
Miscellaneous Expenses	<u>52,042</u>	<u>32,142</u>
	<u>2,64,254</u>	<u>2,94,940</u>

	For the year ended 31st March, 2007 (Rs.)	For the year ended 31st March, 2006 (Rs.)
Miscellaneous Expenses includes		
Audit Fees	11,224	7,224
Tax Audit Fees	<u>5,173</u>	<u>—</u>

**13. PROVISION FOR TAXATION**

	For the year ended 31st March, 2007 (Rs.)	For the year ended 31st March, 2006 (Rs.)
Income Tax on :		
Tax on Current Year's Profits*	20,47,164	10,41,274
Add : Deferred Tax Expense/(Credit)	<u>(3,60,571)</u>	<u>(3,19,097)</u>
	<u>16,86,593</u>	<u>7,22,177</u>

\* including Fringe Benefit Tax  
Rs. 4,241 (Previous Year - Rs. 11,364)

## SCHEDULES TO THE ACCOUNTS (Contd.)

	For the year ended 31st March, 2007 (Rs.)	For the year ended 31st March, 2006 (Rs.)
<b>14. EARNINGS PER SHARE</b>		
Profit/(loss) after Taxation	41,37,545	20,88,834
Weighted average number of equity shares outstanding	11,875	11,875
Basic and diluted earnings per share in Rupees	348.42	175.90
(face value - Rs. 100/- per share)		

## 15. 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	63,21,918/-
2. Expenses Reimbursed	2,59,790/-
3. Dividend Payment	2,37,500/-
4. Balance as on March 31, 2007 Debtors / Receivables	16,08,166/-

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

## 16. 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

Gurgaon, 1st May, 2007

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. 1 0 5 1 3 1 State Code 5 5

Balance Sheet Date 3 1 0 3 2 0 0 7  
Date Month Year

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

Public Issue	Rights Issue
N . A . . . . .	N . A . . . . .
Bonus Issue	Private Placement
N . A . . . . .	N . A . . . . .

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

Total Liabilities	Total Assets
8 2 3 6 7	8 2 3 6 7

## Sources of Funds

Paid-up Capital	Reserves & Surplus
1 1 8 8	8 1 1 7 9
Secured Loans	Unsecured Loans
N . A . . . . .	N . A . . . . .

## Application of Funds

Net Fixed Assets	Investments
7 7 1 8 3	N I L . . . . .
Net Current Assets	Deferred Tax Asset
4 0 0 2	1 1 8 2

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

Turnover	Total Expenditure
6 3 7 4	5 5 0
+ - Profit/Loss before Tax	+ - Profit/Loss after Tax
✓ 5 8 2 4	✓ 4 1 3 8

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

Earnings per Share in Rs.	Dividend Rate %
3 4 8 . 4 2	3 0

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

Item Code No.	*** N . A . . . . .
Product Description	H O T E L S . . . . .

\*\*\* No item code has been assigned to 'Hotels' under the Indian Trade Classification.



## REPORT OF THE DIRECTORS FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2007

Your Directors submit their report for the Financial Year ended 31st March, 2007.

### FINANCIAL RESULTS

	(Rs. in lakhs)	
Year Ended March 31,	2007	2006
Total Income	20517.55	16234.44
Total Expenditure	17133.50	14574.17
Operating Profit (PBIDT)	3384.05	1660.27
Depreciation	853.90	602.20
Profit / (Loss) before Tax	2530.15	1058.08
Provision for Tax	463.02	20.36
Profit / (Loss) after Tax	2067.13	1037.72

### BUSINESS REVIEW

The outsourcing trend continued to strengthen during the year under review. This was clearly demonstrated by the reinforcement of the Indian IT industry growth story, driven by a maturing appreciation of India's role and growing importance in the global services trade. Across many developed-economy markets (e.g. the Nordics), demographic trends and skill shortages will only reinforce the outsourcing trend going forward. Analysts predict that by 2010, the global outsourcing industry will cross US\$ 1 trillion. While alternate destinations are being explored to add multi-country delivery capability, India remains an integral part of any major global sourcing strategy.

ITC Infotech Group was successful in acquiring new customers in the US and Europe. The incremental revenues and margins from new customers commenced accruing primarily in the last quarter of the financial year and are therefore expected to gain momentum only in the next fiscal. Underlining the growing importance of the Nordics, 2006 saw the addition of a large bank and an airline company, headquartered in that region, as customers. Building on this success, the Company is actively sourcing business in that region and has acquired customers in Finland, Sweden and Norway.

The ITC Infotech Group is now a 1900 strong team of software engineers. During the year under review dedicated development centres were opened in the 'ITC Infotechpark' campus in Bangalore for the Nordic customers. ITC Infotech also expanded its overseas presence by opening a Branch Office in Copenhagen, Denmark.

ITC Infotech has been ranked in the Leaders Category for the '2007 Global Outsourcing 100' by the International Association of Outsourcing Professionals (IAOP). ITC Infotech has also been ranked amongst the 'Top 10 Specialty Application Development Providers' in the 2007 Global Services 100 listing.

On the operating front, margins have been under steady pressure. Key factors driving this have been (i) higher proportion of onsite engagements leading to higher revenues but correspondingly higher employee costs (ii) limited success in rotation of higher cost onsite employees due to customer imperatives (iii) stagnancy in key existing accounts and (iv) spiralling wage costs. Further, while increase in business volume in certain low-margin engagements has created scale in key capability areas, it has also exacerbated the margin pressures.

Revenue from new customers acquired during 2006-07 is expected to grow significantly in the next fiscal. Building on its success in the Nordic region, the Company has strengthened business development efforts in that region and expects significant scale up of business. The roll out of actions emanating from its North America strategy is well underway and the ITC Infotech Group is in the process of significantly expanding its presence in North America through own resources as well as key alliances and partnerships. It is also aggressively evaluating inorganic growth options.

To consolidate the internal restructuring initiated last year in establishing business verticals, sharpen the focus on the marketplace and to transcend operations into a global delivery model, the Company has created 3 business clusters which will synergise the efforts of the business development and delivery teams. Coupled with investments in technology and creation of differentiated and deep domain led offerings, the Company has built a healthy pipeline of customers around testing, package implementation, engineering services and IT infrastructure services in the target verticals of Banking, Financial Services & Insurance, Travel, Hospitality & Transportation, Manufacturing and Consumer Packaged Goods & Retail. With these efforts and sharpened focus, the Company is confident of meeting the expectations of its stakeholders in the next year.

Strong relationships, diversity of services, a global delivery footprint, effective management of scale and deep domain understanding will be the key differentiators in the highly competitive global IT-ITES industry. The war for talent will intensify. The demand, and consequently the cost, of talent will constantly escalate in the middle term. Quality of recruitment, training,

engagement and retention will be key determinants of an organization's capability to leverage talent capital.

### WHOLLY OWNED SUBSIDIARIES

#### i) ITC INFOTECH LTD., UK

During the year under review, ITC Infotech Limited, UK, a wholly owned subsidiary of the Company, has registered a Turnover of GBP 16.81 million (previous year GBP 14.31 million) and a Net Profit of GBP 0.12 million (previous year GBP 0.40 million).

#### ii) ITC INFOTECH (USA), INC

During the year under review, ITC Infotech (USA), Inc., a wholly owned subsidiary of the Company, registered Total Revenues of USD 9.31 million (previous year USD 6.51 million) and a Net Profit of USD 0.18 million (previous year USD 0.16 million).

### JOINT VENTURE - CLI3L e-SERVICES LIMITED

In the ITES segment, CLI3L e-Services Limited (CLI3L), a joint venture of your Company with ClientLogic Operating Corporation, posted a steady performance with Total Income at Rs. 124.43 crores (previous year Rs. 133.73 crores) with post tax profits at Rs. 29.89 crores (previous year Rs. 32.86 crores).

During the year under review, the ClientLogic Group acquired Sitel Corporation to strengthen its business scale and the name of the joint venture partner was changed from ClientLogic Operating Corporation, USA to Sitel Operating Corporation, USA. Further, the shareholding of the Company in CLI3L is now held by ITC Limited in accordance with Article 16 of the Articles of Association of CLI3L.

CLI3L declared a total dividend of 90 % i.e. Rs. 9 per share (previous year 125% i.e. Rs. 12.50 per share) for the year ended 31st March, 2007.

### TALENT MANAGEMENT

Competent human resources are the key to success in meeting customer expectations and creating a superior value proposition. The Company has grown its headcount by 50% during the year under review. The Company continues to reinvigorate human resource development processes and has embarked upon a focused training and development programme, especially in respect of its direct-from-campus joiners, in the year under review. The Company is confident of leveraging this home grown talent towards achieving its ambitious financial objectives for the next year.

### OTHER INFORMATION

The particulars of conservation of Energy, Technology Absorption, Foreign Exchange Earnings and Outgo in terms of Section 217(1)(e) are given in Annexures "A" and "B". The particulars of employees in terms of Section 217 (2A) of the Companies Act, 1956 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

Mr. S. Puri was appointed as Managing Director of the Company with effect from 14th May, 2006.

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. K. Vaidyanath and Mr. S. Sivakumar will retire by rotation at the ensuing Annual General Meeting, and being eligible, offer themselves for re-election.

### 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, 11th May, 2007  
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, 2007

**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, 11th May, 2007

**ANNEXURE 'B' TO THE REPORT OF DIRECTORS**  
FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2007

**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. 11,385.97 lakhs (previous year Rs. 11,351.34 lakhs) while the outgoings (on payment basis) were Rs. 4,056.46 lakhs (previous year Rs. 4,546.40 lakhs).

On behalf of the Board

Anup Singh

Chairman

Bangalore, 11th May, 2007

**ANNEXURE 'C' TO THE REPORT OF DIRECTORS**  
FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2007

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.	48	V.P.-THT, Strategic Accounts & Corporate Marketing	3708454	1635595	M.Tech.	24	1-Oct-00	ITC Infotech Ltd. U.K. Chief Executive Officer
BABU V.V.R.	52	Senior Vice President	5021490	2095807	B.Sc., M.Sc.(Tech.), M.Phil.	30	1-Oct-00	ITC Ltd., Divisional Head, India Operations (ISD)
BASU A.	47	G.M.-IT Services	3084748	1308818	B.E., M.Tech.	24	1-Jul-03	ITC Ltd. Computer Audit Manager
GANESH J.	47	V.P.-Key Strategic Accounts	3237480	1987327	B.E., PGDBM	22	4-Apr-02	Talisma Corp. Pvt. Ltd. CIO
GHOSH D.	45	Business Practice Head- Manufacturing	2746002	1761331	B.Tech.	23	8-Jun-05	Geometric Software Solutions Co. Ltd., Head Engineering Services Division
GHOSH T.	45	G.M.-IT Services	3189312	1853832	M.Sc., M.Tech.	21	1-Oct-00	ITC Ltd., Software Development Manager
GUPTA S.K.	51	Vice President - BFSI	3334629	2122585	B.Sc. , M.Tech.	29	1-Oct-04	Vmokasha Technologies Exe. - Vice President
JANARDHANAN S.	49	V.P.-Technology Services & Quality	3881518	2244125	B.Sc., M.Sc.	27	1-Oct-00	ITC Ltd., Head, ITC IT Services
LAKSHMINARAYANAN G.	50	G.M. - Quality & Processes	2960296	1273408	B.Sc.	30	1-Oct-00	ITC Ltd., Software Development Manager
MITRA A.K.	55	V.P.-Strategic Accounts	3318921	1947790	B.E., M.Tech.	30	1-Oct-00	ITC Ltd. General Manager - IT
MURTHY S.N.	42	Technology Practice Head Managed Services	2636770	1720901	B.E.	17	28-Apr-03	Nortel Networks, USA Sr. Project Manager
NATU P.	39	G.M.-Outsourced Engagements	2802876	1532887	B.Sc.	16	6-Nov-02	MPHASIS BFL Limited Manager Business Development
RAJASEKHAR V. V.	42	V.P.-IT Services	3648362	1904348	B.E., MBA	18	1-Dec-00	ITC Ltd. Manager IT Projects
RAMACHANDRAN S.	44	G.M.-Strategic Planning Group	2775747	1193832	B.E.	22	1-Oct-00	ITC Ltd., Manager Continuous Improvement
ROY P.	52	Asst. G.M. - IT Services	2412738	1284279	B.Com.	27	1-Dec-00	D.P.S.(I) Pvt. Ltd. Systems Operator
ROYCHOWDHURY P.	45	G.M.-IT Services	2670255	1745542	B.E.	23	3-May-05	TCG Software Services General Manager
SAHAY R.	38	G.M.-Talent Management	3060214	1568132	B.E., PGDPM & IR	14	1-Oct-00	ITC Ltd. Human Resource Manager
SEN S.	42	Technology Practice Head-ERP	2631947	1316189	M.Tech.	17	17-Oct-00	Tata Technologies India Limited Manager Systems
SINHA A.K.	55	V.P.-Special Projects	3998890	1752225	B.Sc. Engg. , PGDBM	31	31-Oct-03	Infogain India Pvt. Ltd. Noida, Managing Director
SREENIVASAN V.	44	V.P.-Consumer Goods, Retail & Manufacturing	4394722	1945499	B.E.	22	1-Oct-00	ITC Ltd., Head Software Development Centre
SUBBIAH S.	48	Business Practice Head - CPG & RETAIL	3115460	1934855	B.Sc., M.Sc.	27	24-Jan-05	Symphony Services Corp. Vice President - Head, Global Operating Center
SURESH D.	43	G.M.-IT Audit	2650827	1177800	M.Tech.	22	1-Dec-00	ITC Ltd., CIO - ILTD
TALWAR A.	48	V.P.-Talent Management	3609759	1629246	B.Tech., MBA	23	9-Apr-01	Reliance Telecom Ltd. Kolkata, V.P. - HRD
Vanchinathan J.	51	HEAD MIS	2446207	1391788	B.Sc.	30	1-Dec-00	ITC Ltd., Manager - Software Support Group
VERMA A.	39	G.M.-IT Services	3288105	1496843	B.E., MBA	18	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.	51	V.P.-IT Services	2741352	1830387	PGDM, M.Sc.	27	26-Sep-05	Convergys India Pvt. Ltd. Director - IT
CHAKRAVORTY RAJIB	41	G.M.-BFSI SME	271623	223111	B.Tech, PGDM - Fin	16	26-Feb-07	Genpact Vice President Analytics
GUHATHAKURTA D.	47	Asst.G.M. - IT Services	1368680	862479	B.Com.	21	1-Dec-00	Computech International Computer Operator
KUMAR SANJAY	43	GM-BFSI Solutioning Group	217060	182005	B.E., MBA	19	5-Mar-07	HCL Technologies General Manager BFSI Solutioning
MAKA N.	46	Technology Practice Head - CRM & Testing	971114	624858	M.Tech.	23	10-May-05	Siebel Systems Director
NARAYAN KEERTHI	41	Asst.G.M. - IT Services	274264	210964	B.E.	18	29-Aug-01	Digital/Compaq Business Manager Professional Services
NATARAJAN V.	38	G.M.-Engineering Services	2054135	1335068	B.E., MBA	14	7-Aug-03	Mahindra Holidays Corporate Marketing Manager
PRABHAKAR L.	41	Services on Loan to Joint Venture Company	586715	420399	B.E. PGDPM & IR	19	16-Oct-03	Carborundum Universal Ltd. DGM - HR & TQM
PRAKASH A.S.	39	Business Practice Head- Engineering Services	549767	400787	Ph.D.	18	10-Jan-07	Infotech Enterprises General Manager

**Notes:**

- 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.
- Net Remuneration comprises cash income less (a) Income tax & surcharge deducted at source and (b) managers own contribution to PF.
- All appointments are / were contractual, other terms & conditions are as per Company's Rules.
- None of the above employees is a relative of any Director of the Company.

On behalf of the Board  
Anup Singh  
Chairman

Bangalore, 11th May, 2007

**ANNEXURE 'D' TO THE REPORT OF DIRECTORS**

FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2007

**INFORMATION AS REQUIRED IN TERMS OF SECTION 217(2AA) OF THE COMPANIES ACT, 1956****DIRECTORS' RESPONSIBILITY STATEMENT**

The Board of Directors states :

- That in the preparation of the Annual Accounts for the year ended 31st March, 2007, 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, 2007 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, 2007 on a going concern basis.

On behalf of the Board

Anup Singh

Chairman

Bangalore, 11th May, 2007

**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, 2007, 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, 2007 and taken on record by the Board of Directors, none of the Directors is disqualified as on 31st March, 2007 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, 2007;
    - (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 Accountants

Place : Bangalore

Date : 11th May, 2007

**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, 2007]

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 system 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, and 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 Company has no accumulated losses as at March 31, 2007, and it has not incurred any cash losses during 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 : 11th May, 2007

## BALANCE SHEET AS AT 31ST MARCH, 2007

	Schedule	As at 31st March, 2007 (Rs.)	As at 31st March, 2006 (Rs.)
<b>I. SOURCES OF FUNDS :</b>			
1. Shareholders' Funds			
Capital	1	252,000,000	252,000,000
2. Reserves and Surplus	2	49,650,093	(128,701,845)
3. Loan Funds			
Unsecured Loans	3	1,174,700,000	1,080,900,000
<b>Total</b>		<b>1,476,350,093</b>	<b>1,204,198,155</b>
<b>II. APPLICATION OF FUNDS :</b>			
1. Fixed Assets	4		
(a) Gross Block		539,724,697	454,437,402
(b) Less: Depreciation		290,397,477	229,169,113
(c) Net Block		249,327,220	225,268,289
(d) Capital Work-in-Progress		962,050	1,942,331
		<b>250,289,270</b>	<b>227,210,620</b>
2. Investments	5	299,519,087	449,519,077
3. Deferred Tax - Net	6	73,179,668	62,145,071
4. Current Assets, Loans and Advances			
(a) Sundry Debtors	7	466,658,990	393,806,701
(b) Cash and Bank Balances	8	506,626,242	13,659,400
(c) Other Current Assets	9	8,220,262	102,348,738
(d) Loans and Advances	10	97,533,800	73,400,395
		<b>1,079,039,294</b>	<b>583,215,234</b>
Less:			
5. Current Liabilities and Provisions			
(a) Liabilities	11	175,131,774	107,236,169
(b) Provisions	12	50,545,452	10,655,678
		<b>225,677,226</b>	<b>117,891,847</b>
Net Current Assets		<b>853,362,068</b>	<b>465,323,387</b>
<b>Total</b>		<b>1,476,350,093</b>	<b>1,204,198,155</b>
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 : 11th May, 2007

On behalf of the Board

S. Puri Managing Director  
B. B. Chatterjee Director  
S. V. Shah Company Secretary

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2007

	Schedule	For the year ended 31st March, 2007 (Rs.)	For the year ended 31st March, 2006 (Rs.)
<b>I. INCOME</b>			
Sales and Services	13	1,563,778,267	1,415,675,001
Other Income	14	487,976,629	207,769,138
		<u>2,051,754,896</u>	<u>1,623,444,139</u>
<b>II. EXPENDITURE</b>			
Personnel Expenses	15	992,691,582	742,557,777
Operating and Administrative Expenses	16	720,658,597	714,859,017
Depreciation and Amortisation		85,389,751	60,219,577
		<u>1,798,739,930</u>	<u>1,517,636,371</u>
<b>III. PROFIT BEFORE TAXATION</b>		<u>253,014,966</u>	<u>105,807,768</u>
Provision for Taxation	17	46,301,772	2,035,705
<b>IV. PROFIT AFTER TAXATION, CARRIED FORWARD</b>		<u>206,713,194</u>	<u>103,772,063</u>
Earnings Per Share (Face value Rs. 10 each) (Basic and Diluted)	18 (x)	8.20	4.12
<b>Notes to the Accounts</b>	18		
<b>Segment Reporting</b>	19		
<b>Related Party Disclosures</b>	20		
<b>Significant Accounting Policies</b>	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 : 11th May, 2007

On behalf of the Board

S. Puri *Managing Director*  
B. B. Chatterjee *Director*  
S. V. Shah *Company Secretary*

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2007

	For the year ended 31st March, 2007 (Rs.)	For the year ended 31st March, 2006 (Rs.)
(Figures for the previous year have been rearranged to conform with the revised presentation)		
<b>A. NET PROFIT / (LOSS) BEFORE TAX</b>	<b>253,014,966</b>	<b>105,807,768</b>
ADJUSTMENTS FOR :		
Depreciation	85,389,751	60,219,577
Income from Long Term Investments	(112,499,993)	(201,318,275)
Fixed Assets - (Profit) / Loss on Sale / Write off (Net)	1,303,176	415,133
Unrealised (Gain) / Loss on exchange (Net)	563,737	(751,483)
Profit on Sale of Long Term Investments	(359,999,976)	—
Interest Expenses / (Income)	(1,909,454)	(832,496)
Provision for Doubtful Debts	11,200,579	—
Liability no longer required written back	—	(9,811,841)
	<u>(375,952,180)</u>	<u>(152,079,385)</u>
OPERATING PROFIT / (LOSS) BEFORE WORKING CAPITAL CHANGES	<u>(122,937,214)</u>	<u>(46,271,617)</u>
ADJUSTMENTS FOR :		
Trade and Other Receivables	(89,592,885)	20,103,233
Trade Payables	68,389,526	(43,818,930)
	<u>(21,203,359)</u>	<u>(23,715,697)</u>
CASH USED IN OPERATIONS	<u>(144,140,573)</u>	<u>(69,987,314)</u>
Income Tax Paid	66,937,501	12,639,911
NET CASH USED IN OPERATING ACTIVITIES	<u>(211,078,074)</u>	<u>(82,627,225)</u>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES :</b>		
Purchase of Fixed Assets	(109,914,706)	(58,282,257)
Sale of Fixed Assets	143,129	3,500
Sale of Long Term Investments	509,999,966	—
Interest Received	1,198,252	817,984
Income from Long Term Investments Received	208,818,275	116,292,623
NET CASH FROM INVESTING ACTIVITIES	<u>610,244,916</u>	<u>58,831,850</u>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES :</b>		
Proceeds from Long Term Borrowings	716,400,000	512,400,000
Repayments of Long Term Borrowings	(622,600,000)	(546,400,000)
NET CASH FROM FINANCING ACTIVITIES	<u>93,800,000</u>	<u>(34,000,000)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	<u>492,966,842</u>	<u>(57,795,375)</u>
OPENING CASH AND CASH EQUIVALENTS	13,659,400	71,454,775
CLOSING CASH AND CASH EQUIVALENTS	<u>506,626,242</u>	<u>13,659,400</u>
CASH AND CASH EQUIVALENTS COMPRISE :		
Cash and Bank Balances	506,626,242	13,625,830
Unrealised Gain on Foreign Currency Cash and Cash Equivalents	—	33,570
This is the Cash Flow Statement referred to in our Report of even date.	<u>506,626,242</u>	<u>13,659,400</u>

S. Gopalakrishnan, *Partner*  
For and on behalf of Price Waterhouse  
*Chartered Accountants*  
Place : Bangalore  
Date : 11th May, 2007

On behalf of the Board

S. Puri *Managing Director*  
B. B. Chatterjee *Director*  
S. V. Shah *Company Secretary*



## SCHEDULES TO THE ACCOUNTS

	As at 31st March, 2007 (Rs.)	As at 31st March, 2006 (Rs.)		As at 31st March, 2007 (Rs.)	As at 31st March, 2006 (Rs.)
<b>1. CAPITAL</b>			<b>2. RESERVES AND SURPLUS</b>		
<b>Authorised:</b>			<b>Profit and Loss Account</b>		
26,000,000 Equity Shares of Rs. 10 each	260,000,000	260,000,000	Profit / (Loss) brought forward	(128,701,845)	(232,473,908)
<b>Issued, subscribed and paid-up:</b>			Less : Provision for Retirement Benefits	(28,361,256)	—
25,200,000 Equity Shares of Rs. 10 each	252,000,000	252,000,000	(Refer Note (viii) of Schedule 18)	206,713,194	103,772,063
(All Equity Shares are held by the Holding Company, ITC Limited)	252,000,000	252,000,000	Profit for the year	49,650,093	(128,701,845)
			<b>3. UNSECURED LOANS</b>		
			Other than Short Term		
			From Other than Banks	1,174,700,000	1,080,900,000
			(Interest-free Loan from the Holding Company, ITC Limited)	1,174,700,000	1,080,900,000

## 4. FIXED ASSETS

Description	GROSS BLOCK				DEPRECIATION AND AMORTISATION				NET BLOCK	
	As at 1st April, 2006	Additions	With- drawals	As at 31st March, 2007	As at 1st April, 2006	For the year	On Withdrawals	As at 31st March, 2007	As at 31st March, 2007	As at 31st March, 2006
	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)
Leasehold Improvements	42,923,397	31,385,058	—	74,308,455	10,131,628	5,910,622	—	16,042,250	58,266,205	32,791,769
Plant and Machinery	55,404,218	28,012,178	3,094,181	80,322,215	34,959,983	7,862,275	2,768,698	40,053,560	40,268,655	20,444,235
Computers etc.	138,288,147	28,958,285	22,516,388	144,730,044	96,499,247	12,939,307	21,392,689	88,045,865	56,684,179	41,788,900
Capitalised Software	184,225,662	13,693,230	—	197,918,892	66,575,612	51,530,167	—	118,105,779	79,813,113	117,650,050
Furniture and Fixtures	33,595,978	8,849,113	—	42,445,091	21,002,643	7,147,380	—	28,150,023	14,295,068	12,593,335
	454,437,402	110,897,864	25,610,569	539,724,697	229,169,113	85,389,751	24,161,387	290,397,477	249,327,220	225,268,289
Capital Work-in-Progress	—	—	—	—	—	—	—	—	962,050	1,942,331
Total	454,437,402	110,897,864	25,610,569	539,724,697	229,169,113	85,389,751	24,161,387	290,397,477	250,289,270	227,210,620
Previous Year	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	

	As at 31st March, 2007 (Rs.)	As at 31st March, 2006 (Rs.)		As at 31st March, 2007 (Rs.)	As at 31st March, 2006 (Rs.)
<b>5. INVESTMENTS</b>			<b>8. CASH AND BANK BALANCES</b>		
<b>Long Term</b>			Cash and Cheques on Hand	22,611,406	3,854,818
Unquoted (at Cost)			Balances with Scheduled Banks		
<b>Trade Investment</b>			On Current Accounts	13,614,836	9,404,582
CLI3L e-Services Limited			On Deposit Accounts	470,400,000	400,000
Nil (2006 : 14,999,999 Equity Shares of Rs. 10 each, fully paid-up)	—	149,999,990		506,626,242	13,659,400
(14,999,999 Equity Shares sold during the year)					
<b>Subsidiary Companies</b>			<b>9. OTHER CURRENT ASSETS</b>		
ITC Infotech Limited, U.K.			Good and Unsecured		
685,815 Equity Shares of GBP 1 each, fully paid-up	68,685,837	68,685,837	Deposits with Government, Public Bodies and Others	7,478,442	5,999,838
ITC Infotech (USA), Inc.			Interest accrued on Loans, Advances, etc.	741,820	30,618
47,000 Common Shares without par value	230,833,250	230,833,250	Dividend Receivable	—	96,318,282
	299,519,087	449,519,077		8,220,262	102,348,738
<b>6. DEFERRED TAX - NET</b>			<b>10. LOANS AND ADVANCES</b>		
<b>Deferred Tax Assets</b>			Good and Unsecured		
On employees' separation and retirement	14,621,298	3,586,701	Loans to Employees	47,376,045	40,593,973
On provision for doubtful debts / advances	883,493	883,493	Advances recoverable in cash or in kind or for value to be received	26,706,277	29,990,673
On unabsorbed depreciation	60,284,438	60,284,438	Advance Tax (Net of Provision for Income Tax)	23,451,478	2,815,749
	75,789,229	64,754,632		97,533,800	73,400,395
<b>Deferred Tax Liabilities</b>			<b>11. LIABILITIES</b>		
On fiscal allowances on fixed assets	2,609,561	2,609,561	Sundry Creditors		
	2,609,561	2,609,561	- Dues to small scale industrial undertakings	—	—
	73,179,668	62,145,071	- Dues to other than small scale industrial undertakings	151,746,044	96,374,825
<b>7. SUNDRY DEBTORS</b>			Other Liabilities	23,385,730	10,861,344
Over six months old				175,131,774	107,236,169
Good and Unsecured			<b>12. PROVISIONS</b>		
- From Others	24,098,270	28,509,385	Provision for Retirement Benefits	50,545,452	10,655,678
Doubtful and Unsecured				50,545,452	10,655,678
- From Others	13,825,334	2,624,755	<b>13. SALES AND SERVICES</b>		
Other Debts			Exports	1,169,406,434	1,155,702,417
Good and Unsecured			Domestic	394,371,833	259,972,584
- From Holding Company	24,419,747	12,367,039		1,563,778,267	1,415,675,001
- From Subsidiaries	227,722,119	133,408,734			
- From Others *	190,418,854	219,521,543			
	480,484,324	396,431,456			
Less: Provision for Doubtful Debts	13,825,334	2,624,755			
	466,658,990	393,806,701			

\* Includes Unbilled Revenue Rs. 16,432,809 (2006 - Rs. 5,498,914)

	As at 31st March, 2007 (Rs.)	As at 31st March, 2006 (Rs.)
<b>14. OTHER INCOME</b>		
Interest on Loans, Deposits, etc. - Gross (Tax Deducted at Source Rs. 205,744) (2006 - Rs. 3,457)	1,909,454	832,496
Gain / (Loss) on Exchange - Net	12,771,518	(4,857,378)
Income from Long Term Investment		
- Trade	112,499,993	187,499,987
- Subsidiary (Tax Deducted at Source Rs. Nil) (2006 - Rs. Nil)	—	13,818,288
Profit on Sale of Investment	359,999,976	—
Profit/(Loss) on Sale of Fixed Assets	—	3,500
Liabilities no longer required written back	—	9,811,841
Miscellaneous Income	795,688	660,404
	<u>487,976,629</u>	<u>207,769,138</u>
<b>15. PERSONNEL EXPENSES</b>		
Salaries and Bonus	890,029,721	649,502,771
Contribution to Provident and Other Funds	69,133,642	53,283,118
Staff Welfare Expenses	17,706,627	21,296,137
Reimbursement of Contractual Remuneration (including Payment to Subsidiary Companies Rs. 7,449,928) (2006 - Rs. 10,912,266)	15,821,592	18,475,751
	<u>992,691,582</u>	<u>742,557,777</u>
<b>16. OPERATING AND ADMINISTRATIVE EXPENSES</b>		
Rent	16,720,229	31,123,432
Rates and Taxes	16,804,096	10,614,825
Insurance	7,432,823	5,929,053
Travelling and Conveyance	218,370,159	245,599,270
Communication	24,455,657	24,307,370
Power and Fuel	16,774,548	14,340,540
Outsourcing Charges (including Payment to Subsidiary Companies Rs. 229,949,950) (2006 - Rs. 249,259,100)	239,991,659	263,109,381
Software and Related Expenses	39,059,861	28,479,358
Business Development Expenses	7,344,522	10,623,712
Repairs and Maintenance		
- Buildings	6,535,693	5,457,301
- Machinery	1,433,592	1,930,057
- Others	8,550,063	7,098,772
Legal, Professional and Consultancy Expenses	57,350,268	31,729,852
Doubtful and Bad Debts	11,200,579	1,382,429
Fixed Assets Discarded (Net)	1,303,176	418,633
Auditors' Remuneration and Expenses	1,395,605	1,145,730
Training and Development	13,901,840	6,316,497
Miscellaneous Expenses	32,034,227	25,252,805
	<u>720,658,597</u>	<u>714,859,017</u>
<b>17. PROVISION FOR TAXATION</b>		
Current Tax	37,600,000	—
Deferred Tax	—	(8,706,228)
Fringe Benefit Tax	8,701,772	10,741,933
	<u>46,301,772</u>	<u>2,035,705</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. 861,127 (2006 - Rs. 16,273,858).

(b) Counter guarantees outstanding - Rs. 400,000 (2006 - Rs. 400,000).

(iii) As a matter of prudence, the Company has not recognized deferred tax assets amounting to Rs. 110,453,133 (2006 - Rs. 103,448,580) in respect of accumulated losses as at 31st March, 2007 estimated at Rs. 328,143,593 (2006 - Rs. 307,333,868).

(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 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 15 to the Accounts.

(v) Exchange difference in respect of forward exchange contracts to be recognized in the Profit and Loss Account in the subsequent accounting period amounts to Rs. 2,332,502 (credit) [2006 - Rs. 41,925 (credit)].

**(vi) Micro and Medium scale business entities :**

There are no Micro, Small and Medium Enterprises, to whom the Company owe dues, which are outstanding for more than 45 days as at 31st March, 2007. The above information regarding micro, small and medium enterprises has been determined to the extent such parties have been identified on the basis of information available with the Company.

**(vii) Interest in Joint Venture**

The Company's interest, as a venturer, in jointly controlled entity (Incorporated Joint Venture) is given below :

Name	Country of Incorporation	Ownership interest as at 31st March, 2007	Ownership interest as at 31st March, 2006
CLi3L e-Services Limited	India	—	50% minus 1 share

In respect of this joint venture, the shares are now being held by the Holding Company ITC Limited, in accordance with Article 16 of the Articles of Association of CLi3L e-Services Ltd.

Disclosure under 'Accounting Standard 27' - 'Financial Reporting of Interests in Joint Ventures' issued by the Institute of Chartered Accountants of India is not applicable for the year ended March 31, 2007. For the year ended March 31, 2006, the share of the assets, liabilities, income and expenses, etc. (each without elimination of the effect of transactions between the Company and the Joint Venture) relating to the Company's interest in the Joint Venture is given below.

	As at 31st March, 2007 (Rs.)	As at 31st March, 2006 (Rs.)
<b>(a) Assets and Liabilities</b>		
<b>I. Assets</b>		
1. Fixed Assets (Net)	—	125,257,807
2. Investments	—	97,808,424
3. Current Assets, Loans and Advances		
a) Sundry Debtors	—	114,235,328
b) Cash and Bank Balances	—	1,310,681
c) Other Current Assets	—	18,363,301
d) Loans and Advances	—	5,574,292
	<u>—</u>	<u>362,549,833</u>
<b>II. Liabilities</b>		
1. Secured Loans	—	—
2. Current Liabilities and Provisions		
a) Liabilities	—	51,729,622
b) Provisions	—	95,959,341
	<u>—</u>	<u>147,688,963</u>
<b>III. Net Assets</b>	<u>—</u>	<u>214,860,870</u>

**(b) Income and Expenses**

	For the year ended 31st March, 2007 (Rs.)	For the year ended 31st March, 2006 (Rs.)
<b>I. Income</b>		
1. Sale of Services	—	664,826,291
2. Other Income	—	3,815,589
	<u>—</u>	<u>668,641,880</u>
<b>II. Expenses</b>		
1. Personnel Expenses	—	257,832,290
2. Operating and Administration Expenses	—	199,301,080
3. Depreciation	—	45,818,215
4. Interest	—	8,235
5. Provision for Taxation	—	1,379,070
	<u>—</u>	<u>504,338,890</u>
<b>III. Profit After Tax</b>	<u>—</u>	<u>164,302,990</u>

(c) Others	As at 31st March, 2007 (Rs.)	As at 31st March, 2006 (Rs.)
1. Contingent Liabilities	—	664,878
2. Capital Commitments	—	3,270,993
(viii) <b>Employee Benefits</b>		
a. Pursuant to the early adoption of the Accounting Standard 15 (Revised) - Employee Benefits ("Standard") effective 1st April, 2006, the Company has revised the provision for retirement and other benefits as at 31st March, 2006. An additional liability of Rs. 28,361,256 (net of deferred tax of Rs. 11,034,597) arising out of such revision has been adjusted with the debit balance in the Profit and Loss Account as at 1st April, 2006, in accordance with the transitional provisions of the Standard.		
b. The following table sets out the Defined Benefit Plans/Long Term Compensated Absences - As per Actuarial Valuations as on March 31, 2007 and recognised in the financial statements in respect of Employee Benefit Schemes:		
<b>Particulars</b>	<b>31st March, 2007 (Rs.)</b>	
Projected benefit obligation at the beginning of the year	139,082,201	
Current Service Cost	28,699,584	
Interest Cost	9,791,895	
Actuarial (Gain)/Loss	4,894,772	
Benefits Paid	(8,900,000)	
<b>Projected benefit obligation at the end of the year</b>	<b>173,568,452</b>	
<b>Amounts recognised in the Balance Sheet</b>		
Projected benefit obligation at the end of the year	173,568,452	
Fair value of plan assets at end of the year	123,023,000	
<b>Liabilities recognised in the Balance Sheet</b>	<b>50,545,452</b>	
<b>Cost of Retirement and Other Benefits for the year</b>		
Current Service cost	28,699,584	
Interest Cost	9,791,895	
Expected return on plan assets	(6,879,630)	
Net actuarial (Gain)/Loss recognised in the year	4,894,772	
<b>Net Cost recognised in the Profit and Loss Account</b>	<b>36,506,621</b>	
Included in the above are amounts in respect of leave encashment which is an unfunded Defined Benefit Plan –		
- Liability recognized in the Balance Sheet Rs. 43,160,901		
- Net Cost recognized in the Profit and Loss Account Rs. 9,983,342		
<b>Assumptions</b>		
Discount Rate (%)	7.5%	
Expected return on plan assets	7.5%	
The estimates of the future salary increases considered in actuarial valuations take account of inflation, seniority, promotion and other relevant factors such as supply and demand factors in the employment market.		
Previous year figures are not disclosed since this is the first year of adoption of the revised Standard.		
(ix) <b>Quantitative details</b>		
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.		
(x) <b>Earnings per share</b>		
Earnings per share has been computed as under:		
	<b>For the year ended 31st March, 2007 Rs.</b>	<b>For the year ended 31st March, 2006 Rs.</b>
(a) Profit after Taxation	206,713,194	103,772,063
(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)	8.20	4.12
(xi) <b>Auditors' Remuneration and Expenses</b> (Including service tax, where applicable)		
Audit Fees	842,700	757,620
Tax Audit Fees	168,360	137,750
Fees for Other Services	216,918	95,200
Reimbursement of Expenses	167,627	155,160
	<b>1,395,605</b>	<b>1,145,730</b>
(xii) <b>Value of Imports during the year</b> (C.I.F. Basis)		
Capital Goods	14,038,490	14,890,191
	<b>14,038,490</b>	<b>14,890,191</b>

	<b>For the year ended 31st March, 2007 Rs.</b>	<b>For the year ended 31st March, 2006 Rs.</b>
(xiii) <b>Expenditure in Foreign Currency during the year</b> (On Payment Basis)		
Travel	122,779,876	171,186,126
Professional, Consultancy and Account Management Fees	234,453,831	240,060,558
Software and Related Expenses	14,287,083	23,634,009
Others	19,672,371	4,869,475
	<b>391,607,328</b>	<b>439,750,168</b>
(xiv) <b>Earnings in Foreign Exchange during the year</b> (F.O.B. – Realisation Basis)		
Sale of services including reimbursement of expenses	1,123,406,229	1,124,612,456
Dividend	15,190,399	10,521,774
	<b>1,138,596,628</b>	<b>1,135,134,230</b>
(xv) 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 there being only one business segment, disclosure of information relating to primary segment is not applicable.

	<b>31st March, 2007 Rs.</b>	<b>31st March, 2006 Rs.</b>
<b>SECONDARY SEGMENT INFORMATION</b>		
<b>(GEOGRAPHICAL SEGMENTS) :</b>		
<b>Segment Revenue</b>		
India	394,371,833	259,972,584
Rest of the World	1,169,406,434	1,155,702,417
<b>Total Revenue</b>	<b>1,563,778,267</b>	<b>1,415,675,001</b>
<b>Segment Assets *</b>		
India	892,148,999	594,566,065
Rest of the World	713,247,174	662,563,117
<b>Total Assets</b>	<b>1,605,396,173</b>	<b>1,257,129,182</b>
<b>Capital Expenditure *</b>		
India	110,897,864	56,339,926
Rest of the World	—	—
<b>Total Capital Expenditure</b>	<b>110,897,864</b>	<b>56,339,926</b>

\* 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  
Srinivasa Resorts Limited  
Landbase India Limited  
Surya Nepal Private Limited  
Wimco Limited

#### ii) Associates :

International Travel House Limited

#### iii) Joint Ventures :

CLIL 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. Puri - Managing Director (w.e.f. 14th May, 2006)  
Mr. S. Verma - Managing Director (up to 13th May, 2006)  
Mr. A. K. Mukerji (up to 31st August, 2006)  
Mr. R. Batra (w.e.f. 1st September, 2006)  
Mr. A. Sinha (up to 22nd January, 2007)  
Mr. A. Talwar  
Mr. K. S. Aithani  
Mr. S. Janardhanan  
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	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Sale of Services	388,395,895	226,930,696	495,873,535	417,517,173	5,902,636	3,602,069	1,918,515	461,000	22,223,520	20,098,953	—	—
Purchase of Goods / Services	3,111,562	2,129,812	229,949,950	251,561,937	—	—	66,456,529	79,696,446	—	—	—	—
Sale of Fixed Assets	148,854	—	—	—	—	—	—	—	—	—	—	—
Purchase of Fixed Assets	787,500	—	—	—	—	—	—	—	—	—	—	—
Rent paid	1,774,458	1,837,446	—	—	—	—	—	—	—	—	—	—
Remuneration to Key Managerial Personnel	—	—	—	—	—	—	—	—	—	—	27,089,265	17,583,006
Reimbursement of Contractual Remuneration	11,590,861	15,432,485	7,449,928	10,912,266	—	—	—	—	—	—	—	—
Remuneration of managers on deputation recovered	—	—	—	—	—	—	—	—	6,281,570	9,024,191	—	—
Dividend income	—	—	—	13,818,288	—	—	—	—	112,499,993	187,499,987	—	—
Expenses recovered	5,549,873	10,010,422	9,160,338	6,197,524	1,026,806	291,664	—	21,566	—	—	—	—
Expenses reimbursed	28,592,582	23,926,667	26,473,280	22,319,449	—	—	—	—	—	—	—	—
Loans given	—	—	—	—	—	—	—	—	—	—	147,250	—
Receipt towards Loan Repayment	—	—	—	—	—	—	—	—	—	—	182,572	163,229
Sale of Investments	509,999,966	—	—	—	—	—	—	—	—	—	—	—
Interest recovered on Loans	—	—	—	—	—	—	—	—	—	—	60,383	33,726
Loans received	716,400,000	512,400,000	—	—	—	—	—	—	—	—	—	—
Loan repaid	622,600,000	546,400,000	—	—	—	—	—	—	—	—	—	—
Balances as on 31st March,												
i) Debtors / Receivables	30,276,462	16,808,439	287,523,659	190,189,218	2,182,116	2,428,247	—	171,500	2,356,780	4,913,911	—	—
ii) Advances Received	—	—	—	—	—	—	—	—	—	—	—	—
iii) Loans Taken	1,174,700,000	1,080,900,000	—	—	—	—	—	—	—	—	—	—
iv) Loans Given	—	—	—	—	—	—	—	—	—	—	3,017,161	3,171,788
v) Creditors / Payables	5,861,215	4,441,399	59,797,237	56,780,485	—	—	15,370,392	6,996,941	—	—	659,914	661,388
vi) 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 and 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.

To translate the financial statements of the foreign branch offices of the Company using the same principles and procedures stated above as the operations of such branches are integral in nature.

## Employee Benefits

To make regular monthly contributions to various Provident Funds which are in the nature of defined contribution scheme and to charge such paid / payable amounts against revenue. To administer, through duly constituted and approved independent trusts, such Funds.

## SIGNIFICANT ACCOUNTING POLICIES (Contd.)

To administer through duly constituted and approved independent trusts, various Gratuity and Pension Funds which are in the nature of defined benefit schemes. The liabilities towards such schemes including employee leave encashment are ascertained by an independent actuarial valuation as per the requirements of Accounting Standard – 15 (revised 2005) on "Employee Benefits". To determine actuarial gains or losses as the difference between the actual and expected returns on plan assets, effect of changes in discount rates, unexpectedly high or low rates of employee turnover, early retirements, mortality or increase in salary benefits and the effect of changes in any other actuarial assumptions and to recognise such gains and losses immediately in Profit and Loss Account as income or expense.

## 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 : 11th May, 2007

On behalf of the Board

S. Puri  
B. B. Chatterjee  
S. V. Shah

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 120894 INR 10289288	GBP 1019262 INR 86749389	NIL	GBP 1474502 INR 125494865
2	ITC INFOTECH (USA), INC. (**)	47,000	100%	US\$ 183026 INR 7956140	US\$ (2926663) INR 127222041	NIL	NIL

The financial year of both the subsidiaries ended on 31.03.2007.

(\*) The Indian Rupee (INR) equivalent figures have been arrived at by applying the year end interbank exchange rate of GBP 1 = Rs. 85.11

(\*\*) The Indian Rupee (INR) equivalent figures have been arrived at by applying the year end interbank exchange rate of US\$ 1 = Rs. 43.47

Bangalore, 11th May, 2007

On behalf of the Board

S. Puri  
B. B. Chatterjee  
S. V. Shah

Managing Director  
Director  
Company Secretary



## 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 and several countries in Europe. Though UK remained the dominant market for IT-ITES exports, revenues from newer markets, particularly the Nordics, became attractive. Your Company therefore continued to leverage the offshore development capabilities of its parent company while extending its business development activities to the Nordic and Benelux region within Europe, and was successful in the acquisition of several new customers in Europe, particularly in the Nordic countries. Importantly, a significant number of these new customers are marquee global brands, and offer strong potential for future business. Underlining the growing importance of the Nordics and building on the initial success, the Company is actively sourcing business in that region and has acquired customers in Finland, Sweden and Norway against stiff competition, both Indian and foreign.

While the overall economic environment has been conducive to growth, the specific business dynamics in respect of the Company's IT services business continued to be challenging with certain key customers undergoing organizational restructuring and redesign leading to changes in IT strategy and staff. As a result there was pressure on revenue growth and margins. A significant reduction in business in Kuala Lumpur (KL), Malaysia forced your Company to close its Representative Office in KL with effect from 2nd March, 2007.

Consequently, revenue growth for the year has been muted at 17% with the turnover reaching £ 16.81 million (Previous Year £ 14.31 million) and gross profit at £ 3.93 million (Previous Year £ 3.57 million).

Revenue from new customers acquired during the year under review is expected to grow significantly in the current financial year. Building on the success in Nordics, your Company has strengthened business development efforts in the region and expects significant scale up of business. To consolidate the internal restructuring initiated last year in establishing business verticals, sharpen the focus on the marketplace and to transcend operations into a global delivery model, the parent company has created 3 business clusters which will synergise the efforts of the business development and delivery teams. With these efforts and sharpened focus, the Company is confident of meeting the expectations of its stakeholders in the next year.

## Key Performance Indicators

	Year ended 31st March 2007 GBP (million)	Year ended 31st March 2006 GBP (million)
Total Income	16.81	14.31
Cost of Sales	12.88	10.74
Gross Profit	3.93	3.57
Operating Profit	0.19	0.56
Profit before Tax	0.21	0.60
Profit after Tax	0.12	0.40

## 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 26% 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.

## Directors

Mr. S. Puri was appointed as Director of the Company at the last Annual General Meeting held on 13th May, 2006.

The Directors in office at the end of the year are listed below. All served on the Board throughout the year, unless indicated otherwise.

The interests of the Directors in the shares of the Company as at 31st March, 2007 and 1st April, 2006 were as follows :

2007 and 2006  
Ordinary Shares

A. Singh	-
B. B. Chatterjee	-
S. Verma (till 13th May, 2006)	-
S. Puri	-

The Company is a wholly owned subsidiary of ITC Infotech India Limited, which is incorporated in India.

## 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 11th May, 2007 and signed on behalf of the Board by

S Puri  
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 31 March 2007 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 auditor's 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 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 whether in our opinion the information given in the Report of the directors is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 audit 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.

### **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.

#### **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.

#### **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 31 March 2007 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.

**Grant Thornton UK LLP**  
REGISTERED AUDITORS  
CHARTERED ACCOUNTANTS  
CENTRAL MILTON KEYNES  
11th May, 2007

#### **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 2007

	Note	2007 £	Unaudited 2007 Rs.	2006 £	Unaudited 2006 Rs.
Turnover	1	16,814,387	1,431,072,471	14,311,045	1,109,034,432
Cost of sales		12,883,682	1,096,530,157	10,743,816	832,592,021
Gross profit		3,930,705	334,542,314	3,567,229	276,442,411
Other operating charges	2	3,740,981	318,394,881	3,009,862	233,249,256
<b>Operating profit</b>	3	189,724	16,147,433	557,367	43,193,155
Interest receivable	5	23,779	2,023,796	37,544	2,909,472
<b>Profit on ordinary activities before taxation</b>		213,503	18,171,229	594,911	46,102,627
Tax on profit on ordinary activities	6	92,609	7,881,910	198,583	15,389,190
<b>Profit for the financial year</b>	16	120,894	10,289,319	396,328	30,713,437

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 accompanying accounting policies and notes form part of these financial statements

## BALANCE SHEET AS AT 31ST MARCH 2007

	Note	2007 £	Unaudited 2007 Rs.	2006 £	Unaudited 2006 Rs.
<b>Fixed assets</b>					
Tangible assets	8	43,671	3,716,917	51,813	4,015,248
<b>Current assets</b>					
Debtors	9	4,996,690	425,268,272	4,815,067	373,143,617
Loans and advances		35,044	2,982,632	64,296	4,982,619
Deferred tax recoverable	10	15,971	1,359,292	20,000	1,549,900
Cash at bank		1,066,307	90,753,350	753,989	58,430,378
		6,114,012	520,363,546	5,653,352	438,106,514
<b>Creditors: amounts falling due within one year</b>	11	3,762,551	320,230,747	3,252,615	252,061,399
<b>Net current assets</b>		2,351,461	200,132,799	2,400,737	186,045,115
<b>Total assets less current liabilities</b>		2,395,132	203,849,716	2,452,550	190,060,363
<b>Capital and reserves</b>					
Called-up equity share capital	15	685,815	58,369,715	685,815	53,147,233
Profit and loss account	16	1,709,317	145,480,001	1,766,735	136,913,130
<b>Shareholders' funds</b>	17	2,395,132	203,849,716	2,452,550	190,060,363

These financial statements were approved by the Directors on 11th May, 2007 and are signed on their behalf by :

S Puri Director

Date : 11th May, 2007

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 2007

	Note	2007 £	Unaudited 2007 Rs.	2006 £	Unaudited 2006 Rs.
<b>Net cash inflow/(outflow) from operating activities</b>	18	735,250	62,577,168	(112,322)	(8,704,393)
<b>Returns on investments and servicing of finance</b>					
Interest received		23,779	2,023,796	37,544	2,909,472
<b>Net cash inflow from returns on investments and servicing of finance</b>		23,779	2,023,796	37,544	2,909,472
Taxation		(248,265)	(21,129,838)	(371,055)	(28,754,907)
<b>Capital expenditure</b>					
Payments to acquire tangible fixed assets		(20,134)	(1,713,645)	(34,826)	(2,698,841)
Receipts from sale of fixed assets		—	—	891	69,048
<b>Net cash outflow from capital expenditure</b>		(20,134)	(1,713,645)	(33,935)	(2,629,793)
<b>Equity dividends paid</b>		(178,312)	(15,176,134)	(137,163)	(10,629,447)
<b>Increase /(decrease) in cash</b>	18	312,318	26,581,347	(616,931)	(47,809,068)

The accompanying accounting policies and notes form part of these financial statements

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2007

## 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. 85.11 (2006: GBP 1 = Rs. 77.495) 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:

	2007	Unaudited 2007	2006	Unaudited 2006
	£	Rs.	£	Rs.
United Kingdom	11,798,893	1,004,203,799	8,647,294	670,122,049
India	1,086,961	92,511,242	1,290,970	100,043,720
US	1,879,839	159,993,079	2,945,409	228,254,470
Malaysia	93,787	7,982,195	379,047	29,374,247
Europe	1,948,457	165,833,167	865,857	67,099,588
Other	6,450	548,989	182,468	14,140,358
	<u>16,814,387</u>	<u>1,431,072,471</u>	<u>14,311,045</u>	<u>1,109,034,432</u>

## 2. Other operating charges

Administrative expenses	<u>3,740,981</u>	<u>318,394,881</u>	<u>3,009,862</u>	<u>233,249,256</u>
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## 3. Operating profit

Operating profit is stated after charging:

Depreciation of owned fixed assets	28,277	2,406,660	27,976	2,168,000
Auditors' remuneration:				
Audit fees	17,450	1,485,170	16,150	1,251,544
Non audit fees	3,038	258,522	5,600	433,972
Operating lease costs:				
Land and buildings	51,188	4,356,629	66,830	5,178,991
Plant and equipment	<u>1,255</u>	<u>106,796</u>	<u>3,492</u>	<u>270,613</u>

## 4. Directors and employees

The average number of staff employed by the company during the financial year amounted to:

	2007 No.	2006 No.
Staff	<u>116</u>	<u>79</u>

The aggregate payroll costs of the above were:

Wages and salaries	5,052,535	430,021,215	3,936,573	305,064,725
Social security costs	<u>429,429</u>	<u>36,548,731</u>	<u>329,127</u>	<u>25,505,697</u>
	<u>5,481,964</u>	<u>466,569,946</u>	<u>4,265,700</u>	<u>330,570,422</u>

Remuneration in respect of Directors was nil (2006: nil).

	2007 £	Unaudited 2007 Rs.	2006 £	Unaudited 2006 Rs.
<b>5. Interest receivable</b>				
Bank interest receivable	<u>23,779</u>	<u>2,023,796</u>	<u>37,544</u>	<u>2,909,472</u>
<b>6. Taxation on ordinary activities</b>				
(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% (2006 - 30%)	86,350	7,349,248	198,583	15,389,190
Over / Under provision in prior year	<u>2,230</u>	<u>189,754</u>	<u>—</u>	<u>—</u>
Total current tax	<u>88,580</u>	<u>7,539,002</u>	<u>198,583</u>	<u>15,389,190</u>
Deferred tax:				
Origination and reversal of timing differences	<u>4,029</u>	<u>342,908</u>	<u>—</u>	<u>—</u>
Tax on profit on ordinary activities	<u>92,609</u>	<u>7,881,910</u>	<u>198,583</u>	<u>15,389,190</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% (2006 - 30%).				
Profit on ordinary activities before taxation	<u>213,503</u>	<u>18,171,229</u>	<u>594,911</u>	<u>46,102,628</u>
Profit on ordinary activities multiplied by rate of tax	<u>64,051</u>	<u>5,451,368</u>	<u>178,473</u>	<u>13,830,765</u>
Expenses not deductible for tax purposes	<u>23,125</u>	<u>1,968,179</u>	<u>22,212</u>	<u>1,721,319</u>
Movement in capital allowances	(826)	(70,299)	(2,102)	(162,894)
Adjustments to tax charge in respect of previous periods	<u>2,230</u>	<u>189,754</u>	<u>—</u>	<u>—</u>
Total current tax [note 6(a)]	<u>88,580</u>	<u>7,539,002</u>	<u>198,583</u>	<u>15,389,190</u>
<b>7. Dividends</b>				
Dividends on shares classed as equity				
Paid during the year				
Equity Dividends on ordinary shares	<u>178,312</u>	<u>15,176,134</u>	<u>137,163</u>	<u>10,629,447</u>
Proposed after the year-end (not recognised as a liability)				
Equity dividends on ordinary shares	<u>—</u>	<u>—</u>	<u>178,312</u>	<u>13,818,288</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 2006	31,104	2,647,261	39,806	3,387,889	202,758	17,256,733	273,668	23,291,883
Additions	—	—	7,775	661,730	12,359	1,051,915	20,134	1,713,645
Disposals	—	—	—	—	(79,592)	(6,774,062)	(79,592)	(6,774,062)
At 31st March 2007	<u>31,104</u>	<u>2,647,261</u>	<u>47,581</u>	<u>4,049,619</u>	<u>135,525</u>	<u>11,534,586</u>	<u>214,210</u>	<u>18,231,466</u>
Depreciation								
At 1st April 2006	26,315	2,239,669	32,174	2,738,329	163,365	13,903,953	221,854	18,881,951
Charge for the year	1,681	143,081	4,192	356,817	22,404	1,906,762	28,277	2,406,660
On disposals	—	—	—	—	(79,592)	(6,774,062)	(79,592)	(6,774,062)
At 31st March 2007	<u>27,996</u>	<u>2,382,750</u>	<u>36,366</u>	<u>3,095,146</u>	<u>106,177</u>	<u>9,036,653</u>	<u>170,539</u>	<u>14,514,549</u>
Net book value								
At 31st March 2007	<u>3,108</u>	<u>264,511</u>	<u>11,215</u>	<u>954,473</u>	<u>29,348</u>	<u>2,497,933</u>	<u>43,671</u>	<u>3,716,917</u>
At 31st March 2006	<u>4,789</u>	<u>407,592</u>	<u>7,632</u>	<u>649,560</u>	<u>39,392</u>	<u>3,352,653</u>	<u>51,813</u>	<u>4,409,804</u>

For simplicity, the brought forward Rupee amounts at 31 March 2006 have been translated at the 31 March 2007 exchange rate.

**9. Debtors**

	2007 £	Unaudited 2007 Rs.	2006 £	Unaudited 2006 Rs.
Trade debtors	4,522,479	384,908,181	4,450,164	344,865,459
Amounts owed by group undertakings	124,782	10,620,227	81,413	6,309,100
Prepayments and accrued income	291,958	24,848,529	283,490	21,969,058
Corporation tax	<u>57,471</u>	<u>4,891,335</u>	<u>—</u>	<u>—</u>
	<u>4,996,690</u>	<u>425,268,272</u>	<u>4,815,067</u>	<u>373,143,617</u>



**10. Deferred taxation**

The Deferred tax included in the Balance Sheet is as follows:

	2007 £	Unaudited 2007 Rs.	2006 £	Unaudited 2006 Rs.
Deferred tax asset	15,971	1,359,292	20,000	1,549,900
The movement in the deferred taxation account during the year was:				
Balance brought forward	20,000	1,702,200	20,000	1,549,900
Profit and loss account movement arising during the year	(4,029)	(342,908)	—	—
Balance carried forward	15,971	1,359,292	20,000	1,549,900
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	15,971	1,359,292	20,000	1,549,900

**11. Creditors: amounts falling due within one year**

Trade creditors	861,316	73,306,594	565,060	43,789,325
Amounts owed to group undertakings	1,898,968	161,621,200	1,356,836	105,148,006
Corporation tax	—	—	102,214	7,921,074
Other taxation and social security	538,258	45,811,129	494,423	38,315,310
Other creditors	464,009	39,491,824	734,082	56,887,684
	3,762,551	320,230,747	3,252,615	252,061,399

**12. Leasing commitments**

At 31st March 2007 the company had annual commitments under non-cancellable operating leases as set out below.

	2007				2006			
	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 – 2 years	37,018	3,150,559	449	38,172	—	—	—	—
Within 2 to 5 years	—	—	—	—	35,441	2,746,500	359	27,821
	37,018	3,150,559	449	38,172	35,441	2,746,500	359	27,821

**13. Capital commitments**

There were no capital commitments at 31st March 2007 or 31st March 2006.

**14. Contingent liabilities**

There were no contingent liabilities at 31st March 2007 or 31st March 2006.

**15. Share capital**

	2007 £	Unaudited 2007 Rs.	2006 £	Unaudited 2006 Rs.
Authorised share capital:				
1,629,700 Ordinary shares of £1 each	1,629,700	138,703,767	1,629,700	126,293,602
Allotted, called up and fully paid:				
	2007 No	2007 £	2006 No	2006 Rs.
Ordinary shares of £1 each	685,815	685,815	685,815	53,147,233
Equity shares				
Ordinary shares of £1 each	685,815	685,815	685,815	53,147,233

**16. Profit and loss account**

	£	Unaudited Rs.
At 1st April, 2006	1,766,735	150,366,816
Profit for the financial year	120,894	10,289,319
Equity dividends paid	(178,312)	(15,176,134)
At 31st March, 2007	1,709,317	145,480,001

For simplicity, the brought forward Rupee amounts at 31 March 2006 have been translated at the 31 March 2007 exchange rate.

**17. Reconciliation of movements in shareholders' funds**

	2007 £	Unaudited 2007 Rs.	2006 £	Unaudited 2006 Rs.
Profit for the financial year	120,894	10,289,319	396,328	30,713,437
Equity dividends paid	(178,312)	(15,176,134)	(137,163)	(10,629,447)
Net addition to shareholders' funds	(57,418)	(4,886,815)	259,165	20,083,990
Opening shareholders' funds	2,452,550	208,736,531	2,193,385	169,976,373
Closing shareholders' funds	2,395,132	203,849,716	2,452,550	190,060,363

## 18. Notes to the statement of cash flows

	2007 £	Unaudited 2007 Rs.	2006 £	Unaudited 2006 Rs.		
<b>Reconciliation of operating profit to net cash (outflow)/inflow from operating activities</b>						
Operating profit	189,724	16,147,433	557,367	43,193,155		
Depreciation	28,277	2,406,660	27,976	2,168,000		
Profit on disposal of fixed assets	—	—	(306)	(23,713)		
Increase in debtors	(94,902)	(8,077,067)	(1,056,853)	(81,900,823)		
Increase in creditors	612,151	52,100,142	359,494	27,858,988		
<b>Net cash inflow/(outflow) from operating activities</b>	<b>735,250</b>	<b>62,577,168</b>	<b>(112,322)</b>	<b>(8,704,393)</b>		
<b>Reconciliation of net cash flow to movement in net funds</b>						
Increase/(decrease) in cash in the period	312,318	26,581,347	(616,931)	(47,809,068)		
Movement in net funds in the period	312,318	26,581,347	(616,931)	(47,809,068)		
Net funds at 1st April 2007	753,989	64,172,003	1,370,920	106,239,446		
Net funds at 31st March 2007	1,066,307	90,753,350	753,989	58,430,378		
<b>Analysis of changes in net funds</b>						
	At 1 April 2007 £	At 1 April 2007 Rs.	Cash flows £	Cash flows Rs.	At 31 March 2007 £	At 31 March 2007 Rs.
Net cash:						
Cash in hand and at bank	753,989	64,172,003	312,318	26,581,347	1,066,307	90,753,350
Net funds	753,989	64,172,003	312,318	26,581,347	1,066,307	90,753,350

## 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, 2007.

**Principal Activities**

The Company is engaged in providing IT services, software development and support services.

**Business Review**

During the year under review, the US outsourcing market continued to grow with a significant increase in the outsourcing spend by US companies. The year also witnessed US companies consolidating their IT spends with a few strategic and scalable partners who can provide end-to-end services across business lines. Your Company focused its offerings in identified core verticals and invested in a sales force in defined markets. These initiatives started paying dividends in terms of client acquisitions and a healthier funnel of prospects. Your Company was successful in acquiring several new marquee customers.

Your Company recorded total revenues of US\$ 9.31 million (previous year US\$ 6.51 million). Correspondingly, gross profits grew to US\$ 2.90 million (previous year US\$ 2.31 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 \$ 0.18 million (previous year net profit US \$ 0.16 million). Your Company is pleased to report that several clients acquired in 2006-07 are likely to scale substantially and a stronger funnel portends to a favourable 2007-08. The rising demand for IT services has also led to intense competition for acquisition of clients and for skilled resources. Consequently,

growth and market penetration will see pressure on pricing and a higher cost of servicing. With the sales funnel getting stronger, your Company is focussing on improving its demand planning processes to enable superior resource planning and deployment, rotation of resources to ensure optimal deployment and leveraging a higher offshore component in the service mix. The roll out of these actions is well underway and the Company is in the process of significantly expanding its presence in the US market through own resources as well as key alliances and partnerships and inorganic growth options. Your Company therefore looks forward to an exciting and successful year ahead.

**Directors**

Mr. S. Puri was appointed as Director of the Company at the last Annual Meeting held on 13th May, 2006.

ITC Infotech India Limited has nominated Ms. Bhavani Parameswar for appointment as Director of the Company. Your approval for appointment of Ms. Parameswar as a Director of the Company is being sought at the forthcoming Annual Meeting of the Company for the financial year ended 31st March, 2007.

**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. Puri  
Director

11th May, 2007

**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, 2007 and 2006, 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 an 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, 2007 and 2006, 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  
May 11, 2007

Amper, Politziner & Mattia, P.C.

**BALANCE SHEETS**

	March 31, 2007 \$	March 31, 2007 Rs.	March 31, 2006 \$	March 31, 2006 Rs.
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	619,882	26,946,252	691,171	30,836,594
Accounts receivable, net of allowance for doubtful accounts of \$128,770 (Rs. 5,597,632) and \$113,259 (Rs. 5,053,050) for 2007 and 2006, respectively	2,706,958	117,671,450	1,175,891	52,462,377
Advances to employees	54,785	2,381,538	66,582	2,970,556
Total current assets	3,381,625	146,999,240	1,933,644	86,269,527
<b>EQUIPMENT AND LEASEHOLD IMPROVEMENTS</b>				
Computer equipment	160,514	6,977,577	138,340	6,172,039
Office equipment	40,187	1,746,915	40,187	1,792,943
Leasehold Improvements	8,185	355,802	8,185	365,174
	208,886	9,080,294	186,712	8,330,156
Less accumulated depreciation and amortization	150,752	6,553,196	131,971	5,887,886
	58,134	2,527,098	54,741	2,442,270
Computer software	18,329	796,740	17,030	759,778
Less accumulated amortization	16,755	728,326	16,371	730,392
	1,574	68,414	659	29,386
Capitalized software net	9,061	393,863	13,590	606,318
Other assets, principally Security Deposits	25,804	1,121,715	34,383	1,533,998
	3,476,198	151,110,330	2,037,017	90,881,498
<b>LIABILITIES AND STOCKHOLDER'S EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Accounts payable	416,523	18,106,255	344,345	15,362,952
Accrued expenses and other current liabilities	355,800	15,466,625	349,568	15,595,960
Accrued payroll and payroll taxes	243,226	10,573,034	283,232	12,636,396
Due to ITC Infotech Ltd, (UK)	247,030	10,738,402	139,929	6,242,932
Due to ITC Infotech India Ltd.	1,436,093	62,426,959	325,443	14,519,640
Total current liabilities	2,698,672	117,311,275	1,442,517	64,357,880
<b>STOCKHOLDER'S EQUITY</b>				
Capital stock, no par value; 50,000 shares authorized; 47,000 shares issued and outstanding at March 31, 2007 and 2006, respectively	200,000	8,694,000	200,000	8,923,000
Additional paid-in capital	4,500,000	195,615,000	4,500,000	200,767,500
Accumulated deficit	(3,922,474)	(170,509,945)	(4,105,500)	(183,166,882)
	777,526	33,799,055	594,500	26,523,618
	3,476,198	151,110,330	2,037,017	90,881,498

The accompanying notes are an integral part of these statements

On behalf of the Board

S. Puri  
Director

L. N. Balaji  
President  
11th May, 2007

STATEMENTS OF OPERATIONS AND  
ACCUMULATED DEFICIT

	For the year ended 31st March, 2007 \$	For the year ended 31st March, 2007 Rs.	For the year ended 31st March, 2006 \$	For the year ended 31st March, 2006 Rs.
Revenues				
Service Fees	8,143,569	354,000,944	4,965,521	221,536,719
Account Management Fee-affiliates	948,996	41,252,856	1,110,206	49,531,841
Project Fees	213,000	9,259,110	435,814	19,443,842
Total Revenues	9,305,565	404,512,910	6,511,541	290,512,402
Cost of revenues, principally employment costs and fees charged by affiliates	6,409,477	278,619,965	4,184,775	186,703,737
Gross profit	2,896,088	125,892,945	2,326,766	103,808,665
General and administrative expenses	2,721,388	118,298,736	2,197,336	98,034,146
Operating income	174,700	7,594,209	129,430	5,774,519
Other income, net	24,503	1,065,145	45,615	2,035,113
Income before income tax expense	199,203	8,659,354	175,045	7,809,633
Income tax expense	16,177	703,214	12,044	537,343
Net income	183,026	7,956,140	163,001	7,272,290
Accumulated deficit at beginning of year	(4,105,500)	(178,466,085)	(4,268,501)	(190,439,172)
Accumulated deficit at end of year	(3,922,474)	(170,509,945)	(4,105,500)	(183,166,883)

The accompanying notes are an integral part of these statements

On behalf of the Board  
S. Puri L. N. Balaji  
Director President  
11th May, 2007

## STATEMENTS OF CASH FLOWS

	2007 \$	2007 Rs.	2006 \$	2006 Rs.
Cash flows from operating activities				
Net income	183,026	7,956,140	163,001	7,272,290
Adjustments to reconcile net income to net cash provided by (used in) operating activities				
Depreciation and amortization	23,695	1,030,018	19,526	871,152
Bad debt expense	15,511	674,263	10,759	480,013
(Increase) decrease in assets				
Accounts receivable	(1,546,578)	(67,229,733)	(461,507)	(20,590,135)
Advances to employees	11,796	512,782	55,529	2,477,426
Other assets/ security deposits	8,579	372,908	18,019	803,918
Increase (decrease) in liabilities				
Accounts payable	72,178	3,137,576	46,838	2,089,677
Accrued expenses and other liabilities	6,232	270,905	169,169	7,547,476
Accrued payroll and payroll taxes	(40,006)	(1,739,080)	74,002	3,301,599
Due to ITC Infotech India Ltd. and ITC Infotech Ltd. (UK), net	1,217,751	52,935,640	229,057	10,219,378
Net cash provided by (used in) operating activities	(47,816)	(2,078,581)	324,393	14,472,794
Cash flows from investing activities				
Capital expenditures	(23,473)	(1,020,370)	(35,020)	(1,562,417)
Net (decrease) increase in cash and cash equivalents	(71,289)	(3,098,951)	289,373	12,910,376
Cash and cash equivalents at beginning of year	691,171	30,045,203	401,798	17,926,218
Cash and cash equivalents at end of year	619,882	26,946,252	691,171	30,836,594

Supplemental disclosures of cash flow information:

Income taxes paid were \$13,177 (Rs. 572,804) and \$12,044 (Rs. 537,388) during 2007 and 2006, respectively.

The accompanying notes are an integral part of these statements

On behalf of the Board  
S. Puri L. N. Balaji  
Director President  
11th May, 2007

## NOTES TO FINANCIAL STATEMENTS

### March 31, 2007 and 2006

#### 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 (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 Company’s resources. 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. ITC Infotech Ltd. (“Infotech UK”), is also a wholly-owned subsidiary of ITC Infotech India Ltd.

#### NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### Basis of Presentation

The Financial Statements of the Company, are prepared in accordance with accounting principles generally accepted in the USA, the country of incorporation and are represented 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. 43.47 (2006 : US\$ 1 = Rs. 44.615) 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 when the work is performed. Revenue is determined by multiplying the hours worked by the contractual billing rates. 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 fulfil 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, Leasehold Improvements and Software

Equipment, leasehold improvements 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 up 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 uncertain, 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 has been recorded in 2007 or 2006.

##### 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. There were no such costs capitalized in 2007 or 2006. Accumulated amortization of these costs is \$13,590 (Rs. 590,773) and \$9,060 (Rs. 404,223) at March 31, 2007 and 2006, respectively.

#### NOTE 3 – RELATED PARTY TRANSACTIONS

The Company has entered into various transactions with its affiliates as follows :

	Year ended March 31			
	2007	2007	2006	2006
	\$	Rs.	\$	Rs.
Transactions with Infotech India				
Revenues for account management	948,996	41,252,856	1,095,957	48,896,122
Costs for project consultations, included in cost of revenues	2,315,265	100,644,570	957,807	42,732,559
Project/other expenses reimbursements	2,527,258	109,859,905	2,570,609	114,687,721
Transactions with Infotech UK				
Service Fees recognized as revenues	1,906,485	82,874,903	2,159,480	96,345,200
Project/other expenses reimbursements, included in cost of revenues	135,519	5,891,011	148,753	6,636,615



**NOTE 4 – ACCOUNTS RECEIVABLE**

Accounts receivable consist of trade accounts receivable. Changes in the Company's allowance for doubtful accounts in 2007 and 2006 are as follows:

	2007 \$	2007 Rs.	2006 \$	2006 Rs.
Beginning balance	113,259	4,923,369	143,990	6,424,114
Increase to allowance	15,511	674,263	10,759	480,013
Accounts written off	—	—	(41,490)	(1,851,076)
Ending balance	128,770	5,597,632	113,259	5,053,050

Unbilled receivables were approximately \$694,000 and nil as of March 31, 2007 and 2006, respectively.

**NOTE 5 – COMMITMENTS AND CONTINGENT LIABILITIES****Leases**

The Company has leased office space and an apartment under non-cancellable operating leases expiring through fiscal 2008. Total rent expense under these leases was approximately \$169,000 (Rs. 7,346,430) and \$142,000 (Rs. 6,316,681) for the years ended March 31, 2007 and 2006, respectively.

In addition, the Company has entered into various non-cancellable operating leases for the rental of equipment.

The future minimum annual lease payments at March 31, 2007 are as follows:

	Offices		Equipment		Total	
	\$	Rs.	\$	Rs.	\$	Rs.
2008	33,815	1,469,949	5,200	226,044	39,015	1,695,993
2009	—	—	5,200	226,044	5,200	226,044
2010	—	—	5,200	226,044	5,200	226,044
2011	—	—	5,200	226,044	5,200	226,044
Total minimum lease payments	33,815	1,469,949	20,800	904,176	54,615	2,374,125

**NOTE 6 – INCOME TAXES**

The Provision for income taxes consists of a current tax provision as follows:

	Years ended March 31			
	2007 \$	2007 Rs.	2006 \$	2006 Rs.
State and local taxes	16,177	703,214	12,044	537,343

The Company's current expected Federal income tax provision has been offset by the utilization of net operating loss carry forwards. The Company's current expected state income tax provision has been offset in part by the utilization of state net operating loss carry forwards.

Deferred tax assets and liabilities consisted of the following:

	Year ended March 31			
	2007 \$	2007 Rs.	2006 \$	2006 Rs.
Net operating loss Carry forwards	1,347,600	58,580,172	1,705,600	76,095,344
Other temporary differences	32,000	1,391,040	54,000	2,409,210
Valuation allowance	(1,379,600)	(59,971,212)	(1,759,600)	(78,504,554)
Net Deferred tax asset	—	—	—	—

Although, the Company has made profits during the fiscal year ended March 31, 2007, 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, 2007, the Company has net operating loss carry forwards ("NOLs"), for Federal income tax purposes, of approximately \$3,811,000 (Rs. 165,664,170) available to offset future taxable income, as summarised below. At March 31, 2007, the Company had net operating loss carry forwards for state income tax purposes of approximately \$575,000 (Rs. 24,995,250) available to offset future taxable income, which expire in 2025. Limitation of the utilization of NOL's to offset future taxable income could occur following a corporate "Ownership Change" as defined in the Internal Revenue Code.

Operating loss carry forwards ("NOL's") for Federal Income Tax purposes will expire as follows :

	\$	Rs.
2020	217,000	9,432,990
2021	648,000	28,168,560
2022	1,895,000	82,375,650
2023	245,000	10,650,150
2024	360,000	15,649,200
2025	435,000	18,909,450
2026	11,000	478,170
	3,811,000	165,664,170

**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 58% (27%, 20% and 11%) and approximately 65% (33%, 22% and 10%) of the Company's net revenues for the years ended March 31, 2007 and 2006, respectively. Accounts receivable from these customers approximated 53% (45%, 0%, and 8%) of total accounts receivable at March 31, 2007.

**NOTE 8 – ACCOUNTING PRONOUNCEMENT – MULTIPLE-DELIVERABLE REVENUE ARRANGEMENTS**

The Company follows Emerging Issues Task Force 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. Puri *Director*

L. N. Balaji *President*

11th May, 2007

**REPORT OF THE DIRECTORS FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2007**

1. Your Directors hereby submit their Report and Accounts for the financial year ended 31st March, 2007.

**2. COMPANY PERFORMANCE**

a. Profit Before Tax	Rs. 35,32,404
b. Provision for Tax (including Fringe Benefit Tax)	Rs. 61,500
c. Profit After Tax	Rs. 34,70,904
d. Add : Profit brought forward from previous year	Rs. 1,45,30,290
e. Surplus available for Appropriation	Rs. 1,80,01,194
f. Transferred to General Reserve	Rs. 3,47,090
g. Interim Dividend paid (recommended as Final Dividend)	Rs. 1,00,00,000
h. Dividend Tax paid	Rs. 14,02,500
i. Balance carried forward	Rs. 62,51,604

Your Directors declared on 27th September, 2006 an Interim Dividend of Rs. 1,00,00,000 ( Rupees One Crore ) on 48,85,626 Ordinary Shares of Rs.10/- each, fully paid, out of the profits of the Company to the Members whose names appeared on the Company's Register of Members on 27th September, 2006 and which is now recommended by your Directors as the Final Dividend for the financial year ended 31st March, 2007.

**3. DIRECTORS**

In accordance with the provisions of Article 92 of the Articles of Association of the Company, Mr. Partho Chatterjee will retire by rotation at the ensuing Annual General Meeting of the Company, and being eligible, offers himself for re-election. Your Board of Directors has 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 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.

**5. PARTICULARS OF EMPLOYEES**

None of the employees of the 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 of the Company, 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 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.

15th May, 2007

Virginia House  
37, J. L. Nehru Road  
Kolkata 700 071

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, 2007, 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, 2007 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2007, 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, 2007;
  - 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 Basu, Chatterjee & Co.  
*Chartered Accountants*  
Sourabh Chakravarti  
*Partner*  
Membership No.54001

Place : Kolkata  
Date : 15th May, 2007

**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 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, 2007.
- (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, 2007.
9. The Company does not have accumulated losses as at 31st March, 2007, 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, 2007, 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

Place : Kolkata  
Date : 15th May, 2007

**BALANCE SHEET AS AT 31ST MARCH, 2007**

	Schedule	(Rs.)	As at 31st March, 2007 (Rs.)	(Rs.)	As at 31st March, 2006 (Rs.)
<b>I. SOURCES OF FUNDS</b>					
<b>1. Shareholders' Funds</b>					
(a) Share Capital	1		4,88,56,260		4,88,56,260
(b) Reserves and Surplus	2		73,66,805		1,53,02,866
<b>TOTAL</b>			<u>5,62,23,065</u>		<u>6,41,59,126</u>
<b>II. APPLICATION OF FUNDS</b>					
<b>1. Fixed Assets (Net)</b>	3		48,46,332		49,39,487
<b>2. Investments</b>	4		5,09,07,587		5,88,75,188
<b>3. Current Assets, Loans and Advances</b>	5	1,33,04,070		1,30,53,523	
<b>4. Less: Current Liabilities and Provisions</b>	6	<u>1,28,34,924</u>		<u>1,27,09,072</u>	
<b>5. Net Current Assets</b>			4,69,146		3,44,451
<b>TOTAL</b>			<u>5,62,23,065</u>		<u>6,41,59,126</u>
<b>Notes to Accounts</b>	8				
<b>Significant Accounting Policies</b>	9				

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, Chatterjea & Co.  
Chartered Accountants

Sourabh Chakravarti  
Partner  
Kolkata, 15th May, 2007

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, 2007

	Schedule	For the year ended 31st March, 2007 (Rs.)	For the year ended 31st March, 2006 (Rs.)
<b>I. INCOME</b>			
Dividend Income from Current Investments		33,24,260	25,87,601
Profit on Sale of Current Investments (net)		93,092	39,822
Rental Income		4,80,000	4,80,000
Miscellaneous Income		3,58,920	3,59,100
		<u>42,56,272</u>	<u>34,66,523</u>
<b>II. EXPENDITURE</b>			
Salaries and Wages		5,13,083	4,86,083
Operating and Establishment Expenses	7	1,17,630	1,28,734
Excess of Cost over fair value of Current Investments		—	8,534
Depreciation		93,155	93,155
		<u>7,23,868</u>	<u>7,16,506</u>
<b>III. PROFIT</b>			
Profit before Taxation		35,32,404	27,50,017
Provision for Taxation		61,000	45,000
Provision for Fringe Benefit Tax		500	1,900
Profit after Taxation		<u>34,70,904</u>	<u>27,03,117</u>
Profit brought forward		<u>1,45,30,290</u>	<u>1,18,27,173</u>
Available for appropriations		<u>1,80,01,194</u>	<u>1,45,30,290</u>
<b>IV. APPROPRIATIONS</b>			
Interim Dividend Paid		1,00,00,000	—
Dividend Tax Paid		14,02,500	—
Transfer to General Reserve		3,47,090	—
Profit Carried forward		<u>62,51,604</u>	<u>1,45,30,290</u>
		<u>1,80,01,194</u>	<u>1,45,30,290</u>
Earnings Per Share (Face Value Rs.10.00 each)	8(2)	0.71	0.55
<b>Notes to Accounts</b>	8		
<b>Significant Accounting Policies</b>	9		

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, 15th May, 2007

On behalf of the Board  
P. Chatterjee Director  
S. Dutta Director  
T. K. Ghosal Secretary

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2007

	For the Year ended 31st March, 2007 (Rs.)	For the year ended 31st March, 2006 (Rs.)
<b>A. NET PROFIT BEFORE TAX</b>	<b>35,32,404</b>	<b>27,50,017</b>
<b>ADJUSTMENTS FOR :</b>		
Depreciation	93,155	93,155
Dividend from Current Investments	(33,24,260)	(25,87,601)
Excess of cost over fair value of Current Investments	—	8,534
Profit on Sale of Current Investments	(93,092)	(39,822)
<b>OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES</b>	<b>2,08,207</b>	<b>2,24,283</b>
<b>ADJUSTMENTS FOR :</b>		
Trade and Other Receivables	(89,210)	89,884
Trade Payables	59,887	40,802
<b>CASH GENERATED FROM OPERATIONS</b>	<b>1,78,884</b>	<b>3,54,969</b>
Income Tax (Paid) /Refund Received	(1,17,850)	6,30,910
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>61,034</b>	<b>9,85,879</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES :</b>		
Income from Current Investments	13,74,800	—
Purchase of Current Investments	(56,84,69,000)	(78,01,92,433)
Sale of Current Investments	57,84,79,153	77,91,87,983
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>1,13,84,953</b>	<b>(10,04,450)</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES :</b>		
Interim Dividend Paid	(1,00,00,000)	—
Dividend Tax Paid	(14,02,500)	—
<b>NET CASH FLOW USED IN FINANCING ACTIVITIES</b>	<b>(1,14,02,500)</b>	<b>—</b>
<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>43,487</b>	<b>(18,571)</b>
<b>OPENING CASH AND CASH EQUIVALENTS</b>	<b>1,55,205</b>	<b>1,73,776</b>
<b>CLOSING CASH AND CASH EQUIVALENTS</b>	<b>1,98,692</b>	<b>1,55,205</b>

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

For Basu, Chatterjee & Co.

Chartered Accountants

Sourabh Chakravarti

Partner

Kolkata, 15th May, 2007

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, 2007 (Rs.)	As at 31st March, 2006 (Rs.)
<b>Authorised :</b>		
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>
<b>Issued, Subscribed and Paid up :</b>		
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 above shares are held by the Holding Company, ITC Limited)

## 2. RESERVES AND SURPLUS

	As at 31st March, 2007 (Rs.)	As at 31st March, 2006 (Rs.)
<b>General Reserve</b>		
At the commencement of the year	7,72,576	7,72,576
Add : Transferred from Profit and Loss Account	3,47,090	—
	<u>11,19,666</u>	<u>7,72,576</u>
Less : Adjustment consequent to recomputation as on 01.04.2006 of liability for defined benefit plans in accordance with the provisions of AS-15 (Revised) : Employee Benefits	(4,465)	—
Adjusted balance as at 01.04.2006	<u>11,15,201</u>	<u>7,72,576</u>
<b>Profit and Loss Account</b>	<b>62,51,604</b>	<b>1,45,30,290</b>
	<u>73,66,805</u>	<u>1,53,02,866</u>

## 3. FIXED ASSETS

	Original Cost as at 1st April, 2006 (Rs.)	Original Cost as at 31st March, 2007 (Rs.)	Depreciation up to 31st March, 2006 (Rs.)	Depreciation for the year (Rs.)	Depreciation up to 31st March, 2007 (Rs.)	Net Book Value as at 31st March, 2007 (Rs.)
Plant and Machinery	78,70,428	78,70,428	78,70,428	—	78,70,428	—
Building*	57,15,053	57,15,053	7,75,566	93,155	8,68,721	48,46,332
<b>TOTAL</b>	<b>1,35,85,481</b>	<b>1,35,85,481</b>	<b>86,45,994</b>	<b>93,155</b>	<b>87,39,149</b>	<b>48,46,332</b>
Previous Year	1,35,85,481	1,35,85,481	85,52,839	93,155	86,45,994	49,39,487

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/- (2006 - Rs. 57,15,053/-) and Accumulated Depreciation Rs. 8,68,721/- (2006 - Rs. 7,75,566/-). Depreciation for the year charged to Profit and Loss Account is Rs. 93,155/- (2006 - Rs. 93,155/-).

The aggregate lease rental is shown as Lease Rental.



## SCHEDULES TO THE ACCOUNTS (Contd.)

## 4. INVESTMENTS

	As at 31st March, 2007 (Rs.)	As at 31st March, 2006 (Rs.)
<b>UNQUOTED</b>		
<b>Current</b>		
<b>Other Investments</b>		
Principal Floating Rate Fund SMP 10,90,682.341 (2006 – Nil) Units of Rs. 10/- each	1,09,07,587	—
Standard Chartered FMP Quarterly Series 6 40,00,000 (2006 – Nil) Units of Rs. 10/- each	4,00,00,000	—
Can Floating Rate Short Term Weekly Dividend Nil (2006 – 18,39,686) Units of Rs. 10/- each	—	1,88,75,188
Kotak FMP Series 23 - Growth Nil (2006 - 40,00,000.00) Units of Rs. 10 each	—	4,00,00,000
<b>TOTAL</b>	<b>5,09,07,587</b>	<b>5,88,75,188</b>

## 5. CURRENT ASSETS, LOANS AND ADVANCES

	As at 31st March, 2007 (Rs.)	As at 31st March, 2006 (Rs.)
<b>A. CURRENT ASSETS</b>		
Cash and Bank Balances		
Balances with Scheduled Bank		
– On Current Account	1,98,692	1,55,205
Other Current Assets (Unsecured, considered good)		
Deposits	56,563	56,563
Others	93,561	4,351
	<b>1,50,124</b>	<b>60,914</b>
<b>B. LOANS AND ADVANCES</b>		
(Unsecured, considered good)		
Advance Payment of Tax		
- Income Tax	1,29,52,338	1,28,35,488
- Fringe Benefit Tax	2,916	1,916
	<b>1,29,55,254</b>	<b>1,28,37,404</b>
	<b>1,33,04,070</b>	<b>1,30,53,523</b>

## 6. CURRENT LIABILITIES AND PROVISIONS

	As at 31st March, 2007 (Rs.)	As at 31st March, 2006 (Rs.)
<b>A. Current Liabilities</b>		
Sundry Creditors for Supplies and Expenses		
– Total Outstanding dues of Creditors other than Small Scale Industrial Undertaking(s)	52,354	20,525
Security Deposit	20,00,000	20,00,000
<b>B. Provision</b>		
Provision for Retirement Benefits	88,823	56,300
Provision for Taxes		
- Income Tax	1,06,91,347	1,06,30,347
- Fringe Benefit Tax	2,400	1,900
	<b>1,28,34,924</b>	<b>1,27,09,072</b>

## 7. OPERATING AND ESTABLISHMENT EXPENSES

	For the year ended 31st March, 2007 (Rs.)	For the year ended 31st March, 2006 (Rs.)
Rates and Taxes	38,798	38,738
Repairs and Maintenance	—	15,913
Insurance	4,351	3,963
Auditors' Remuneration (including Service Tax)		
Audit Fees	20,225	20,203
Reimbursement of Expenses	14,030	13,775
Travelling and Conveyance	—	9,610
Postage, Telephone, Telex, etc.	6,483	8,166
Printing and Stationery	—	2,716
Professional and Contractual Fees	28,748	—
Filing Fees	1,000	1,500
Miscellaneous Expenses	3,995	14,150
<b>Total</b>	<b>1,17,630</b>	<b>1,28,734</b>

## SCHEDULES TO THE ACCOUNTS(Contd.)

## 8. NOTES TO ACCOUNTS

1. During the year, the following Current Investments were purchased and sold:-
- 1,35,61,648.55 Units of Canfloating Rate- Short Term Plan Weekly Dividend at cost of Rs. 13,92,99,657/-.
  - 1,31,75,716.98 Units of Principal Floater Rate Fund SMP Institutional Option Dividend Reinvestment at cost of Rs. 13,17,66,393/-.
  - 2,08,06,600.00 Units of Prudential ICICI Floating Rate Plan-D Daily Dividend at cost of Rs. 20,80,66,000/-.
  - 40,00,000 Units of Standard Chartered Fixed Maturity Plan Series 2 Quarterly Plan at cost of Rs. 4,00,00,000/-.

	For the year ended 31st March, 2007	For the year ended 31st March, 2006
<b>2. Earnings per Share</b>		
Profit after Taxation (Rs.)	34,70,904	27,03,117
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)	0.71	0.55

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
<b>Key Management Personnel</b>	
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, 2007 (Rs.)	For the year ended 31st March, 2006 (Rs.)
<b>Holding Company</b>		
Repairs and Maintenance	—	15,983
Postage, Telephone, Telex etc.	6,483	7,666
Rental Income	4,80,000	4,80,000
Miscellaneous Income	3,58,920	3,59,100
Interim Dividend Paid	1,00,00,000	—
<b>Balance as at</b>	<b>31st March, 2007 (Rs.)</b>	<b>31st March, 2006 (Rs.)</b>
Receivables	89,730	—
Payables	2,755	322
Security Deposit Received	20,00,000	20,00,000

5. Segment Reporting – The Company operates in a single business and geographical segment.

## 6. Employee Benefits :

Liability for Gratuity and Leave Encashment has been Actuarially determined and provided for in the books. The following table sets out the status as required by AS-15 (Revised)

	Gratuity (Unfunded) Amount (Rs.)	Leave Encashment (Unfunded) Amount (Rs.)
<b>Balance Sheet Recognition</b>		
Present Value of Obligation	21,473	24,780
Fair Value of Plan Assets	—	—
Liability/(Assets)	21,473	24,780
Unrecognised Past Service Cost	20,450	22,120
Liability/(Asset) recognised in the Balance Sheet	41,923	46,900
<b>Component of Employer's Expense</b>		
Current Service Cost	7,684	3,757
Interest Cost	1,432	1,548
Expected Return on Plan Assets	—	—
Net Actuarial Gain/(Loss) recognised in the year	(8,093)	(2,645)
Past Service Cost	20,450	22,120
Expenses recognised in the Profit and Loss Account (in Salaries and Wages)	21,473	24,780
<b>Movement in the Net Liability recognised in the Balance Sheet</b>		
Opening Net Liability as on 1st April, 2006	20,450	22,120
Expenses recognised in the Profit and Loss Account	21,473	24,780
Payment made to employee on Retirement	—	—
Closing Net Liability as on 31st March, 2007	41,923	46,900
<b>Discount Rate</b>	<b>7.5% p.a.</b>	<b>7.5% p.a.</b>

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

## SCHEDULES TO THE ACCOUNTS (Contd.)

7. There are no Micro, Small and Medium Enterprises, to whom the Company owes dues, which are outstanding for more than 45 days as at 31st March, 2007. This information regarding Micro, Small and Medium Enterprises has been determined to the extent such parties have been identified on the basis of information available with the Company.
8. Figures for the previous year have been regrouped / rearranged wherever necessary.

## 9. 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 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 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.

**Employee Benefits**

To determine the liability for Gratuity and Leave Encashment schemes in the nature of defined benefit schemes based on independent actuarial valuation as per requirements of AS-15 (revised 2005) on "Employee Benefits".

To recognise actuarial gains and losses immediately in the Profit and Loss Account as income or expense.

**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.

For Basu, Chatterjee & Co.  
Chartered Accountants

Sourabh Chakravarti  
Partner  
Kolkata, 15th May, 2007

On behalf of the Board

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, 2007**

1. Your Directors hereby submit their Report and Accounts for the financial year ended 31st March, 2007.

**2. COMPANY PERFORMANCE**

a. Profit Before Tax	Rs. 2,77,59,229
b. Provision for Tax (Fringe Benefit Tax)	Rs. 54,000
c. Profit After Tax	Rs. 2,77,05,229
d. Add: Profit Brought forward from previous year	Rs. 4,76,83,769
e. Surplus available for Appropriation	Rs. 7,53,88,998
f. Transferred to General Reserve	Rs. 27,70,523
g. Interim Dividend paid (recommended as Final Dividend)	Rs. 5,00,00,000
h. Dividend Tax paid	Rs. 70,12,500
i. Balance carried forward	Rs. 1,56,05,975

Your Directors declared on 27th September, 2006 an Interim Dividend of Rs. 5,00,00,000 (Rupees Five Crores) on 1,59,98,385 Ordinary Shares of Rs. 10/- each, fully paid, out of the profits of the Company to the Members whose names appeared on the Company's Register of Members on 27th September, 2006 and which is now recommended by your Directors as the Final Dividend for the financial year ended 31st March, 2007.

**3. DIRECTORS**

In accordance with the provisions of Article 92 of the Articles of Association of the Company, Mr. Partho 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, 2007, 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 :

- 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 the Company and for preventing and detecting fraud and other irregularities; and
- 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 of the Company, 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.

15th May, 2007

Virginia House  
37, J. L. Nehru Road  
Kolkata - 700 071

On behalf of the Board

P. Chatterjee *Director*  
S. Dutta *Director*

**AUDITORS' REPORT TO THE MEMBERS OF GOLD FLAKE CORPORATION LIMITED**

- We have audited the attached Balance Sheet of **Gold Flake Corporation Ltd.**, as at 31st March, 2007, 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 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, 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 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;
- on the basis of written representations received from the Directors, as on 31st March, 2007 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2007 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 2007;
  - 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 Basu, Chatterjee & Co.  
*Chartered Accountants*

Sourabh Chakravarti  
*Partner*

Place : Kolkata  
Date : 15th May, 2007

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, 2007.
- (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, 2007.
9. The Company does not have accumulated losses as at 31st March, 2007, 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, 2007, 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

Place : Kolkata  
Date : 15th May, 2007

Membership No. 54001

## BALANCE SHEET AS AT 31ST MARCH, 2007

	Schedule	As at 31st March, 2007 (Rs.)	As at 31st March, 2006 (Rs.)
<b>I. SOURCES OF FUNDS</b>			
1. Shareholders' Funds			
(a) Share Capital	1	15,99,83,850	15,99,83,850
(b) Reserves and Surplus	2	2,15,21,567	5,08,28,838
TOTAL		<u>18,15,05,417</u>	<u>21,08,12,688</u>
<b>II. APPLICATION OF FUNDS</b>			
1. Fixed Assets (Net)	3	6,389	10,488
2. Investments	4	18,12,79,774	21,08,33,567
3. Current Assets, Loans and Advances	5	1,70,18,227	1,67,13,584
4. Less : Current Liabilities and Provisions	6	<u>1,67,98,973</u>	<u>1,67,44,951</u>
5. Net Current Assets / (Liabilities)		2,19,254	(31,367)
TOTAL		<u>18,15,05,417</u>	<u>21,08,12,688</u>
Notes to Accounts	8		
Significant Accounting Policies	9		
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, Chatterjea & Co. Chartered Accountants Sourabh Chakravarti Partner Kolkata, 15th May, 2007			On behalf of the Board P. Chatterjee Director S. Dutta Director J. Prasad Secretary

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2007

	Schedule	For the year ended 31st March, 2007 (Rs.)	For the year ended 31st March, 2006 (Rs.)
<b>I. INCOME</b>			
Dividend Income		2,76,00,105	2,97,78,803
Profit on sale of Current Investments (Net)		<u>2,74,913</u>	<u>89,614</u>
		<u>2,78,75,018</u>	<u>2,98,68,417</u>
<b>II. EXPENDITURE</b>			
Salaries and Wages		60,000	55,000
Operating and Establishment Expenses	7	51,690	78,034
Excess of Cost over fair value of Current Investments		—	28,229
Depreciation		<u>4,099</u>	<u>6,796</u>
		<u>1,15,789</u>	<u>1,68,059</u>
<b>III. PROFIT</b>			
Profit before Taxation		2,77,59,229	2,97,00,358
Provision for Taxation		54,000	—
Provision for Fringe Benefit Tax		<u>—</u>	<u>544</u>
		<u>54,000</u>	<u>544</u>
Profit after Taxation		2,77,05,229	2,96,99,814
Profit brought forward		<u>4,76,83,769</u>	<u>1,79,83,955</u>
Available for appropriations		<u>7,53,88,998</u>	<u>4,76,83,769</u>
<b>IV. APPROPRIATIONS</b>			
Interim Dividend Paid		5,00,00,000	—
Dividend Tax Paid		70,12,500	—
Transfer to General Reserve		27,70,523	—
Profit carried forward		<u>1,56,05,975</u>	<u>4,76,83,769</u>
		<u>7,53,88,998</u>	<u>4,76,83,769</u>
Earnings Per Share (Face Value Rs. 10.00 each)	8(4)	1.73	1.86
Notes to Accounts	8		
Significant Accounting Policies	9		
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, Chatterjea & Co. Chartered Accountants Sourabh Chakravarti Partner Kolkata, 15th May, 2007			On behalf of the Board P. Chatterjee Director S. Dutta Director J. Prasad Secretary



## CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2007

	For the year ended 31st March, 2007 (Rs.)	For the year ended 31st March, 2006 (Rs.)
<b>A. NET PROFIT BEFORE TAX</b>	<b>2,77,59,229</b>	<b>2,97,00,358</b>
<b>ADJUSTMENTS FOR :</b>		
Depreciation	4,099	6,796
Income from Long Term Investments	(1,80,00,000)	(2,25,00,000)
Income from Current Investments	(96,00,105)	(72,78,803)
Excess of cost over fair value of Current Investments	—	28,229
Profit on Sale of Current Investments	(2,74,913)	(89,614)
<b>OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES</b>	<b>(1,11,690)</b>	<b>(1,33,034)</b>
<b>ADJUSTMENTS FOR :</b>		
Increase/(Decrease) in Current Liabilities	22	(833)
<b>CASH GENERATED FROM OPERATIONS</b>	<b>(1,11,668)</b>	<b>(1,33,867)</b>
Income Tax Paid	(2,44,912)	(41,509)
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>(3,56,580)</b>	<b>(1,75,376)</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Income from Long Term Investments	1,80,00,000	2,25,00,000
Income from Current Investments	41,24,400	—
Purchase of Current Investments	(1,71,15,51,000)	(2,02,27,93,139)
Sale of Current Investments	1,74,68,55,410	2,00,01,86,884
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>5,74,28,810</b>	<b>(1,06,255)</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Interim Dividend Paid	(5,00,00,000)	—
Dividend Tax Paid	(70,12,500)	—
<b>NET CASH FLOW FROM FINANCING ACTIVITIES</b>	<b>(5,70,12,500)</b>	<b>—</b>
<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>59,730</b>	<b>(2,81,631)</b>
<b>OPENING CASH AND CASH EQUIVALENTS</b>	<b>50,887</b>	<b>3,32,518</b>
<b>CLOSING CASH AND CASH EQUIVALENTS</b>	<b>1,10,617</b>	<b>50,887</b>

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

For Basu, Chatterjee & Co.  
Chartered Accountants  
Sourabh Chakravarti  
Partner  
Kolkata, 15th May, 2007

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, 2007 (Rs.)	As at 31st March, 2006 (Rs.)
<b>Authorised :</b>		
2,00,00,000 Ordinary Shares of Rs. 10/- each	20,00,00,000	20,00,00,000
<b>Issued, Subscribed and Paid up :</b>		
1,59,98,385 Ordinary Shares of Rs. 10/- each, fully paid up	15,99,83,850	15,99,83,850
	15,99,83,850	15,99,83,850

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

## 2. RESERVES AND SURPLUS

	As at 31st March, 2007 (Rs.)	As at 31st March, 2006 (Rs.)
<b>General Reserve</b>		
At the commencement of the year	31,45,069	31,45,069
Add : Transferred from Profit and Loss Account	27,70,523	—
	59,15,592	31,45,069
<b>Profit and Loss Account</b>		
	1,56,05,975	4,76,83,769
	2,15,21,567	5,08,28,838

## 3. FIXED ASSETS

	Original Cost as at 1st April, 2006 (Rs.)	Original Cost as at 31st March, 2007 (Rs.)	Depreciation up to 31st March, 2006 (Rs.)	Depreciation for the year (Rs.)	Depreciation up to 31st March, 2007 (Rs.)	Net Book Value as at 31st March, 2007 (Rs.)
Plant and Machinery	41,21,637	41,21,637	41,11,588	4,020	41,15,608	6,029
Furniture and Fixture	5,090	5,090	4,651	79	4,730	360
Total	41,26,727	41,26,727	41,16,239	4,099	41,20,338	6,389
Previous Year	41,26,727	41,26,727	41,09,443	6,796	41,16,239	10,488

There was no addition /deduction to the Fixed Assets during the current year and previous year.

## SCHEDULES TO THE ACCOUNTS (Contd.)

## 4. INVESTMENTS

	As at 31st March, 2007 (Rs.)	As at 31st March, 2006 (Rs.)
<b>Unquoted</b>		
<b>Long Term</b>		
<b>Trade Investments</b>		
<b>ITC Filtrona Limited</b>		
22,50,000 (2006 – 22,50,000) Equity Shares of Rs. 10/- each, fully paid up	2,25,00,000	2,25,00,000
<b>Asia Tobacco Company Limited</b>		
55,650 (2006 – 55,650) Equity Shares of Rs. 100/- each, fully paid up	83,47,500	83,47,500
1,39,125 (2006 – 1,39,125) Equity Shares of Rs. 100/- each, partly paid up	1,04,34,375	1,04,34,375
Sub Total	<u>4,12,81,875</u>	<u>4,12,81,875</u>
<b>Current</b>		
<b>Other Investments</b>		
<b>Principal Floating Rate Fund SMP</b>	1,99,97,899	—
10,90,682.341 (2006 - Nil) Units of Rs. 10/- each		
<b>Standard Chartered FMP Quarterly Series 6</b>	12,00,00,000	—
1,20,00,000 (2006 – Nil) Units of Rs. 10/- each		
<b>Canfloating Rate Short Term Weekly Dividend</b>	—	4,95,51,692
Nil (2006 – 48,28,599.60) Units of Rs. 10/- each		
<b>Kotak FMP Series 23 - Growth</b>	—	12,00,00,000
Nil (2006 – 1,20,00,000.00) Units of Rs. 10/- each		
Sub Total	<u>13,99,97,899</u>	<u>16,95,51,692</u>
<b>TOTAL</b>	<u>18,12,79,774</u>	<u>21,08,33,567</u>

## 5. CURRENT ASSETS, LOANS AND ADVANCES

	As at 31st March, 2007 (Rs.)	As at 31st March, 2006 (Rs.)
<b>A. CURRENT ASSETS</b>		
<b>Cash and Bank Balances</b>		
Balances with Scheduled Banks		
– On Current Account	1,10,617	50,887
<b>Other Current Assets</b>		
(Unsecured, considered good)		
Deposits with Others	5,000	5,000
<b>B. LOANS AND ADVANCES</b>		
(Unsecured, considered good)		
Advance Payment of Tax		
– Income Tax	1,69,01,566	1,66,57,153
– Fringe Benefit Tax	1,044	544
	<u>1,70,18,227</u>	<u>1,67,13,584</u>

## 6. CURRENT LIABILITIES AND PROVISIONS

	As at 31st March, 2007 (Rs.)	As at 31st March, 2006 (Rs.)
<b>A. Current Liabilities</b>		
<b>Sundry Creditors for Supplies and Expenses</b>		
– Total Outstanding dues of Creditors other than Small Scale Industrial Undertaking(s)	20,225	20,203
Sundry Deposits	4,64,204	4,64,204
<b>B. Provisions</b>		
<b>Provision for Tax</b>		
– Income Tax	1,63,14,000	1,62,60,000
– Fringe Benefit Tax	544	544
	<u>1,67,98,973</u>	<u>1,67,44,951</u>

## 7. OPERATING AND ESTABLISHMENT EXPENSES

	For the year ended 31st March, 2007 (Rs.)	For the year ended 31st March, 2006 (Rs.)
Rates and Taxes	3,330	3,270
Filing Fees	2,000	3,000
Auditors' Remuneration (including Service Tax)		
Audit Fees	20,225	20,203
Reimbursement of Expenses	14,030	13,775
Professional and Contractual Fees	1,500	23,100
Printing and Stationery	5,630	—
Miscellaneous Expenses	4,975	14,686
<b>Total</b>	<u>51,690</u>	<u>78,034</u>

## 8. NOTES TO ACCOUNTS

- Uncalled liability in respect of partly paid up shares is Rs.3,13,03,125/- (2006 - Rs.3,13,03,125/-).
- Dividend Income represents Rs.1,80,00,000/- (2006 - Rs. 2,25,00,000/-) from Long Term Investments.
- During the year, the following Current Investments were purchased and sold :-
  - 4,20,96,507.52 Units of Canfloating Rate - Short Term Plan Weekly Dividend at cost of Rs. 43,22,67,700/-.
  - 4,04,27,670.05 Units of Principal Floater Rate Fund SMP Institutional Option Dividend Reinvestment at cost of Rs. 40,43,05,000/-.
  - 6,20,45,610.66 Units of Prudential ICICI Floating Rate Plan-D Daily Dividend at cost of Rs.62,04,56,107/-.
  - 1,20,00,000 Units of Standard Chartered Fixed Maturity Plan Series 2 Quarterly Plan at cost of Rs.12,00,00,000/-.

	For the year ended 31st March, 2007	For the year ended 31st March, 2006
<b>Earnings per Share</b>		
Profit after Taxation (Rs.)	2,77,05,229	2,96,99,814
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)	1.73	1.86

- Remuneration of Manager :  
Salaries : Rs. 60,000/- (2006 - Rs. 55,000/-). No retirement benefit is due to him.
- Provision for Taxation included in the Profit and Loss Account represents Current Tax. The incidence of Deferred Tax being insignificant, is not considered.

## 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, 2007 (Rs.)	For the year ended 31st March, 2006 (Rs.)
<b>Joint Venture Company</b>		
Dividend Received	1,80,00,000/-	2,25,00,000/-

## 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, 2007
ITC Filtrona Limited	India	50

The financial statements of ITC Filtrona Limited are drawn up to 31st December, 2006

**SCHEDULES TO THE ACCOUNTS (Contd.)**

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, 2007 (Rs.)	As at 31st March, 2006 (Rs.)
<b>I ASSETS</b>		
1. Fixed Assets (net)	6,13,38,396	4,50,34,820
2. Current Assets, Loans and Advances		
a) Inventories	8,68,40,760	8,20,76,950
b) Sundry Debtors	1,53,13,629	1,31,37,773
c) Cash and Bank Balances	6,76,82,026	6,45,76,717
d) Other Current Assets	11,53,357	10,70,155
e) Loans and Advances	1,46,25,205	1,19,70,885
<b>II LIABILITIES</b>		
1. Current Liabilities and Provisions		
a) Liabilities	9,65,34,740	8,23,40,624
b) Provisions	2,19,49,768	2,14,50,675
2. Deferred Tax (net)	51,03,446	53,60,695
<b>III INCOME</b>		
1. Sales	46,78,95,604	38,90,63,223
2. Other Income	43,50,080	28,04,931
<b>IV EXPENSES</b>		
1. Raw Materials, etc.	31,43,09,625	28,83,59,292
2. Excise Duties and Taxes on sale of Products and Services	5,70,38,617	2,77,56,333
3. Manufacturing, Selling, etc. Expense	3,87,52,781	3,06,09,336
4. Depreciation	76,67,396	81,73,407
5. Provision for Taxation (including Fringe Benefit Tax)	1,89,88,969	1,21,50,016
<b>V OTHER MATTERS</b>		
Capital Commitments	3,61,248	2,72,178

9. Segment Reporting - The Company operates in a single business and geographical segment.
10. There are no Micro, Small and Medium Enterprises, to whom the Company owes dues, which are outstanding for more than 45 days as at 31st March, 2007. This information regarding Micro, Small and Medium Enterprises has been determined to the extent such parties have been identified on the basis of information available with the Company.
11. Figures for the previous year have been regrouped / rearranged wherever necessary.

**9. 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 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.

**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.

For Basu, Chatterjee & Co.  
Chartered Accountants

Sourabh Chakravarti  
Partner  
Kolkata, 15th May, 2007

On behalf of the Board

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 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 

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, 2007

Your Directors submit their Report and Accounts for the financial year ended 31st March, 2007.

### FINANCIAL PERFORMANCE

During the year under review, your Company earned a gross income of Rs. 271.31 lakhs (previous year Rs. 579.20 lakhs) and incurred a net loss of Rs. 776.29 lakhs (previous year Rs. 738.98 lakhs).

### OPERATIONS

The Management of your Company declared lockout at the Classic Golf Resort, Gurgaon w.e.f. 6th October, 2006 on no work no pay basis, consequent to large scale and widespread violence resorted to by the workmen. In this context, it is pertinent to mention that there has been a general rise in workmen militancy in the industrial area of Gurgaon with the backing of politically affiliated trade unions and the above actions by the workmen is one such evidence of this growing trend.

The Labour Conciliation Officer commenced conciliation proceedings on 7th October, 2006. The Honourable Punjab & Haryana High Court vide its Orders dated 5th April, 2007, against an application preferred by the Company for speeding up the conciliation proceedings, ordered the concerned Haryana Government Authorities to conclude the conciliation proceedings within two months of receipt of its Orders in keeping with the Settlement Agreement executed with the workmen by the Company earlier on 8th May, 2006.

During the operational part of the year under review, Classic Golf Resort had been the venue for some very prestigious tournaments, amongst them being British Golf Society Group Game, Northern India Amateur Golf Tournament, Maruti Denso Golf Cup, Denso Golf Cup, Baxter Conference and Doon School Golf Tournament.

The preparatory work towards the development of Resort Hotel project at the Classic Golf Resort has commenced and various consultants have been appointed for the purpose. The Company is in the process of obtaining permissions from various authorities for the commencement of the Project.

### 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 savings during operations.

Efforts to conserve electricity by operating only necessary lighting, fittings and fixtures, and judicious use of diesel generating sets continue.

#### (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. 0.41 lakhs ( previous year Rs. 5.84 lakhs ).

- ii) **Outgo** : Foreign exchange outgo during the year under review was Rs. 73.50 lakhs ( previous year Rs. 26.55 lakhs ).

### DEMAND FOR ADDITIONAL CONVERSION CHARGES

The Petition of the Company challenging the exorbitant demand of additional conversion charges of Rs. 15.82 crores by Haryana Government in respect of 'Change of Land Use' permission for the Classic Golf Resort had been disallowed by the Hon'ble High Court at Chandigarh. Your Board of Directors, based on legal advice, has filed a Special Leave Petition before the Honourable Supreme Court of India, and the matter is sub-judice.

### DIRECTORS

The Board of Directors at their meeting held on 29th March, 2007, reappointed Mr. S. C. Sekhar as the Managing Director of your Company without any remuneration for a further period of three years w.e.f. 1st April, 2007. An appropriate resolution seeking your approval for the reappointment of Mr. S. C. Sekhar is included in the Notice convening the Fifteenth Annual General Meeting.

In accordance with Articles 106 and 107 of the Articles of Association of the Company, M/s. S. C. Sekhar and M. Riaz Ahmed 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.

### 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.

### 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 Schedule 19 and 20, respectively in the annual accounts.

On behalf of the Board

Place : Gurgaon  
Date : 1st May, 2007

S. C. Sekhar *Managing Director*  
M. Riaz Ahmed *Director*

## AUDITORS' REPORT TO THE MEMBERS OF LANDBASE INDIA LIMITED

1. We have audited the Balance Sheet of Landbase India Limited as at March 31, 2007 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.
2. 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.
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 :

- 3.1 (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 except for discrepancies for certain assets for which the management is in the process of reconciling with the book records, the discrepancies between the book records and the physical inventory have been adjusted. 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 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, 2007 are more than fifty percent of its net worth and it has incurred cash losses during the financial year ended on that date and in the immediately preceding financial year.
- 3.11 According to the records of the Company examined by us and the information and explanation 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 X of 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, 2007, and taken on record by the Board of Directors, none of the Directors is disqualified as on March 31, 2007 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, 2007;
- (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  
Lovell & Lewes  
Chartered Accountants

Place : Gurgaon  
Date : 1st May, 2007

**BALANCE SHEET AS AT 31ST MARCH, 2007**

	Schedule	31st March, 2007 (Rs.)	As at 31st March, 2006 (Rs.)
<b>I. SOURCES OF FUNDS</b>			
1. <b>Shareholders' Funds</b>			
a) Capital	1	4,00,00,000	4,00,00,000
b) Reserves and Surplus	2	6,11,62,181	6,11,62,181
2. <b>Loan Funds</b>			
a) Secured Loans	3	21,00,00,000	21,28,59,152
b) Unsecured Loans	4	15,00,00,000	11,00,00,000
<b>TOTAL</b>		<b>46,11,62,181</b>	<b>42,40,21,333</b>
<b>II. APPLICATION OF FUNDS</b>			
1. <b>Fixed Assets</b>	5		
Gross Block		93,33,40,498	94,27,88,410
Less : Depreciation		26,62,61,729	24,90,01,874
Net Block		66,70,78,769	69,37,86,536
Capital Work-in-Progress		4,54,17,672	3,40,98,697
		71,24,96,441	72,78,85,233
2. <b>Investments</b>	6	250	250
3. <b>Current Assets, Loans and Advances</b>			
a) Inventories	7	1,04,82,225	1,04,18,536
b) Sundry Debtors	8	25,09,579	58,60,748
c) Cash and Bank Balances	9	8,00,37,554	98,42,822
d) Other Current Assets	10	2,49,194	1,30,143
e) Loans and Advances	11	69,68,104	1,28,65,426
		10,02,46,656	3,91,17,675
<b>Less : Current Liabilities and Provisions</b>			
a) Liabilities	12	1,00,88,66,551	92,38,25,368
b) Provisions	13	8,00,223	6,66,499
Net Current Assets		(90,94,20,118)	(88,53,74,192)
4. <b>Miscellaneous Expenditure</b> (To the extent not written off or adjusted) (Refer Note XIV of Schedule 19)		52,66,736	63,20,083
5. <b>Profit and Loss Account</b>		65,28,18,872	57,51,89,959
<b>TOTAL</b>		<b>46,11,62,181</b>	<b>42,40,21,333</b>

**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

Gurgaon, 1st May, 2007

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, 2007**

	Schedule	For the year ended 31st March, 2007 (Rs.)	For the year ended 31st March, 2006 (Rs.)
<b>I. INCOME</b>			
Income from Operations	14	2,16,38,044	5,66,85,100
Other Income	15	54,92,662	12,35,074
		2,71,30,706	5,79,20,174
<b>II. EXPENDITURE</b>			
Raw Material, Merchandising etc. Consumed			
and Expenditure incurred on Construction	16	22,39,216	55,35,553
Interest Charges	17	67,268	17,795
Operating and Administrative Expenses	18	7,50,49,011	6,66,52,684
Depreciation on Fixed Assets (net)		2,70,04,124	2,68,87,743
		10,43,59,619	9,90,93,775
<b>III. PROFIT</b>			
Profit/(Loss) before Prior Year Adjustments		(7,72,28,913)	(4,11,73,601)
Prior Year Adjustments (Refer Note on Schedule 5)		—	9,31,618
Profit/(Loss) before Taxation		(7,72,28,913)	(4,02,41,983)
Deferred Tax Credit / write-off		—	(3,32,30,693)
Fringe Benefit Tax		(4,00,000)	(4,25,000)
Profit/(Loss) after Taxation		(7,76,28,913)	(7,38,97,676)
Profit/(Loss) Brought Forward		(57,51,89,959)	(50,12,92,283)
Profit/(Loss) Carried Forward		(65,28,18,872)	(57,51,89,959)
Earnings Per Share (Face Value Rs. 10/- each)	19 (XV)	(19.41)	(18.47)

**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

Gurgaon, 1st May, 2007

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, 2007

	31st March, 2007 (Rs.)	As at 31st March, 2007 (Rs.)	31st March, 2006 (Rs.)	As at 31st March, 2006 (Rs.)
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>				
NET PROFIT/(LOSS) BEFORE TAX		(7,72,28,913)		(4,02,41,983)
<b>Add :</b>				
Depreciation	2,70,04,124		2,59,35,425	
Lease Rentals				
Interest Expense	67,268		17,795	
Amortisation of 11KV exp.	10,53,347		10,53,347	
Loss on Sale of Fixed Assets/Written off	36,50,994		29,62,189	
Bad Debts / Advances w/o	88,64,689		—	
Stock Written off	—		—	
Provision for Doubtful Debt	—		37,247	
Provision for diminution in value of Long-Term Investments	—		—	
Wealth Tax Provision	—		45,000	
<b>Less:</b>				
Profit on Sale of Fixed Assets	—		—	
Interest Income	(3,45,469)		(2,21,038)	
Prior year adjustments Expenses /(Income)	—		20,700	
Liability no longer required written back	(50,11,234)	3,52,83,719	(36,672)	2,98,13,993
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES		(4,19,45,194)		(1,04,27,990)
ADJUSTMENTS FOR CHANGES IN WORKING CAPITAL :				
– (Increase) / Decrease in Trade and Other Receivables	2,64,752		(23,79,781)	
– (Increase) / Decrease in Inventories	(63,689)		(88,300)	
– Increase / (Decrease) in Trade Payables	8,97,86,141	8,99,87,204	(1,35,15,974)	(1,59,84,055)
Taxes Paid / Received (Net of TDS)	—		(5,60,622)	
Prior Period (Expenses)/ Income (Net)			(20,700)	(5,81,322)
<b>Cash generated from operations</b>		4,80,42,010		(2,69,93,367)
<b>Net cash from operating activities (A)</b>		4,80,42,010		(2,69,93,367)
<b>CASH FLOW FROM INVESTING ACTIVITIES :</b>				
Purchase of Fixed Assets	(1,54,21,326)		(1,48,89,118)	
Proceeds from Sale of Fixed Assets	1,55,000		1,03,111	
Purchase of Long-Term Investment	—		—	
Interest Received	3,45,469	(1,49,20,857)	2,21,038	(1,45,64,969)
<b>Net cash used in investing activities (B)</b>		(1,49,20,857)		(1,45,64,969)
<b>CASH FLOW FROM FINANCIAL ACTIVITIES :</b>				
<b>Receipts :</b>				
Proceeds from Long-Term Borrowings		4,00,00,000		4,00,00,000
<b>Payments :</b>				
Net decrease in Cash Credit facilities	(28,59,153)		28,55,562	
Interest Paid	(67,268)	(29,26,421)	(17,795)	28,37,767
<b>Net Cash Flow used in financial activities (C)</b>		3,70,73,579		4,28,37,766
<b>Net Increase / (Decrease) in Cash and Cash Equivalents (D)=(A+B+C)</b>		7,01,94,732		12,79,430
<b>Cash and Cash Equivalents as at the beginning of the Year (E)</b>		98,42,822		85,63,392
<b>Cash and Cash Equivalents as at the end of the Year (E+D)</b>		8,00,37,554		98,42,822
<b>Cash and Cash Equivalents as at the end of the Year Comprise :</b>				
<b>Cash &amp; Bank Balances</b>		8,00,37,554		98,42,822

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, 2007 includes balance of Rs. 192 (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  
Gurgaon, 1st May, 2007

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, 2007 (Rs.)	As at 31st March, 2006 (Rs.)		As at 31st March, 2007 (Rs.)	As at 31st March, 2006 (Rs.)
<b>1. CAPITAL</b>			<b>3. SECURED LOANS</b>		
<b>Authorised</b>			From Banks		
1,00,00,000 Equity Shares of Rs. 10/- each	<u>10,00,00,000</u>	<u>10,00,00,000</u>	— Cash Credit	—	28,59,152
<b>Issued and Subscribed</b>			From Others (Holding Company – ITC Limited)		
40,00,000 Equity Shares of Rs. 10/- each, fully paid up	<u>4,00,00,000</u>	<u>4,00,00,000</u>	— Term Loan	<u>21,00,00,000</u>	<u>21,00,00,000</u>
All the above 40,00,000 Equity Shares (Previous Year – 40,00,000 Equity Shares are held by the Holding Company ITC Limited)	<u>4,00,00,000</u>	<u>4,00,00,000</u>		<u>21,00,00,000</u>	<u>21,28,59,152</u>
<b>2. RESERVES AND SURPLUS</b>			<b>4. UNSECURED LOANS</b>		
General Reserve	<u>6,11,62,181</u>	<u>6,11,62,181</u>	From Others (Holding Company – I TC Ltd.)		
	<u>6,11,62,181</u>	<u>6,11,62,181</u>	— Term Loan	<u>15,00,00,000</u>	<u>11,00,00,000</u>
				<u>15,00,00,000</u>	<u>11,00,00,000</u>

5. **FIXED ASSETS (At Cost)** [Refer Note XIII of Schedule 19 and Note II & III of Schedule 20]

(In Rupees)

(in Rupees)											
Particulars	GROSS BLOCK				DEPRECIATION				NET BLOCK		
	As at 1st April, 2006	Additions	Withdrawals /Adjustments	As at 31st March, 2007	As at 1st April, 2006	For the year**	Withdrawals /Adjustments	As at 31st March, 2007	As at 31st March, 2007	As at 31st March, 2006	
	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	
Land (Freehold)	21,98,35,400	4,21,924	1,55,000	22,01,02,324	—	—	—	—	22,01,02,324	21,98,35,400	
Building*	22,80,38,819	9,97,100	—	22,90,35,919	3,55,54,933	36,72,247	—	3,92,27,180	18,98,08,739	19,24,83,886	
Plant and Machinery	22,71,35,314	15,26,953	58,74,118	22,27,88,149	9,10,91,635	1,16,37,469	29,69,471	9,97,59,633	12,30,28,516	13,60,43,679	
Golf Course	22,57,78,037	—	—	22,57,78,037	9,06,79,715	1,06,67,751	—	10,13,47,466	12,44,30,571	13,50,98,322	
Office & Other Equipment	34,65,707	2,45,118	5,50,364	31,60,461	15,46,243	1,70,520	2,84,234	14,32,529	17,27,932	19,19,464	
Furniture and Fixtures	1,22,85,412	3,23,573	14,37,491	1,11,71,494	1,07,49,310	2,73,500	12,42,281	97,80,529	13,90,965	15,36,102	
Computers	66,43,485	3,31,396	39,83,182	29,91,699	57,65,894	1,54,441	39,68,299	19,52,036	10,39,663	8,77,591	
Vehicles	86,75,322	2,56,287	15,50,108	73,81,501	26,83,230	4,28,196	12,79,984	18,31,442	55,50,059	59,92,092	
Golf Carts	1,09,30,914	—	—	1,09,30,914	1,09,30,914	—	—	1,09,30,914	—	—	
TOTAL	94,27,88,410	41,02,351	1,35,50,263	93,33,40,498	24,90,01,874	2,70,04,124	97,44,269	26,62,61,729	66,70,78,769	69,37,86,536	
Capital Work-in-Progress	3,40,98,697	1,13,18,975	—	4,54,17,672	—	—	—	—	4,54,17,672	3,40,98,697	
GRAND TOTAL	97,68,87,107	1,54,21,326	1,35,50,263	97,87,58,170	24,90,01,874	2,70,04,124	97,44,269	26,62,61,729	71,24,96,441	72,78,85,233	
Previous Year	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		

\* 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. Nil [Previous year Rs. 9,52,318 (net)]

	As at 31st March, 2007 (Rs.)	As at 31st March, 2006 (Rs.)	As at 31st March, 2007 (Rs.)	As at 31st March, 2006 (Rs.)
<b>6. INVESTMENTS</b> (Refer Note VIII of Schedule 20) (Unquoted - Long-Term, Non-Trade)				
Gilt Facilities India Pvt. Ltd.	5,45,00,000	5,45,00,000		
545 Redeemable Preference Shares (0.5%) of Rs. 1,00,000/- each fully paid				
Less : Provision for Diminution in investments	5,44,99,900	100	5,44,99,900	100
Prime Golf Ranking Private Limited		150		150
150 Equity Shares of Re. 1/- each fully paid				
	<u>250</u>	<u>250</u>		
<b>7. INVENTORIES</b> (Refer Note IV of Schedule 20)				
Merchandising Stock	8,28,682	10,89,710		
Food and Beverage Stock	1,76,040	3,64,999		
Stores and Spares	95,27,149	90,13,473		
Stock of Parking Slot/ Servant Qtrs	13,19,908	13,19,908		
	1,18,51,779	1,17,88,090		
Less : Provision for Slow Moving Inventory	13,69,554	1,04,82,225	13,69,554	1,04,18,536
	<u>1,04,82,225</u>	<u>1,04,18,536</u>		
<b>8. SUNDRY DEBTORS</b> (Unsecured)				
Debts Outstanding for a period exceeding six months				
Considered Good	25,09,579	22,29,900		
Considered Doubtful	5,02,688	5,02,688		
	30,12,267	27,32,588		
Less : Provision for doubtful debts	5,02,688	5,02,688		
Other Debts				
Considered Good	—	25,09,579	36,30,848	58,60,748
	<u>25,09,579</u>	<u>58,60,748</u>		
<b>9. CASH AND BANK BALANCES</b>				
Cash/Cheques in hand	1,85,820			7,29,335
With Scheduled Banks				
— in Current Accounts	9,96,239			12,89,188
— in Cash Credit Account*	7,70,88,359			—
— in Dividend Account (Including interest)	192			292
— in Deposit Accounts**	17,66,944			78,24,007
	<u>8,00,37,554</u>			<u>98,42,822</u>
*Cash Credit limit is secured by hypothecation of stocks, receivables and moveable and immoveable fixed assets excluding Land.				
**Includes Rs. 16,51,234 (Previous year Rs. 17,91,071) held as margin money issued by Scheduled Banks.				
<b>10. OTHER CURRENT ASSETS</b> (Unsecured - considered good)				
Interest Accrued on Fixed Deposits	2,49,194			1,30,143
	<u>2,49,194</u>			<u>1,30,143</u>
<b>11. LOANS AND ADVANCES</b> (Unsecured, considered good)				
Advances recoverable in cash or in kind or for value to be received				
Considered good	50,14,588			1,09,46,763
Security Deposits				
Considered good	13,76,028			14,37,628
Advance Tax (Net of Provision)	5,77,488			4,81,035
	<u>69,68,104</u>			<u>1,28,65,426</u>

SCHEDULES TO THE ACCOUNTS (Contd.)

	As at 31st March, 2007 (Rs.)	As at 31st March, 2006 (Rs.)	For the year ended 31st March, 2007 (Rs.)	For the year ended 31st March, 2006 (Rs.)
<b>12. CURRENT LIABILITIES</b>				
Sundry Creditors				
— Total outstanding dues to small scale industrial undertakings*	10,848	10,848		
— Total outstanding dues of creditors other than small scale industrial undertakings	6,53,60,719	5,56,71,005		
Other Liabilities	10,21,601	8,51,282		
Investor Education and Protection Fund shall be credited by the following amount :				
— Unpaid Dividend	157	157		
Payments received against Golf Membership	2,73,88,201	3,11,42,791		
Security Deposit against Golf Membership (Refer Note IV of Schedule 19)	31,04,67,422	31,06,05,660		
	33,78,55,623	34,17,48,451		
Less :				
Membership Subscription Receivable**	1,03,82,397	94,56,375		
Less : Provision for Doubtful Debts	—	—		
	1,03,82,397	94,56,375		
Payments received under agreement to sell (Refer Note IV of Schedule 19)	61,50,00,000	53,50,00,000		
	1,00,88,66,551	92,38,25,368		
*(Amount due to Small Scale Undertaking Outstanding for more than 30 days : Sana Enterprises)				
** Includes outstanding from Directors Rs. Nil (Previous year – Rs. 2,975/-)				
<b>13. PROVISIONS</b>				
(Refer Note XVIII of Schedule - 19 & Note V of Schedule - 20)				
Provision for Retirement Benefits				
— Leave Encashment	3,50,477	1,39,656		
— Gratuity	4,49,746	8,00,223		
	8,00,223	6,66,499		
		6,66,499		
	For the year ended 31st March, 2007 (Rs.)	For the year ended 31st March, 2006 (Rs.)		
<b>14. INCOME FROM OPERATIONS</b>				
(Refer Note - IX of Schedule - 19)				
Membership Fee	1,29,09,146	2,53,81,130		
Food and Beverage	20,59,502	86,54,041		
Proshop Income	4,94,862	21,28,993		
Caddie Rental	13,19,875	38,72,975		
Cart Rental	14,56,936	34,46,168		
Green Fee	29,79,636	1,03,24,059		
Health Club and Other Facilities	2,49,399	7,05,266		
Tent Income	—	10,53,656		
Sponsorship Income	1,68,688	11,18,812		
	2,16,38,044	5,66,85,100		
<b>15. OTHER INCOME</b>				
Interest received				
— On Fixed Deposits*	2,07,540	2,21,038		
— Others	1,37,929	2,72,700		
Foreign Exchange Fluctuation	—	1,140		
Holding Charges	—	—		
Transfer Charges	—	—		
Miscellaneous Receipts	1,35,959	7,03,524		
Profit on Sale of Fixed Assets	—	—		
Liabilities Written Back	50,11,234	36,672		
Provision no longer required written back	—	—		
	54,92,662	12,35,074		
* [Tax deducted at source Rs. 23,309/- (Previous year - Rs. 42,166/-)]				
<b>16. RAW MATERIAL, MERCHANDISING, ETC. CONSUMED AND EXPENDITURE INCURRED ON CONSTRUCTION</b>				
1) Raw Material (F & B)				
Opening Stock	3,64,999	2,43,985		
Add : Purchases	17,64,503	45,33,991		
	21,29,502	47,77,976		
Less : Closing Stock	1,76,040	3,64,999		
	19,53,462	44,12,977		
2) Merchandising				
Opening Stock	10,89,710	13,49,378		
Add : Purchases	24,726	8,62,908		
	11,14,436	22,12,286		
Less : Closing Stock	8,28,682	10,89,710		
	2,85,754	11,22,576		
3) Laburnum Project Expenses				
Opening Balance				
Stock of Parking Slots & Servant Qtrs	13,19,908	13,19,908		
Add : Expenses during the year :	—	—		
	13,19,908	13,19,908		
Less : Unsold stock of Parking Slots & Servant Quarter	13,19,908	13,19,908		
	22,39,216	55,35,553		
<b>17. INTEREST CHARGES</b>				
Interest Paid				
— To Banks				
— On Cash Credit Limits	455	17,795		
— To Others	66,813	—		
	67,268	17,795		
<b>18. OPERATING AND ADMINISTRATIVE EXPENSES</b>				
Salaries, Wages and Bonus	3,25,73,642	2,49,55,757		
Contribution to Provident and Other Funds	5,95,876	8,93,287		
Welfare Expenses	6,45,619	3,38,15,137		
Rent	8,33,500	7,38,950		
Rates & Taxes	9,38,677	8,85,353		
Travelling & Conveyance	6,59,665	5,91,104		
Vehicle Maintenance	18,67,701	17,54,413		
Communication Expenses	7,68,048	9,41,396		
Power & Fuel	53,94,248	79,02,168		
Consumption of Stores	24,33,112	11,71,645		
Insurance	11,05,831	9,99,831		
Repair and Maintenance				
— Building	14,899	10,50,573		
— Plant and Machinery	14,93,285	38,02,651		
— Others	9,20,057	32,54,219		
	24,28,241	81,07,443		
Course Maintenance	31,03,281	45,82,271		
Business Promotion	12,917	93,068		
Printing & Stationery	2,29,363	7,07,755		
Auditors' Remuneration				
— Audit Fee	4,00,000	4,00,000		
— Tax Audit Fee	35,000	35,000		
— Certification Fees	—	—		
— Out of Pocket Expenses	95,778	90,689		
	5,30,778	5,25,689		
Legal & Professional Charges	36,02,132	22,70,390		
Hire Charges	26,66,763	24,49,869		
Amortisation of Miscellaneous Expenses (Refer Note XIV of Schedule 19)	10,53,347	10,53,347		
Club Promotion Expenses	40,423	36,170		
Provision for Doubtful Debts & Advances	—	37,247		
Sundry Balances written off	88,64,689	—		
Loss on Assets sold & written off	36,50,994	29,62,189		
Miscellaneous Expenses	10,50,164	13,39,041		
	7,50,49,011	6,66,52,684		



SCHEDULES TO THE ACCOUNTS (Contd.)

19. NOTES TO THE ACCOUNTS

- I. Estimated amount of contracts remaining to be executed on capital account and not provided for Rs. 6,76,82,768 (Previous year – Rs. 5,21,430).
- II. Claims against the Company not acknowledged as debts :
  - i) 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. The Company has preferred an appeal to the Supreme Court on the Hon'ble High Courts Order upholding the demand of the Haryana Government on the conversion charges.
  - ii) Legal suits against the Company for recovery of dues/compensation Rs. 4,59,730 (Previous year – Rs. 5,69,821).
- III. Bank Guarantees given to Government Authorities, Rs. 16,64,970 (Previous year – Rs. 18,22,033).
- IV. Current Liabilities include the following :
  - i) 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.
  - ii) Rs. 8,00,00,000 (Previous year – Rs. Nil) was received during the year from ITC Ltd, as an unsecured advance for the purchase of additional land for the purpose of development of Hotel Resort Project.
  - iii) Rs. 31,04,67,422 (Previous year – Rs. 31,06,05,660) 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
Capital Equipment	—	6,28,625
Total	—	26,55,135

2) Value of imported and indigenous Raw Materials 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	19,53,462	100	44,12,977	100
Total	19,53,462	100	44,12,977	100
b) Stores & Spares				
Imported	—	—	45,31,001	37
Indigenous	66,07,992	100	76,01,967	63
Total	66,07,992	100	1,21,32,968	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	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
b) Purchases				
Golf Equipment	0	—	0	0
Golf Apparel etc.	513	24,726	7,164	8,62,908
Total	513	24,726	7,164	8,62,908
c) Turnover (at selling price)				
Golf Equipment	0	—	0	0
Golf Apparel etc.	130	2,97,412	14,815	13,83,082
Total	130	2,97,412	14,815	13,83,082
d) Closing Stock				
Golf Equipment	5	43,518	5	43,518
Golf Apparel etc.	29,992	7,85,164	29,609	10,46,192
Total	29,997	8,28,682	29,614	10,89,710

VII. Earnings in Foreign Currency, on cash basis — Rs. 41,011 (Previous year Rs. 5,83,935) and expenditure in foreign currency on cash basis was Travelling : Rs. 2,36,990 (Previous year Nil) and Consultant Fee : Rs. 71,13,210 (Previous year Nil).

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 Management of the Company declared total lockout at the Classic Golf Resort due to violence in October 2006 by the workmen which resulted in injury to two officials and some damage to the property. As a result the facilities at the Classic Golf Resort were closed to the members since October 2006 and accordingly the members' subscription fees were waived off for the period of the lockout during the year. The Company is taking all the steps including intervention of the Government Authorities and the Hon'ble High Court of Punjab & Haryana to resolve all issues and expects to re-open the golf course and other facilities at the Classic Golf Resort at the earliest. The Company does not expect any significant additional cost for reopening the facilities and hence has not considered the same in the accounts.

X. The Company despite having a lockout for a significant part of the year, as stated above, has been assured by its parent, ITC Ltd., of continued support to the Company's projects. Hence, notwithstanding continuing losses and lockout, these accounts have been prepared on going concern basis.

XI. The amount outstanding for more than 30 days as on 31st March, 2007 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.

XII. In view of significant carry forward income tax losses (business and depreciation) and there being no virtual certainty of profits in the near future, net deferred tax asset as at March 31, 2007 has not been recognised in the books of accounts.

XIII. The Capital work-in-progress amounting to Rs. 4,54,17,672 (Previous year – Rs. 3,40,98,697) relates to Resort project, which is awaiting for the approvals from the concerned authorities.

XIV. During the previous 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. 52,66,736 (Previous year – Rs. 63,20,083) 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 18 Operating and Administrative Expenses).

XV. Earnings per share

	Current Year	Previous Year
Earnings per share has been computed as under :		
(a) Profit/ (Loss) After Taxation (Rs.)	(7,76,28,913)	(7,38,97,676)
(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)	(19.41)	(18.47)

XVI. Segmental Information

The Company carried on activities primarily under the Leisure & Hospitality segment and operates within one geographical segment, India.

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, ITC Infotech India 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

SCHEDULES TO THE ACCOUNTS (Contd.)

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	19,292	3,69,197	—	93,843	22,399	74,251
3.	Commission Income on Consignment Sales	20,479	48,421	—	—	—	—
4.	Purchase of Services	13,386	5,830	5,12,493	—	4,61,599	—
5.	Interest Paid	—	—	—	—	—	—
6.	Expenses Recovered	—	—	—	—	—	—
7.	Expenses Reimbursed	99,42,542	54,27,968	—	—	41,952	7,42,535
8.	Loans Taken	4,00,00,000	4,00,00,000	—	—	—	—
9.	Payment towards refund of Advances	—	—	—	—	—	—
10.	Payment towards Interest payable (Gross)	—	—	—	—	—	—
11.	Advances received	8,00,00,000	—	—	—	—	—
12.	Sale of Fixed Assets	—	—	—	—	—	—
13.	Balances Outstanding at the year end						
i)	Debtors/Receivables	45,304	40,712	—	—	—	29,750
ii)	Creditors/Payables	1,00,45,125	3,21,46,248	5,12,493	—	16,061	—
iii)	Advances Received	64,65,00,000	53,50,00,000	—	—	—	—
iv)	Loans Taken	36,00,00,000	32,00,00,000	—	—	—	—

Summary of Transactions with the key Management Personnel during the year :

Sl. No.	Particulars	Current Year	Previous Year
1.	Sale of Services	3,130	11,768
2.	Balances Outstanding at the year end		
i)	Debtors /Receivables	—	2,975

XVIII. The Company has during the year complied with the Accounting Standard 15 (Revised 2005) on Employee benefits issued by the Institute of Chartered Accountants of India.

There has been no additional charge during the period on account of adoption of the above Accounting Standard.

The Company has accounted for the following long term defined benefits and contribution schemes as under :

A) Defined Benefit Schemes

a. Gratuity

The employees are entitled to gratuity that is computed as half-month's salary, for every completed year of service and is payable on retirement/termination. The Company makes provision of such gratuity liability in the books of accounts on the basis of actuarial valuation. The plan is unfunded.

b. Leave Encashment/ Compensated Absences

The employees are entitled for leave for each year/part thereof of service and subject to the limits specified, the unavailed portion of such leaves can be accumulated or encashed during/at the end of the service period. The plan is unfunded.

The reconciliation of opening and closing balances of the present value of the defined benefit obligations are as below :

	Year ended 31st March, 2007	
	Leave Encashment	/ Compensated
	Gratuity	Absences
Obligations at year beginning	4,32,506	1,39,260
Services Cost - Current	1,24,659	38,396
Interest Cost	22,066	3,032
Actuarial (gain) / loss	1,47,091	3,67,457
Benefit Paid	(2,76,576)	(1,97,668)
Obligations at year end	4,49,746	3,50,477
<b>Liability recognised in the Balance Sheet</b>	<b>4,49,746</b>	<b>3,50,477</b>
<b>Defined benefit obligations cost for the year</b>		
Service Cost - Current	1,24,659	38,396
Interest Cost	22,066	3,032
Expected return on plan assets	—	—
Actuarial (gain) / loss	1,47,091	3,67,457
<b>Net defined benefit obligations cost</b>	<b>2,93,816</b>	<b>4,08,885</b>

The principal assumptions used in determining post-employment benefit obligations are shown below :

	2007 (%)
Discount Rate	7.50 p.a.
Future salary increases	5.00 p.a.
The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors such as supply and demand factors in the employment market.	

B) State Plans

The Company deposits an amount determined at a fixed percentage of basic pay to the fund every month to the State administered provident fund for the benefit of the employees. Accordingly the Company during the year has contributed and charged to revenue Rs. 4,33,620.

XIX. 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. Work in 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 according to AS-15 (Revised) 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.
- Corporate membership fee is accounted for over the period of membership.
  - Entrance fees is accounted for in the year of receipt.
  - 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*

Gurgaon, 1st May, 2007

**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   
Current Liabilities and Provision

**Application of Funds**

Net Fixed Assets   
Investments   
Current Assets   
Misc. Expenditure   
Accumulated Losses

**IV. Performance of the 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 Three Principal Products/Services of the Company (as per monetary terms)**

Item Code No. (ITC Code)   
Product Description

On behalf of the Board

S. C. Sekhar *Managing Director*  
M. Riaz Ahmed *Director*  
V. K. Jain *Company Secretary*

Gurgaon, 1st May, 2007

## REPORT OF THE DIRECTORS FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2007

Your Directors hereby present the Annual Report and Audited Accounts of the Company for the financial year ended 31st March, 2007.

	Year ended 31.03.2007 (Rs. Lakhs)	Year ended 31.03.2006 (Rs. Lakhs)
Gross operating Profit / (Loss)	123.79	136.06
Less : Interest and finance charges	0.04	0.02
Profit / (Loss) before depreciation and taxation	123.75	136.04
Less : Depreciation and Impairment loss	3.25	61.72
Profit / (Loss) before Taxation	120.50	74.32
Less : Provision for Taxation	—	—
Profit / (Loss) after Taxation	120.50	74.32
Brought forward from previous year	(6324.34)	(6398.66)
Transfer from General Reserve	—	—
Balance carried to Balance Sheet	(6203.84)	(6324.34)

The gross operating profit in the year ended March 31, 2007 was Rs. 123.77 lakhs, compared to a profit of Rs. 136.06 lakhs in the previous year and after providing depreciation, the net profit for the year was Rs. 120.50 lakhs as against a net profit of Rs. 74.32 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 ten years your Company has concentrated only on recoveries and has collected a total of Rs. 9370.84 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), Rs. 4371.72 lakhs (Banks) and Rs. 185 lakhs (Repayment of Loan from Holding Company), an aggregate of Rs. 8460.34 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. 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;

- 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 P. Dhobale 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. With the permission of the Reserve Bank of India in 1998, the Company prepaid its Fixed Deposits and as at the beginning of the year, had 14 unclaimed deposits aggregating Rs. 1.99 lakhs which were placed in an escrow account with State Bank of India. During the year one deposit was repaid and the balance was remitted into the Investor Education & Protection Fund in accordance with the regulations. As at 31st March, 2007, the Company does not hold any Fixed Deposits.

### 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.

On behalf of the Board

Secunderabad, 17th April, 2007

P. Dhobale  
Director

P. K. Talwar  
Director

## AUDITORS' REPORT TO THE MEMBERS OF BFIL FINANCE LIMITED

- We have audited the attached Balance Sheet of BFIL Finance Limited as at March 31, 2007 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.

- As required by the Companies (Auditor's Report) Order, 2003, as amended by 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 give 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;

- (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, 2007 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on March 31, 2007 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, 2007;
- (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

Hyderabad, April 17, 2007

Membership No. 18863

## 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, 2007]**

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. Considering the limited number of transactions and the size of the company, the internal audit is being carried out once in two years.

Accordingly, the internal audit has been planned in the next financial year.

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 except 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	Demand for penalty u/s 271(1)(c) and interest thereon.	30,12,339/-	A.Y. 1998-99	Commissioner of Income Tax (Appeals), Mumbai

Sales tax, wealth tax, service tax, customs duty, excise duty, and cess are not applicable to the Company during the current year.

9. The Company's accumulated losses as at March 31, 2007 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, 2007 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

Hyderabad, April 17, 2007

Membership No. 18863



## BALANCE SHEET AS AT 31ST MARCH, 2007

	Schedule	31st March, 2007 (Rs. lakhs)	As at 31st March, 2007 (Rs. lakhs)	As at 31st March, 2006 (Rs. lakhs)
<b>I. SOURCES OF FUNDS</b>				
1. Shareholders' Funds				
Capital	1		2000.00	2000.00
2. Loan Funds				
Unsecured Loans	2		5039.11	5224.11
			<u>7039.11</u>	<u>7224.11</u>
<b>II. APPLICATION OF FUNDS</b>				
1. Fixed Assets	3			
(a) Gross Block		2977.53	2977.53	
(b) Depreciation and Impairment		(1633.94)	(1630.69)	
(c) Lease Terminal Adjustment		(416.11)	(416.11)	
(d) Net Block		927.48	930.73	
(e) Capital Work-in-Progress		281.73	281.73	
(f) Provision for Doubtful Assets		(871.04)	(871.04)	
			338.17	341.42
2. Investments	4		430.24	430.24
3. Current Assets, Loans and Advances				
(a) Stock-on-hire		670.17	940.15	
Less : Provision for Doubtful Assets		510.36	733.14	
		159.81	207.01	
Less : Unmatured finance charges		159.81	207.01	
(b) Stock-in-trade	5	0.01	0.01	
(c) Sundry Debtors	6	—	—	
(d) Cash and Bank Balances	7	51.65	134.46	
(e) Loans and Advances	8	20.43	0.75	
		72.09	135.22	
Less : Current Liabilities and Provisions				
Current Liabilities	9	5.23	7.11	
Net Current Assets			66.86	128.11
4. Profit and Loss Account – Debit Balance			6203.84	6324.34
			<u>7039.11</u>	<u>7224.11</u>

## Notes on Accounts

13

Schedules 1 to 9, 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 &amp; Lewes

Chartered Accountants

S. Gopalakrishnan, Partner

Secunderabad, 17th April, 2007

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, 2007

	Schedule	For the year ended 31st March, 2007 (Rs. lakhs)	For the year ended 31st March, 2006 (Rs. lakhs)
<b>INCOME</b>			
Other Income	10	142.47	169.23
		<u>142.47</u>	<u>169.23</u>
<b>EXPENDITURE</b>			
Personnel, Operating and Administration Expenses	11	18.68	33.17
Interest and Finance Charges	12	0.04	0.02
Depreciation and Impairment loss		3.25	61.72
		21.97	94.91
<b>PROFIT/(LOSS) BEFORE TAXATION</b>		120.50	74.32
Provision for Taxation		—	—
<b>PROFIT/(LOSS) AFTER TAXATION</b>		120.50	74.32
Surplus / (Deficit) Brought forward from previous year		(6324.34)	(6398.66)
<b>Surplus / (Deficit) Carried forward to Balance Sheet</b>		<u>(6203.84)</u>	<u>(6324.34)</u>

## Notes on Accounts

13

## Basic and Diluted Earnings Per Share (Rs.)

0.60

0.37

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 &amp; Lewes

Chartered Accountants

S. Gopalakrishnan, Partner

Secunderabad, 17th April, 2007

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, 2007 (Rs. lakhs)	As at 31st March, 2006 (Rs. lakhs)
<b>1. CAPITAL</b>			
<b>AUTHORISED</b>			
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		<u>1000.00</u>	<u>4000.00</u>
		<u>4000.00</u>	<u>1000.00</u>
<b>ISSUED AND SUBSCRIBED</b>			
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)		<u>2000.00</u>	<u>2000.00</u>
		<u>2000.00</u>	<u>2000.00</u>
<b>2. UNSECURED LOANS</b>			
Fixed Deposits unclaimed	—		1.99
Less : Amount in Escrow Account	<u>—</u>	<u>—</u>	<u>1.99</u>
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		<u>3539.11</u>	<u>3724.11</u>
		<u>5039.11</u>	<u>5224.11</u>

### 3. FIXED ASSETS

	Gross Block (at cost)			Depreciation***				Lease Terminal Adjustment		Net Block	
	As at 31st March, 2006	Additions during the year	Deductions during the year	As at 31st March, 2006	For the year	On withdrawals and adjustments	As at 31st March, 2007	As at 31st March, 2006	As at 31st March, 2007	As at 31st March, 2007	As at 31st March, 2006
Buildings	1,08.59		1,08.59	65.41	2.16		67.57			41.02	43.18
Office Equipment	30.02		30.02	27.02	0.41		27.43			2.59	3.00
Furniture and Fixtures	1,48.05		1,48.05	1,48.05			1,48.05			—	—
Leasehold Improvement*	66.10		66.10	52.60	0.68		53.28			12.82	13.50
<b>LEASED ASSETS</b>											
Plant and Machinery	26,24.77		26,24.77	13,37.61			13,37.61	4,16.11	4,16.11	8,71.05	8,71.05
<b>Total</b>	<b>29,77.53</b>		<b>29,77.53</b>	<b>16,30.69</b>	<b>3.25</b>		<b>16,33.94</b>	<b>4,16.11</b>	<b>4,16.11</b>	<b>9,27.48</b>	<b>9,30.73</b>
Previous Year	34,39.59		4,62.06	29,77.53	18,07.84	61.72	2,38.87	16,30.69	4,93.21	4,16.11	9,30.73
Capital Work-in-Progress**										2,81.73	2,81.73

Capital Work-in-Progress\*\*

## Notes

\* 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 (2006 : 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		As at	
	2006-07	2005-06	31.03.2007	31.03.2006
Buildings	—	—	32.01	32.01
Furniture and Fixtures	—	48.87	48.87	48.87
	—	48.87	80.88	80.88

	As at 31st March, 2007 (Rs. lakhs)	(Rs. lakhs)	As at 31st March, 2006 (Rs. lakhs)	(Rs. lakhs)
<b>4. INVESTMENTS</b>				
<b>Unquoted (At Cost)</b>				
<b>Long Term :</b>				
<b>Government/Trust Securities (other than trade)</b>				
National Savings Certificate fully paid (deposited with Government Authorities)	<b>0.05</b>		0.05	
Kisan Vikas Patra fully paid (deposited with Government Authorities)	<b>0.05</b>		<b>0.05</b>	
	<b>0.10</b>		<b>0.10</b>	
Less : Provision for doubtful investments	<b>0.10</b>		0.10	
		—		—
<b>Trade Investments :</b>				
<b>Subsidiary Company</b>				
MRR Trading & Investment Company Limited 50,000 Equity Shares of Rs. 10/- each fully paid	<b>506.46</b>		506.46	
Less : Diminution in value of investments	<b>(76.22)</b>	<b>430.24</b>	<b>(76.22)</b>	<b>430.24</b>
		<b>430.24</b>		<b>430.24</b>
<b>5. STOCK-IN-TRADE</b>				
(Valued at Cost or Market Value whichever is lower)				
Stock of Shares & Securities Quoted - Fully paid				
3 Equity Shares of Rs. 10/- each of Ultra Tech CemCo Limited.		<b>0.01</b>		0.01
Unquoted - Fully paid 5,40,000 Optionally Fully Convertible Debentures of G Tech Ltd.	<b>594.00</b>		594.00	
Less : Provision for erosion in value	<b>594.00</b>	<b>—</b>	594.00	<b>—</b>
		<b>0.01</b>		<b>0.01</b>
<b>6. SUNDRY DEBTORS</b>				
(Unsecured, considered doubtful) Over six months :				
Lease and hire purchase debtors		<b>556.98</b>		580.63
Trade debtors		<b>1055.56</b>		1142.25
		<b>1612.54</b>		1722.88
Less: Provision for doubtful debts		<b>1612.54</b>		1722.88
		<b>—</b>		<b>—</b>

	As at 31st March, 2007 (Rs. lakhs)	As at 31st March, 2006 (Rs. lakhs)
<b>7. CASH AND BANK BALANCES</b>		
Cash on hand	—	—
With Scheduled Banks		
on current accounts	51.65	134.36
on short term deposit	—	0.10
	<u>51.65</u>	<u>134.46</u>
<b>8. LOANS AND ADVANCES</b> (Unsecured, considered good)		
Dues from the Holding Company maximum amount due at any time during the year Rs. 5.19 lakhs (2006 - Rs. 8.48 lakhs)	5.19	0.75
Deposits with Government bodies	15.00	—
Other advances	0.24	—
	<u>20.43</u>	<u>0.75</u>
<b>9. CURRENT LIABILITIES</b>		
Sundry Creditors	—	—
Due to Small Scale Industries	—	—
Others	—	1.48
	—	1.48
Other Liabilities	5.23	5.63
	<u>5.23</u>	<u>7.11</u>
	<b>For the year ended 31st March, 2007 (Rs. lakhs)</b>	<b>For the year ended 31st March, 2006 (Rs. lakhs)</b>
<b>10. OTHER INCOME</b>		
Provision no longer required written back	120.84	138.62
Other Income	21.63	30.61
	<u>142.47</u>	<u>169.23</u>
<b>11. PERSONNEL, OPERATING AND ADMINISTRATION EXPENSES</b>		
Provision for doubtful investments/deposits	—	0.20
Professional Charges	5.14	17.57
Legal Expenses	10.72	10.08
Remuneration to Auditors :		
Audit Fee	0.86	0.86
Other services	0.26	1.12
	<u>1.12</u>	<u>0.28</u>
Miscellaneous [includes Rs. 1.30 lakhs (2006 - Rs. 1.41 lakhs) paid towards reimbursement of expenses incurred by the Subsidiary Company]	1.70	4.18
	<u>18.68</u>	<u>33.17</u>
<b>12. INTEREST AND FINANCE CHARGES</b>		
Bank / Other financial charges	0.04	0.02
	<u>0.04</u>	<u>0.02</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. No provision has been made for Income Tax during the current financial year as there would be no Income Tax liability.
- 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) Rs. 34.63 lakhs (2006 – Rs. 34.63 lakhs) and with respect to Income Tax matters Rs. 45.12 lakhs (2006 – Rs. Nil).
- 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.

	2006-2007	2005-2006
Profit / (loss) after taxation (Rs. lakhs)	120.50	74.32
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)	0.60	0.37

- 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 &amp; 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 at the year end :-**

Particulars	2006-07 (Rs. Lakhs)	2005-06 (Rs. Lakhs)
<b>Holding Company</b>		
Contribution towards office improvement	21.60	21.60
Repayment of unsecured loan	185.00	—
<b>Balance as at the year end</b>		
Receivables	5.19	0.75
0 % Non-Convertible Debentures	1500.00	1500.00
Loans from Holding Company	3539.11	3724.11
<b>Subsidiary Company</b>		
Re-imbursement of expenses	1.30	1.41
<b>Balance as at the year end</b>		
Payables	0.11	0.33

- 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 at 01.04.2006		Purchases During The Year		Sales During The Year		Closing Stock as at 31.03.2007		Closing Stock as at 31.03.2006	
	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)
<b>Quantitative Information</b>										
Equity Shares of Rs. 10/- each of Ultra Tech CemCo. Limited.	3	0.01	—	—	—	—	3	0.01	3	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)
<b>Total</b>		0.01						0.01		0.01

## 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 &amp; 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 : (Rs. lakhs)

(i) for the Subsidiary's financial year ended 31st March, 2007

Nil

(ii) for the previous financial years

(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, 2007

Nil

(ii) for the previous financial years

Nil

(Rs. lakhs)

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 31/03/07  
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

Secunderabad, 17th April, 2007

V. Radhakrishnan Company Secretary

Audit Committee : Mr. P. Dhobale, Chairman, M/s. P. K. Talwar, J. Singh Members.

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2007

	For the year ended 31st March, 2007 (Rs. In Lakhs)		For the year ended 31st March, 2006 (Rs. In Lakhs)	
<b>A. CASH FLOW FROM OPERATING ACTIVITIES :</b>				
NET PROFIT BEFORE TAX		120.49		74.32
ADJUSTMENTS FOR :				
Depreciation	3.26		61.72	
Provision for doubtful investments / deposits	—		0.20	
Provision no longer required written back	(120.84)	(117.58)	(138.62)	(76.70)
<b>OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES</b>		<b>2.91</b>		<b>(2.38)</b>
ADJUSTMENTS FOR :				
Sundry Debtors - (increase) / decrease	120.84		118.99	
Trade and Other Receivables - (increase) / decrease	(19.68)		1.42	
Trade Payables - increase / (decrease)	(1.88)	99.28	(1.27)	119.14
<b>CASH GENERATED FROM OPERATIONS</b>		<b>102.19</b>		<b>116.76</b>
Income Tax Paid		—		—
<b>NET CASH FROM OPERATING ACTIVITIES</b>		<b>102.19</b>		<b>116.76</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES :</b>				
<b>C. CASH FLOW FROM FINANCIAL ACTIVITIES :</b>				
Repayments of Long Term Borrowings-Holding Company		(185.00)		—
<b>NET CASH USED IN FINANCING ACTIVITIES</b>		<b>(185.00)</b>		<b>—</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(82.81)</b>		<b>116.76</b>
<b>OPENING CASH AND CASH EQUIVALENTS</b>		<b>134.46</b>		<b>17.70</b>
<b>CLOSING CASH AND CASH EQUIVALENTS</b>		<b>51.65</b>		<b>134.46</b>

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, 2007

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, 2007

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

(Rs. In Lakhs)			(Rs. In Lakhs)	
Particulars	Amount Outstanding	Amount Overdue	Amount Outstanding	Amount Overdue
<b>Liabilities side :</b>				
<b>1. Loans and advances availed by the NBFCs inclusive of interest accrued thereon but not paid :</b>				
(a) Debentures : Secured	Nil	Nil		
: Unsecured (from Holding Company) (other than falling within the meaning of public deposits)	1500.00	Nil		
(b) Deferred Credits	Nil	Nil		
(c) Term Loans	Nil	Nil		
(d) Inter-corporate loans and borrowing (from Holding Company)	3539.11	Nil		
(e) Commercial Paper	Nil	Nil		
(f) Public Deposits*	Nil	Nil		
(g) Other Loans (Bank Borrowings) (including interest accrued and due)	Nil	Nil		
<b>2. Break-up of (1) (f) above (Outstanding Public Deposits inclusive of interest accrued thereon but not paid) :</b>				
(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	
			* An amount of Rs. 1.99 lakhs for 14 deposits were unclaimed and an equivalent amount had been maintained with an escrow account with State Bank of India, Mumbai, at the beginning of the year. During the year, 1 deposit was refunded and the balance were remitted to the Investor Education and Protection Fund in accordance with the regulations.	
			<b>Assets side :</b>	(Rs. in Lakhs)
				Amount Outstanding
			<b>3. Break-up of Loans and Advances including bills receivable [other than those included in (4) below]</b>	
			(a) Secured	
			(b) Unsecured	912.15
			Less : Provision for doubtful debts	(912.15)
			<b>4. Break-up of Leased Assets and stock on hire and hypothecation loans counting towards EL/HP activities</b>	
			(i) Lease assets including lease rentals under sundry debtors	
			(a) Financial lease	1331.58
			Less : Advance received and provision for doubtful debts/assets	(1331.58)



	(Rs. In Lakhs)		(Rs. In Lakhs)
	Amount Outstanding		
(ii) Stock on hire including hire charges under sundry debtors :		<b>6. Borrower group-wise classification of all leased assets, stock-on-hire and loans and advances:</b>	
(a) Assets on hire	766.60	Category	Amount net of Provisions
Less : Provision for doubtful debts/assets	(606.79)	Secured	Unsecured
Less : Unmatured Finance Charges	(159.81)	Total	
(iii) Hypothecation loans counting towards EL/HP activities		1. Related parties **	
(a) Loans where assets have been repossessed		(a) Subsidiaries	Nil
(b) Loans other than (a) above		(b) Companies in the same group	Nil
		(c) Other related parties	5.19
		2. Other than related parties	Nil
		TOTAL	5.19
<b>5. Break-up of Investments :</b>			
Current Investments:		<b>7. Investor group-wise classification of all investments (current and long term) in shares and securities (both quoted and unquoted) :</b>	
1. <b>Quoted :</b>		Category	Market Value/Break-up or Fair Value or NAV
(i) Shares: (a) Equity			Book Value (Net of provisions)
(b) Preference		1. Related parties **	
(ii) Debentures and Bonds		(a) Subsidiaries	430.24
(iii) Units of Mutual Funds		(b) Companies in the same group	
(iv) Government Securities		(c) Other related parties	
(v) Others		2. Other than related parties	
2. <b>Unquoted :</b>		TOTAL	430.24
(i) Shares: (a) Equity		** As per Accounting Standard of ICAI	
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			
Long Term Investments:		<b>8. Other information</b>	
1. <b>Quoted :</b>		Particulars	
(i) Shares : (a) Equity		(i) Gross Non-Performing Assets	
(b) Preference		(a) Related parties	
(ii) Debentures and Bonds (OFCD)		(b) Other than related parties	4907.48
(iii) Units of Mutual Funds		(ii) Net Non-Performing Assets	
(iv) Government Securities		(a) Related parties	Nil
(v) Others		(b) Other than related parties	Nil
2. <b>Unquoted :</b>		(iii) Fixed assets acquired in satisfaction of debt	390.32
(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, 2007**

The Directors hereby submit their report for the financial year ended 31st March, 2007.

**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 M. Yelamanda, Director retires at the forthcoming Annual General Meeting and being eligible, offers himself for re-appointment.

**Directors' Responsibility Statement**

Your Directors have:

- i) Followed, in the preparation of the annual accounts, the applicable accounting standards with proper explanation relating to material departures;
- ii) 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 resulted in no profit / no loss 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;
- iv) Prepared the annual accounts on a going concern basis.

On behalf of the Board

Secunderabad  
17th April, 2007

T. R. Shankar *Director*  
M. Yelamanda *Director*

**AUDITORS' REPORT TO THE MEMBERS OF MRR TRADING & INVESTMENT COMPANY LIMITED**

1. We have audited the attached Balance Sheet of MRR Trading & Investment Company Limited as at March 31, 2007 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 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 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.
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 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 have been prepared in compliance with the applicable 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, 2007 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on March 31, 2007 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 in Schedule 5 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 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, 2007;
  - (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

Hyderabad  
17th April, 2007

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, 2007.]

- i. 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.
- ii. 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.
- iii. The Company's accumulated loss as at March 31, 2007 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, 2007 or in the immediately preceding financial year.
- iv. 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.

- v. 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, 2007

S. Gopalakrishnan  
*Partner*  
Membership No. 18863

## BALANCE SHEET AS AT 31ST MARCH, 2007

	Schedule	As at 31st March, 2007 (Rs.)	As at 31st March, 2006 (Rs.)
<b>SOURCES OF FUNDS</b>			
1. Shareholders' Funds			
(a) Capital	1	5,00,000	5,00,000
TOTAL		<u>5,00,000</u>	<u>5,00,000</u>
<b>APPLICATION OF FUNDS</b>			
1. Current Assets, Loans and Advances			
a) Cash and Bank Balances	2	76,720	4,01,967
b) Loans and Advances	3	18,344	39,947
		<u>95,064</u>	<u>4,41,914</u>
Less: Current Liabilities and Provisions			
a) Current Liabilities - Sundry Creditors	4	11,224	3,58,074
Net Current Assets		<u>83,840</u>	<u>83,840</u>
2. Debit Balance in Profit & Loss Account		4,16,160	4,16,160
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, 2007

On behalf of the Board

T. R. Shankar      Director  
M. Yelamanda      Director

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2007

	Schedule	For the year ended 31st March, 2007 (Rs.)	(Rs.)	For the year ended 31st March, 2006 (Rs.)	(Rs.)
<b>INCOME</b>					
Income			—		—
TOTAL			—		—
<b>EXPENDITURE</b>					
Rent		1,09,596		1,09,596	
Water Charges		9,430		20,490	
Bank Charges		—		28	
Audit Fees and Expenses		11,224		11,020	
		<u>1,30,250</u>		<u>1,41,134</u>	
Less : Expenses reimbursed by the Holding Company		<u>1,30,250</u>	—	<u>1,41,134</u>	—
TOTAL			—		—
Profit / (Loss) Before Taxation			—		—
Provision for Taxation			—		—
Profit / (Loss) After Taxation			—		—
Balance Carried Forward from previous year		(4,16,160)		(4,16,160)	
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, 2007

On behalf of the Board

T. R. Shankar      Director  
M. Yelamanda      Director

## SCHEDULES TO THE FINANCIAL STATEMENTS

	As at March 31, 2007 (Rs.)	As at March 31, 2006 (Rs.)
<b>1. CAPITAL</b>		
AUTHORISED		
50,000 Equity Shares of Rs. 10/- each	5,00,000	5,00,000
ISSUED AND SUBSCRIBED AND PAID-UP		
50,000 Equity Shares of Rs. 10/- each fully paid-up (All the shares are held by the Holding Company, BFIL Finance Limited)	5,00,000	5,00,000
	5,00,000	5,00,000
<b>2. CASH AND BANK BALANCES</b>		
Balances with Scheduled Bank		
– on Current Account	76,720	4,01,967
	76,720	4,01,967
<b>3. LOANS AND ADVANCES</b>		
Deposits with Government, Public Bodies, etc.	7,120	7,120
Dues from the Holding Company	11,224	32,827
[Maximum amount due at any time during the year Rs. 69,612/- (2006 - Rs. 43,668/-)].	18,344	39,947
<b>4. CURRENT LIABILITIES - SUNDRY CREDITORS</b>		
Due to Small Scale Industries	—	—
Others	11,224	3,58,074
	11,224	3,58,074
<b>5. NOTES ON ACCOUNTS</b>		
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 and 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 at the year end.

Particulars	2006-07 (Rs.)	2005-06 (Rs.)
Holding Company		
Expenses Re-imbursed	1,30,250	1,41,134
Balance as at the year end		
Receivables	11,224	32,827

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	2006-07 (Rs.)	2005-06 (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 07  
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 500 Total Assets 500

## Sources of Funds

Paid-up Capital 500 Reserves &amp; Surplus —

Secured Loans — Unsecured Loans —

## Application of Funds

Net Fixed Assets — Investments —

Net Current Assets 84 Misc. Expenditure —

Accumulated Losses 416

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

Turnover 0.00 Total Expenditure 0.00

+ - Profit/Loss Before Tax 0.00 + - Profit/Loss After Tax 0.00

(Please tick the appropriate box + for Profit, - for Loss)

Earnings per Share in (Rs.) 0.00

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, 2007

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2007

	For the year ended 31st March, 2007 (Rs.)	For the year ended 31st March, 2006 (Rs.)
<b>Cash flow for Operating Activities:</b>		
Net Profit before Tax	—	—
Adjustment for:		
Depreciation etc.	—	—
Operating profit before working capital changes	—	—
Adjustment for:		
Trade and other receivables - (increase) / decrease	21,603	(21,807)
Trade payables - Increase / (decrease)	(3,46,850)	1,09,596
	<u>          </u>	<u>          </u>
Cash generated from Operations	(3,25,247)	87,789
Income Tax paid	—	—
<b>Net Cash from Operating Activities</b>	<b>(3,25,247)</b>	<b>87,789</b>
<b>Cash flow from Investing Activities:</b>	<b>—</b>	<b>—</b>
<b>Cash flow from Financing Activities:</b>	<b>—</b>	<b>—</b>
<b>Net increase in cash and cash equivalents</b>	<b>(3,25,247)</b>	<b>87,789</b>
Cash and cash equivalents at beginning of period	4,01,967	3,14,178
Cash and cash equivalents at end of period	76,720	4,01,967

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, 2007

On behalf of the Board

T. R. Shankar      Director  
M. Yelamanda      Director



## REPORT OF THE DIRECTORS FOR THE FINANCIAL YEAR ENDED 32ND ASADH 2063 (16TH JULY 2006)

Your Directors are pleased to submit their Report and Audited Accounts of your Company for the year ended 32nd Asadh 2063 (16th July 2006).

### SOCIO ECONOMIC ENVIRONMENT:

The operating environment during the year under review has been very difficult. The ongoing insurgency and socio-political turmoil reached its peak on 6th April 2006 when the country came to a complete standstill following a 21-day general strike.

The disturbances have led to depressed trading conditions, extortion threats to Company staff and its trading partners, thereby impacting employee morale & business.

Armed insurgents linked to the trade union abducted three employees of the Company, which was followed by a 15-day closure of the factory, in February, 2006. The employees were released unharmed after a period of 15 days. A total of 36 days' production at the Cigarette Factory and 21 days' production at the Garments factory was lost during the year due to these disturbances.

Ministry of Finance, Government of Nepal has indicated that GDP grew by 2.3%, whilst inflation rose to 8%. Revenue collections of the Government grew by 4.8% against a plan of 14.7%. The economy though has been sustained through very healthy inward remittances from Nepalese nationals working abroad and marginal growth in agriculture.

### COMPANY PERFORMANCE:

Overcoming various challenges posed by the aforesaid developments your Company has turned in an impressive performance for the year ended 32nd Asadh 2063.

Overall Company GTO at NRs. 547 Crores (as compared to NRs. 473 Crores last year) has grown by 16%, Profit Before Tax for the year at NRs. 72 Crores (as compared to NRs. 57 Crores last year) reflects a growth of 27%. Profit After Tax has increased from NRs. 38 Crores to NRs. 50 Crores – an increase of 32%. Return on net worth has increased to 24% as compared to 21% last year and earnings per share have grown to NRs. 149 per share as against NRs.113 per share last year.

### CONTRIBUTION TO THE EXCHEQUER:

Your Company is justifiably proud to retain its status as the single largest contributor to the Government Exchequer, with an outgo of NRs. 261 Crores towards Excise Duty, VAT, and other annual taxes representing nearly 3.6% of the total revenue collected by the Government.

### BUSINESS SEGMENTS:

#### CIGARETTE BUSINESS

##### Brand Portfolio

The strategy of creating, communicating and capturing value has been continued. The Company launched an upward extension of Surya – **Surya Classic** in an exclusive 97mm Shoulder Box format, thereby redefining the premium end of the market. Initially launched in Kathmandu in select retail outlets, hotels, restaurants and self service stores, the brand has been extended to upcountry towns and has received good response from the market.

Other key interventions included blend rationalisation of Shikhar Filter Kings, Shikhar Lights promotions, Khukuri pack modernisation and communication roll out, and Khukuri quality assurance campaign.

##### Distribution and Supply Chain Management

Despite the various constraints enumerated under Socio Economic Environment, your Company has increased penetration and has been successful in improving its rural coverage through various initiatives in managing the distribution chain. This has led to improvements in the Company's volume and value shares.

To mitigate the impact of various strikes, curfew and blockades and to ensure continuity in supply of finished goods, inventories were increased at the factory and marketing godowns.

Despite the disruptions referred to earlier, the Company ensured uninterrupted supplies of all brands.

##### Quality

The focus on cigarette quality systems and modules enhanced further the overall quality rating scores. Quality and efficiency in filter rod manufacturing in-house continues to set new benchmarks and your Company is now self sufficient to meet its requirements across all products.

##### Energy

The Company has taken many initiatives in energy savings. Some of the major initiatives include installation of Programmable Logic Controls, Variable Frequency Drives, Energy saving lighting circuits and Maximum Demand Controllers. These initiatives are expected to yield a substantial saving on the total energy bill.

##### Environment Health and Safety

The non-conventional effluent treatment plant is operational. The factory was certified with ISO 14001:2004 Environmental Management Systems by Det Norske Veritas.

Measures were taken to substantially improve the security & safety systems, taking into account the overall operating environment.

### Leaf Tobacco

Insurgency in the tobacco growing areas has led to disruptions in the crop development programme and consequently farmers have opted for alternate crops like hemp. Hence the total acreage of plantation as envisaged was not achieved.

Despite the constraints, the focus on improving the quality and chemistry of leaf tobacco cultivated locally continues. With assistance from ITC Ltd., your Company has now moved towards creating blending blocks by chemistry, in order to maintain consistency of the final product.

### GARMENT BUSINESS – EXPORT

Your Company's garments exports business has responded to the challenges of meeting commitments both in terms of volume as well as variety.

In-house capacities were optimised and manufacture of a wider range and variety was achieved during the year. Wills Classic and Wills Sport shirts, which are more complex in terms of design and garment engineering, were manufactured for the first time. Sustained training inputs to the workforce for manufacturing quality resulted in the achievement of desired benchmarks.

Initiatives were taken to reduce input costs by sourcing fabrics directly from China. Initiatives in the area of logistics to cut down time and transportation costs also contributed to cost competitiveness.

### GARMENT BUSINESS – DOMESTIC

John Players men's wear was made available in the domestic market for the first full year and your Company has established a dominant position achieving a share of 27% in target outlets of both branded and unbranded men's wear. During the year, the supply chain was IT enabled to track inventories from sourcing to sale.

Distribution was extended to all key towns and the brand is now available in 39 key outlets across the country. Resources are focused on point of sale through visual merchandising solutions to offer a superior shopping experience to the consumer. Winter wear was introduced during the year and was well received by the consumers.

### DIVIDEND

Your Directors have declared an Interim Dividend of NRs. 70 per Ordinary share for the year ended 32nd Asadh 2063 (16th July, 2006). The consequent outflow on this account, including Dividend Tax, amounts to NRs. 24.76 Crores. No Final Dividend has been proposed.

All previous dividends have been paid within the prescribed period and there are no unclaimed dividends lying with the Company.

### CONTRIBUTION TO SOCIETY:

Your Company's corporate social responsibility programme as reported in the last year's Directors' Report could not be progressed satisfactorily due to the extraordinary disturbance prevailing across the country. These initiatives are proposed to be recommenced.

The CSR initiatives were aligned during the year to create for society sustainable value and include **Surya Nepal Asha** for community empowerment, **Surya Nepal Kheparyatan** for promotion of sports and tourism, **Surya Nepal Prakriti** for preservation of environment and **Surya Nepal Suswasthya** for community health.

### EXCISE:

As reported last year, a demand letter for NRs. 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. The letter alleges that 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, theoretically more cigarettes than declared could have been manufactured and that excise duties on such excess would amount to NRs. 37.17 Crores.

In answer to the said demand, an administrative petition was filed with the Director General of Inland Revenue, in accordance with the revenue rules. However, the Director General without dealing with the issues raised by the Company, summarily dismissed the petition by an order-dated 17.1.06. The Company thereafter filed an appeal to the Revenue Tribunal, which refused to entertain the appeal in the absence of a pre-deposit of the entire sum of NRs.37.17 Crores. Immediately thereafter the Company filed a petition to the Tribunal praying that its appeal may be heard by accepting a bank guarantee for the said amount. This petition was dismissed by the Tribunal on 1.8.06. The Company is now taking steps to challenge the demand in the Supreme Court. 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:

Your Company has a formal Corporate Governance Policy, as explained last year. The Policy not only lays down the structure, roles and responsibilities of the key entities in the governance process but also mandates periodic reviews of the key areas of operations. In addition your Company has amongst others robust policies and procedures covering Financial & Accounting systems and Information Technology systems.

**EMPLOYEES:**

Human Resource Development continues to be a critical focus area. Industrial relations with employees have been satisfactory. The Directors of your Company place on record their sincere appreciation for the dedication and performance of the employees during the year.

**DIRECTORS:**

Mr. S. Puri who was on secondment to your Company was recalled by ITC Limited and he stepped down as the Managing Director of your Company with effect from 5th May, 2006. Your Directors would like to place on record their appreciation for the services rendered by Mr. Puri.

Mr. H. M. Dar was seconded from ITC Limited and was appointed the Managing Director of your Company with effect from 6th May, 2006.

There were no other changes in the composition of the Board of Directors during the year.

The details of shares held in the Company as on 32nd Asadh 2063 (16th July, 2006) by your Directors is annexed to this Report (**Annexure I**). The Directors have confirmed that none of them or their close relatives have any direct involvement or any personal interest in any transaction of sale or purchase or any kind of contract or arrangement connected with the business of the

Company and no amounts are due to the Company from them.

The Board meeting fees etc. paid to the Directors, Managing Director and other Officials are also annexed to this Report (**Annexure II**).

Management expenses for the year 2062 / 63 are also annexed to this Report (**Annexure III**).

**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.

**FUTURE OUTLOOK:**

The current political situation in Nepal is viewed with cautious optimism. Your Company continues to endeavour that its businesses grow profitably. In addition your Company continues to explore growth opportunities and looks forward to the future with hope and confidence.

On behalf of the Board  
A Singh Y.C. Deveshwar  
Director Chairman

26th Bhadra 2063 (11th September 2006)

**Annexure I**

Sl. No.	Name of Director	Number of Ordinary Shares of NRs. 100/- each held singly and / or jointly as on 32nd Asadh 2063 (16th July 2006)
1.	Y.C. Deveshwar	Nil
2.	A. Singh	Nil
3.	B B Chatterjee	Nil
4.	P Chatterjee	Nil
5.	D B Mathema	50,400
6.	S SJB Rana	60
7.	H M Dar	Nil
8.	S. Puri	Nil

**Annexure II**

THE AMOUNT OF REMUNERATION, ALLOWANCE AND FACILITIES PAID TO DIRECTOR, MANAGING DIRECTOR, CHIEF EXECUTIVE AND OFFICIALS

During the financial year 2062/63, the following amounts were paid to the Directors.

- Board Meeting Fee paid NRs. 47,941
- Incidental expenses paid NRs. 45,000

Payment to/ on behalf of Managing Director for the financial year 2062/63:

Salary – NRs. 5,574,484

Allowances – NRs. 3,586,848

In addition to the above, the Company also provided the following facilities to the Managing Director:

- Fully furnished accommodation with gas, electricity, water, security guard, gardener and furnishings.
- Airfares incurred for the Managing Director and his family for the purpose of Leave Travel & Reporting Trips.
- Entrance fees and annual subscription charges for two clubs.
- Personal accident insurance.
- Company car with driver and telephone at residence.

Payment to/ on behalf of officials for the financial year 2062/63:

Salary – NRs. 14,821,094

Allowances – NRs. 6,929,796

In addition to the above, some of the officials have been provided the following facilities as per their terms of appointment:

- Accommodation with gas, electricity, water, security guard, gardener and furnishings.
- Airfares incurred for the Managers and their families for the purpose of Leave Travel & Reporting Trips.
- Entrance fees and annual subscription charges for clubs as applicable.
- Personal accident insurance.
- Company car with driver and telephone at residence.

**Annexure III****MANAGEMENT EXPENSES**

The management expenses for the financial year 2062/63 comprising rent; electricity; fuel & water; repair & improvement; travel & conveyance; postage; telephone; telex; fax; audit fees; legal fees; printing & stationery; entertainment; board meeting fees; donations and charity; books & periodicals; membership fees; miscellaneous expenses etc. amounted to NRs. 255,006,992.

**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 32, 2063 (July 16, 2006), 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 Companies Ordinance, 2005 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 32, 2063 (July 16, 2006).
  - 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 32, 2063 (July 16, 2006).
- 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, carried out in accordance with the generally accepted auditing practices in Nepal, we have neither 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 nor any fraud relating to the accounts committed in the Company.

Nem Lal Amatya

Partner

N Amatya & Co.

Chartered Accountants

Partha Mitra

Partner

Lovelock & Lewes

Chartered Accountants

Date : 26th Bhadra 2063 (11th September 2006)

Place : Kolkata, India

## BALANCE SHEET AS AT 32ND ASADH 2063 (16TH JULY 2006)

	Schedule	Figures in NRs. As at 32nd Asadh 2063 (16th July 2006)	Figures in Rs. As at 32nd Asadh 2063 (16th July 2006)	Figures in NRs. As at 31st Asadh 2062 (15th July 2005)	Figures in Rs. As at 31st Asadh 2062 (15th July 2005)
<b>CAPITAL &amp; LIABILITIES</b>					
<b>SHARE CAPITAL AND RESERVES</b>					
(a) Share Capital	1	33,60,00,000	21,00,00,000	33,60,00,000	21,00,00,000
(b) Reserves & Surplus	2	1,76,93,88,601	1,10,58,67,876	1,47,31,08,836	92,06,93,023
<b>Total</b>		<b>2,10,53,88,601</b>	<b>1,31,58,67,876</b>	<b>1,80,91,08,836</b>	<b>1,13,06,93,023</b>
<b>ASSETS</b>					
(1) Fixed Assets	3				
(a) Gross Block		1,88,31,73,744	1,17,69,83,590	1,81,12,44,593	1,13,20,27,871
(b) Less : Accumulated Depreciation		90,22,52,871	56,39,08,044	78,99,79,141	49,37,36,963
(c) Net Block		98,09,20,873	61,30,75,546	1,02,12,65,452	63,82,90,908
(d) Capital Work-in-Progress and In-transit		15,25,894	9,53,684	83,63,373	52,27,108
(2) Investments	4	8,42,50,000	5,26,56,250	8,42,50,000	5,26,56,250
(3) Current Assets					
(a) Inventories	5	69,00,62,235	43,12,88,897	65,75,11,284	41,09,44,553
(b) Sundry Debtors	6	3,90,33,300	2,43,95,813	1,98,49,259	1,24,05,787
(c) Cash and Bank Balances	7	72,57,77,560	45,36,10,975	18,94,27,186	11,83,91,991
(d) Loans and Advances	8	30,32,04,620	18,95,02,887	32,10,36,843	20,06,48,027
<b>Total</b>		<b>1,75,80,77,715</b>	<b>1,09,87,98,572</b>	<b>1,18,78,24,572</b>	<b>74,23,90,358</b>
Less: Current Liabilities and Provisions					
(a) Liabilities	9	38,20,02,522	23,87,51,576	30,55,89,703	19,09,93,565
(b) Provisions	10	33,73,83,359	21,08,64,600	18,70,04,858	11,68,78,036
<b>Total</b>		<b>71,93,85,881</b>	<b>44,96,16,176</b>	<b>49,25,94,561</b>	<b>30,78,71,601</b>
Net Current Assets		1,03,86,91,834	64,91,82,396	69,52,30,011	43,45,18,757
<b>Total</b>		<b>2,10,53,88,601</b>	<b>1,31,58,67,876</b>	<b>1,80,91,08,836</b>	<b>1,13,06,93,023</b>

## 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.

A R Banerjee  
Vice President Finance

H M Dar  
Managing Director

S SJB Rana  
Director

A Singh  
Director

Y C Deveshwar  
Chairman

D B Mathema  
Director

P Chatterjee  
Director

B B Chatterjee  
Director

Nem Lal Amatya  
Partner  
N. Amatya & Co.  
Chartered Accountants

Partha Mitra  
Partner  
Lovelock & Lewes  
Chartered Accountants

Date : 26th Bhadra 2063 (11th September 2006)

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 32ND ASADH 2063 (16TH JULY 2006)

		Figures in NRs.	Figures in Rs.	Figures in NRs.	Figures in Rs.
	Schedule	For the year ended 32nd Asadh 2063 (16th July 2006)	For the year ended 32nd Asadh 2063 (16th July 2006)	For the year ended 31st Asadh 2062 (15th July 2005)	For the year ended 31st Asadh 2062 (15th July 2005)
Gross Revenue	11	5,47,27,02,236	3,42,04,38,898	4,72,68,64,743	2,95,42,90,464
Less: Excise Duty/Value Added Tax	12	2,39,04,63,470	1,49,40,39,669	2,16,35,33,879	1,35,22,08,674
Net Sales		<u>3,08,22,38,766</u>	<u>1,92,63,99,229</u>	<u>2,56,33,30,864</u>	<u>1,60,20,81,790</u>
Raw Materials Consumed etc.	13	1,42,69,79,820	89,18,62,388	1,20,95,16,827	75,59,48,017
Cost of Sales		<u>1,42,69,79,820</u>	<u>89,18,62,388</u>	<u>1,20,95,16,827</u>	<u>75,59,48,017</u>
Gross Profit		1,65,52,58,946	1,03,45,36,841	1,35,38,14,037	84,61,33,773
Other Income	14	2,98,14,001	1,86,33,751	2,18,33,989	1,36,46,244
Total		<u>1,68,50,72,947</u>	<u>1,05,31,70,592</u>	<u>1,37,56,48,026</u>	<u>85,97,80,017</u>
Manufacturing, Admin, Selling Expenses etc.	15	69,66,41,844	43,54,01,153	59,04,49,941	36,90,31,213
Provision For Employees' Housing		4,19,48,746	2,62,17,966	3,29,84,282	2,06,15,176
Provision For Employees' Bonus		7,24,56,925	4,52,85,578	5,69,72,852	3,56,08,033
Operating Profit		<u>87,40,25,432</u>	<u>54,62,65,895</u>	<u>69,52,40,951</u>	<u>43,45,25,595</u>
Interest		1,94,806	1,21,753	8,58,614	5,36,634
Depreciation		12,73,42,602	7,95,89,126	11,61,44,888	7,25,90,555
Loss on Fixed Assets sold / discarded (Net)		2,19,18,780	1,36,99,238	85,08,934	53,18,084
Profit before Income Tax		<u>72,45,69,244</u>	<u>45,28,55,778</u>	<u>56,97,28,515</u>	<u>35,60,80,322</u>
Provision for Income Tax		22,26,59,278	13,91,62,049	18,84,78,349	11,77,98,968
Profit after Income Tax		<u>50,19,09,966</u>	<u>31,36,93,729</u>	<u>38,12,50,166</u>	<u>23,82,81,354</u>
Available for Appropriation		<u>50,19,09,966</u>	<u>31,36,93,729</u>	<u>38,12,50,166</u>	<u>23,82,81,354</u>
Appropriation					
Interim Dividend {Refer 2(i) of Schedule 16}		24,75,78,947	15,47,36,842	12,37,89,474	7,73,68,421
Balance Carried Over to Balance Sheet		<u>25,43,31,019</u>	<u>15,89,56,887</u>	<u>25,74,60,692</u>	<u>16,09,12,933</u>
		<u>50,19,09,966</u>	<u>31,36,93,729</u>	<u>38,12,50,166</u>	<u>23,82,81,354</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.

A R Banerjee  
Vice President Finance

H M Dar  
Managing Director

S SJB Rana  
Director

A Singh  
Director

Y C Deveshwar  
Chairman

D B Mathema  
Director

P Chatterjee  
Director

B B Chatterjee  
Director

Nem Lal Amatya  
Partner  
N. Amatya & Co.  
Chartered Accountants

Partha Mitra  
Partner  
Lovell & Lewes  
Chartered Accountants

Date : 26th Bhadra 2063 (11th September 2006)

## CASH FLOW STATEMENT FOR THE YEAR ENDED 32ND ASADH 2063 (16TH JULY 2006)

	Figures in NRs. For the year ended 32nd Asadh 2063 (16th July 2006)	Figures in Rs. For the year ended 32nd Asadh 2063 (16th July 2006)	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)
<b>A. Cash Flow From Operating Activities</b>				
Net Profit Before Tax	72,45,69,244	45,28,55,778	56,97,28,515	35,60,80,322
<b>Adjustments for :</b>				
Depreciation	12,73,42,602	7,95,89,126	11,61,44,888	7,25,90,555
Interest	1,94,806	1,21,754	8,58,614	5,36,634
Interest from Investments	(42,12,500)	(26,32,813)	(42,47,604)	(26,54,753)
Interest on Short Term/Call Deposits	(93,16,742)	(58,22,964)	(24,95,782)	(15,59,864)
Unrealised Loss/(Gain) on Foreign Exchange (Net)	(2,00,224)	(1,25,140)	2,26,062	1,41,289
Provision for Employees' Housing	4,19,48,746	2,62,17,966	3,29,84,282	2,06,15,176
Loss on Fixed Assets sold / discarded (Net)	2,19,18,780	1,36,99,238	85,08,934	53,18,084
Amortisation of Deferred Revenue Expenditure	—	—	2,40,000	1,50,000
Claims and Advance written off	1,46,498	91,561	—	—
Provision for Doubtful Advance	2,72,695	1,70,435	74,446	46,529
Provision for Usuable Inventories	—	—	56,71,622	35,44,764
<b>Operating Profit Before Working Capital Changes</b>	<b>90,26,63,905</b>	<b>56,41,64,941</b>	<b>72,76,93,977</b>	<b>45,48,08,736</b>
<b>Adjustments for :</b>				
Trade and Other Receivables	(16,22,842)	(10,14,277)	(13,68,19,808)	(8,55,12,380)
Inventories	(3,25,50,951)	(2,03,44,344)	(9,06,35,937)	(5,66,47,461)
Trade Payables	9,40,20,948	5,87,63,093	6,64,68,307	4,15,42,692
<b>Cash Generated From Operation</b>	<b>96,25,11,060</b>	<b>60,15,69,413</b>	<b>56,67,06,539</b>	<b>35,41,91,587</b>
Income Tax Paid	(21,36,78,379)	(13,35,48,987)	(21,29,79,700)	(13,31,12,313)
<b>Net Cash From Operating Activities (A)</b>	<b>74,88,32,681</b>	<b>46,80,20,426</b>	<b>35,37,26,839</b>	<b>22,10,79,274</b>
<b>B. Cash Flow From Investing Activities</b>				
Purchase of Long Term Investments	—	—	—	—
Purchase of Fixed Assets	(10,20,93,924)	(6,38,08,703)	(23,49,49,754)	(14,68,43,596)
Proceeds from disposal of Fixed Assets	14,600	9,125	10,60,516	6,62,823
Interest Received	1,33,81,073	83,63,171	67,43,386	42,14,616
<b>Net Cash Used in Investing Activities (B)</b>	<b>(8,86,98,251)</b>	<b>(5,54,36,407)</b>	<b>(22,71,45,852)</b>	<b>(14,19,66,157)</b>
<b>C. Cash Flow From Financing Activities</b>				
Interest Paid	(1,94,806)	(1,21,754)	(8,58,614)	(5,36,634)
Dividends Paid	(12,37,89,474)	(7,73,68,421)	(10,61,05,263)	(6,63,15,789)
<b>Net Cash Used in Financing Activities (C)</b>	<b>(12,39,84,280)</b>	<b>(7,74,90,175)</b>	<b>(10,69,63,877)</b>	<b>(6,68,52,423)</b>
<b>Net Increase/(Decrease) in Cash &amp; Cash Equivalents (A+B+C)</b>	<b>53,61,50,150</b>	<b>33,50,93,844</b>	<b>1,96,17,110</b>	<b>1,22,60,694</b>
<b>Cash and Cash Equivalents (Opening balance)</b>	<b>18,94,27,186</b>	<b>11,83,91,991</b>	<b>17,00,36,138</b>	<b>10,62,72,586</b>
<b>Cash and Cash Equivalents (Closing balance)</b>	<b>72,55,77,336</b>	<b>45,34,85,835</b>	<b>18,96,53,248</b>	<b>11,85,33,280</b>
<b>Cash and Cash Equivalents Comprises:</b>				
Cash and Bank Balances	72,57,77,560	45,36,10,975	18,94,27,186	11,83,91,991
Unrealised Loss/(Gain) on Foreign Currency Cash and Cash Equivalents	(2,00,224)	(1,25,140)	2,26,062	1,41,289
<b>Total</b>	<b>72,55,77,336</b>	<b>45,34,85,835</b>	<b>18,96,53,248</b>	<b>11,85,33,280</b>

A R Banerjee  
Vice President FinanceH M Dar  
Managing DirectorS SJB Rana  
DirectorA Singh  
DirectorY C Deveshwar  
ChairmanD B Mathema  
DirectorP Chatterjee  
DirectorB B Chatterjee  
DirectorNem Lal Amatya  
Partner  
N. Amatya & Co.  
Chartered AccountantsPartha Mitra  
Partner  
Lovell & Lewes  
Chartered Accountants

Date : 26th Bhadra 2063 (11th September 2006)



## STATEMENT OF CHANGE IN EQUITY FOR THE YEAR ENDED 32ND ASADH 2063 (16TH JULY 2006)

	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 2062 (16th July 2005)	33,60,00,000	21,00,00,000	1,21,81,280	76,13,300	1,46,09,27,556	91,30,79,723	1,80,91,08,836	1,13,06,93,023
Housing Fund transferred to General Reserve	—	—	—	—	4,19,48,746	2,62,17,966	4,19,48,746	2,62,17,966
Net Profit for the year	—	—	—	—	50,19,09,966	31,36,93,729	50,19,09,966	31,36,93,729
Dividend	—	—	—	—	(24,75,78,947)	(15,47,36,842)	(24,75,78,947)	(15,47,36,842)
Total	—	—	—	—	29,62,79,765	18,51,74,853	29,62,79,765	18,51,74,853
Balance as at 32nd Asadh 2063 (16th July 2006)	<u>33,60,00,000</u>	<u>21,00,00,000</u>	<u>1,21,81,280</u>	<u>76,13,300</u>	<u>1,75,72,07,321</u>	<u>1,09,82,54,576</u>	<u>2,10,53,88,601</u>	<u>1,31,58,67,876</u>

## SCHEDULES TO THE ACCOUNTS

	Figures in NRs. As at 32nd Asadh 2063 (16th July 2006)	Figures in Rs. As at 32nd Asadh 2063 (16th July 2006)	Figures in NRs. As at 31st Asadh 2062 (15th July 2005)	Figures in Rs. As at 31st Asadh 2062 (15th July 2005)
<b>SCHEDULE 1 : SHARE CAPITAL</b>				
<b>Authorised</b>				
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>
<b>Issued, Subscribed &amp; Paid up</b>				
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 (1995/96).
- 28,00,000 Ordinary Shares were issued as fully paid up bonus shares in 2060/61 (2003/04).
- 19,82,400 Ordinary Shares are held by the Holding Company, ITC Limited.

	NRs. As at 31st Asadh 2062 (15th July 2005)	Rs. As at 31st Asadh 2062 (15th July 2005)	NRs. Addition	Rs. Addition	NRs. Withdrawal	Rs. Withdrawal	NRs. As at 32nd Asadh 2063 (16th July 2006)	Rs. As at 32nd Asadh 2063 (16th July 2006)
<b>SCHEDULE 2 : RESERVES &amp; SURPLUS</b>								
Capital Reserve								
Revaluation of Land	1,21,81,280	76,13,300	—	—	—	—	1,21,81,280	76,13,300
Revenue Reserve								
General Reserve	1,46,09,27,556	91,30,79,723	29,62,79,765	18,51,74,853	—	—	1,75,72,07,321	1,09,82,54,576
Surplus								
Profit & Loss Account	—	—	25,43,31,019	15,89,56,887	25,43,31,019	15,89,56,887	—	—
Others								
Housing Fund**	—	—	4,19,48,746	2,62,17,966	4,19,48,746	2,62,17,966	—	—
	<u>1,47,31,08,836</u>	<u>92,06,93,023</u>	<u>59,25,59,530</u>	<u>37,03,49,706</u>	<u>29,62,79,765</u>	<u>18,51,74,853</u>	<u>1,76,93,88,601</u>	<u>1,10,58,67,876</u>

\*\*Housing Fund Utilisation:

Opening Balance	(9,85,28,756)	(6,15,80,473)
Provided during the year	4,19,48,746	2,62,17,966
	<u>(5,65,80,010)</u>	<u>(3,53,62,507)</u>
Utilisation during the year	—	—
Closing Balance (excess expenditure to be adjusted in future years)	<u>(5,65,80,010)</u>	<u>(3,53,62,507)</u>

## SCHEDULES TO THE ACCOUNTS (Contd.)

## Schedule 3 - FIXED ASSETS

Description	Basic Depreciation Rates (%)	GROSS BLOCK						DEPRECIATION						NET BLOCK							
		NRs. As At 31.03.2062 (15.07.2005)	Rs. As At 31.03.2062 (15.07.2005)	Additions	NRs. Withdrawals/ Adjustments	Rs. Withdrawals/ Adjustments	Rs. As at 32.03.2063 (16.07.2006)	NRs. As at 31.03.2062 (15.07.2005)	Rs. As at 31.03.2062 (15.07.2005)	For the year	NRs. For the year	Rs. For the year	Withdrawals/ Adjustments	NRs. Withdrawals/ Adjustments	Rs. Withdrawals/ Adjustments	NRs. As At 32.03.2063 (16.07.2006)	Rs. As At 32.03.2063 (16.07.2006)	NRs. As At 32.03.2063 (16.07.2006)	Rs. As At 32.03.2063 (16.07.2006)	NRs. As At 31.03.2062 (15.07.2005)	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	14,38,12,946	8,98,83,091
Buildings	1.65	24,33,95,150	15,21,21,969	2,97,85,847	—	1,86,16,154	—	27,31,80,997	17,07,38,123	64,96,742	40,60,464	—	—	6,22,02,722	3,88,76,702	21,09,78,275	13,18,61,421	18,76,89,170	11,73,05,731		
Plant and Machinery	5.30	1,31,34,51,864	82,09,07,415	5,89,60,613	3,08,51,262	3,68,50,384	1,92,82,039	1,34,15,61,215	83,84,75,760	69,63,44,682	43,52,15,425	11,12,56,529	6,95,35,330	99,70,338	62,31,461	54,39,30,342	33,99,56,466	61,71,07,182	38,56,91,990		
Furniture and Fixtures	3.40 & 5.30	1,31,34,080	82,08,800	56,50,168	2,91,956	35,31,355	1,82,473	1,84,92,292	1,15,57,682	65,74,397	41,08,998	12,27,897	7,67,436	2,30,611	1,44,132	1,09,20,609	68,25,380	65,59,683	40,99,802		
Vehicles	5.30	3,68,40,866	2,30,25,541	54,22,404	—	33,89,003	—	4,22,63,270	2,64,14,544	71,44,243	44,65,152	27,20,847	17,00,529	—	98,65,090	3,23,98,180	2,02,48,863	2,96,96,623	1,85,60,389		
Computers	7.30	3,66,67,934	2,29,17,459	48,80,509	30,50,318	43,75,236	27,34,523	3,71,73,207	2,32,33,254	1,62,10,644	1,01,31,633	39,43,980	24,64,988	39,93,241	24,95,776	2,10,11,824	1,31,32,389	2,04,57,290	1,27,85,806		
Office Equipments	5.30	2,39,41,753	1,49,63,596	42,31,862	26,44,914	14,83,798	9,27,374	2,66,89,817	1,66,81,136	79,99,195	49,99,497	16,96,607	10,60,379	8,74,682	5,46,676	55,13,200	1,11,67,936	1,59,42,558	99,64,099		
Total		1,81,12,44,593	1,13,20,27,871	10,89,31,403	3,70,02,252	6,80,82,128	2,31,26,409	1,88,31,73,744	1,17,69,83,590	78,99,79,141	49,37,36,963	12,73,42,602	7,95,89,126	1,50,68,872	94,18,045	56,39,08,044	61,30,75,546	1,02,12,65,452	63,82,90,908		
Capital Work-in-Progress and in Transit																					
Grand Total		83,63,373	52,27,108	15,25,894	83,63,373	9,53,684	52,27,108	15,25,894	9,53,684	—	—	—	—	—	—	15,25,894	9,53,684	83,63,373	52,27,108		
Previous Year		1,81,96,07,966	1,13,72,54,979	11,04,57,297	4,53,65,625	6,90,35,812	2,83,53,517	1,88,46,99,638	1,17,79,37,274	78,99,79,141	49,37,36,963	12,73,42,602	7,95,89,126	1,50,68,872	94,18,045	56,39,08,044	61,40,29,230	1,02,96,28,825	64,35,18,016		
		1,62,67,14,120	1,01,66,96,325	25,86,43,047	6,57,49,201	16,16,51,904	4,10,93,250	1,81,96,07,966	1,13,72,54,979	70,63,20,712	44,14,50,445	11,61,44,888	7,25,90,555	3,24,86,459	2,03,04,037	49,37,36,963	64,35,18,016	—	—		

## SCHEDULES TO THE ACCOUNTS (Contd.)

	Figures in NRs. As at 32nd Asadh 2063 (16th July 2006)	Figures in Rs. As at 32nd Asadh 2063 (16th July 2006)	Figures in NRs. As at 31st Asadh 2062 (15th July 2005)	Figures in Rs. As at 31st Asadh 2062 (15th July 2005)
<b>SCHEDULE 4 : INVESTMENTS – LONG TERM</b>				
Investments in 5% Bikash Rinpatra 2071 issued by Government of Nepal	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>
<b>SCHEDULE 5 : INVENTORIES</b>				
Stores & Supplies (including in-transit)	4,39,36,499	2,74,60,312	4,84,55,196	3,02,84,498
Stock				
Raw Materials (including in-transit)	27,77,50,701	17,35,94,188	19,68,27,716	12,30,17,323
Stock-In-Process	6,35,76,196	3,97,35,123	4,46,88,352	2,79,30,220
Finished Goods				
At Cost	27,54,87,400	17,21,79,625	36,37,73,084	22,73,58,178
At Net Realisable Value	2,93,11,439	1,83,19,649	37,66,936	23,54,334
	<u>69,00,62,235</u>	<u>43,12,88,897</u>	<u>65,75,11,284</u>	<u>41,09,44,553</u>
<b>SCHEDULE 6 : SUNDRY DEBTORS</b>				
(Receivable within twelve months unless otherwise stated)				
Due for more than six months - Considered good				
Unsecured	22,79,246	14,24,529	—	—
Due for less than six months - Considered good				
Secured	6,00,000	3,75,000	3,00,000	1,87,500
Unsecured				
From Holding Company	1,20,78,814	75,49,259	50,91,945	31,82,466
From Others	2,40,75,240	1,50,47,025	1,44,57,314	90,35,821
	<u>3,90,33,300</u>	<u>2,43,95,813</u>	<u>1,98,49,259</u>	<u>1,24,05,787</u>
<b>SCHEDULE 7 : CASH AND BANK BALANCES</b>				
Cash & Cheques on Hand	44,59,444	27,87,153	7,68,530	4,80,331
Cash at Bank				
Current Account	13,72,79,561	8,57,99,726	4,59,03,064	2,86,89,415
Savings Account (Provident Fund)	2,76,442	1,72,776	43,461	27,163
Short Term - Call Deposits	58,37,62,113	36,48,51,320	14,27,12,131	8,91,95,082
	<u>72,57,77,560</u>	<u>45,36,10,975</u>	<u>18,94,27,186</u>	<u>11,83,91,991</u>
<b>SCHEDULE 8 : LOANS &amp; ADVANCES</b>				
(Recoverable within twelve months unless otherwise stated)				
Receivables from Holding Company (Net)	21,75,65,488	13,59,78,430	25,17,79,532	15,73,62,208
Advance to Employees	4,60,19,946	2,87,62,466	2,67,97,287	1,67,48,304
[Includes NRs. 3,99,29,085 (2061-62 — NRs. 2,17,10,105) recoverable after twelve months]				
Margin Money Deposit	10,08,942	6,30,589	8,41,511	5,25,944
Advance to Others	1,85,43,640	1,15,89,775	2,26,20,658	1,41,37,911
Prepaid Expenses	59,65,549	37,28,468	58,22,758	36,39,224
Accrued Interest Receivable	2,40,498	1,50,311	92,329	57,706
Claims Receivable	67,342	42,089	1,06,698	66,686
Deposits: With Government Authorities	50,18,865	31,36,791	39,84,262	24,90,164
With Others	99,34,554	62,09,096	99,53,763	62,21,102
	<u>30,43,64,824</u>	<u>19,02,28,015</u>	<u>32,19,98,798</u>	<u>20,12,49,249</u>
Less: Provision for Doubtful Advance	11,60,204	7,25,128	9,61,955	6,01,222
	<u>30,32,04,620</u>	<u>18,95,02,887</u>	<u>32,10,36,843</u>	<u>20,06,48,027</u>
<b>SCHEDULE 9 : CURRENT LIABILITIES</b>				
(Payable within twelve months unless otherwise stated)				
Retention Money	33,78,420	21,11,513	23,55,321	14,72,076
Sundry Creditors	24,07,92,571	15,04,95,357	14,77,04,486	9,23,15,304
Advances From Wholesale Dealers	12,90,76,126	8,06,72,579	14,21,74,724	8,88,59,203
Deposits From Wholesale Dealers	32,50,000	20,31,250	30,50,000	19,06,250
Other Liabilities	55,05,405	34,40,877	1,03,05,172	64,40,732
	<u>38,20,02,522</u>	<u>23,87,51,576</u>	<u>30,55,89,703</u>	<u>19,09,93,565</u>
<b>SCHEDULE 10 : PROVISIONS</b>				
Provision for Income Tax	3,78,58,883	2,36,61,802	2,88,77,984	1,80,48,740
{Net of payment of Income Tax Advance/Deposits amounting to NRs. 28,14,17,047 (2061-62 NRs. 23,91,47,584)}				
Provision for Gratuity and Leave Encashment	5,19,45,529	3,24,65,956	3,43,37,400	2,14,60,875
Provision for Interim Dividend	24,75,78,947	15,47,36,842	12,37,89,474	7,73,68,421
	<u>33,73,83,359</u>	<u>21,08,64,600</u>	<u>18,70,04,858</u>	<u>11,68,78,036</u>

## SCHEDULES TO THE ACCOUNTS (Contd.)

	Figures in NRs. For the year ended 32nd Asadh 2063 (16th July 2006)	Figures in Rs. For the year ended 32nd Asadh 2063 (16th July 2006)	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)
<b>SCHEDULE 11 : GROSS REVENUE</b>				
Domestic :				
Cigarette	4,99,36,52,553	3,12,10,32,846	4,42,68,30,666	2,76,67,69,166
Garments	3,90,50,093	2,44,06,308	2,31,08,343	1,44,42,714
Others	—	—	2,07,021	1,29,388
Exports :				
Garments	43,99,99,590	27,49,99,744	27,67,18,713	17,29,49,196
	<u>5,47,27,02,236</u>	<u>3,42,04,38,898</u>	<u>4,72,68,64,743</u>	<u>2,95,42,90,464</u>
<b>SCHEDULE 12 : DUTIES</b>				
Excise Duty	1,81,14,79,979	1,13,21,74,987	1,71,19,68,186	1,06,99,80,116
Value Added Tax	57,89,83,491	36,18,64,682	45,15,65,693	28,22,28,558
	<u>2,39,04,63,470</u>	<u>1,49,40,39,669</u>	<u>2,16,35,33,879</u>	<u>1,35,22,08,674</u>
<b>SCHEDULE 13 : RAW MATERIALS CONSUMED ETC.</b>				
Leaf	54,24,08,481	33,90,05,301	51,80,63,177	32,37,89,486
Casing Materials	1,11,91,747	69,94,842	1,04,30,308	65,18,943
Wrapping Materials	49,34,86,714	30,84,29,196	44,99,14,822	28,11,96,764
Purchase of Goods	82,12,478	51,32,799	73,40,512	45,87,820
Fabrics, Contract Manufacturing Charges etc.	37,53,68,062	23,46,05,038	23,47,17,024	14,66,98,139
	<u>1,43,06,67,482</u>	<u>89,41,67,176</u>	<u>1,22,04,65,843</u>	<u>76,27,91,152</u>
Adjustment of overheads loaded etc. on Finished Goods				
Opening	2,36,51,961	1,47,82,476	1,27,02,945	79,39,341
Closing	(2,73,39,623)	(1,70,87,264)	(2,36,51,961)	(1,47,82,476)
	<u>1,42,69,79,820</u>	<u>89,18,62,388</u>	<u>1,20,95,16,827</u>	<u>75,59,48,017</u>
<b>SCHEDULE 14 : OTHER INCOME</b>				
Interest Received	22,27,819	13,92,387	46,35,173	28,96,983
Less: Interest paid on Trading Debts	12,96,907	8,10,567	8,39,107	5,24,442
	<u>9,30,912</u>	<u>5,81,820</u>	<u>37,96,066</u>	<u>23,72,541</u>
Interest on Short Term/Call Deposit	93,16,742	58,22,964	24,95,782	15,59,864
Gain on Foreign Exchange (Net)	2,00,224	1,25,140	—	—
Interest from Investments	42,12,500	26,32,813	42,47,604	26,54,753
Miscellaneous Income	1,51,53,623	94,71,014	1,12,94,537	70,59,086
	<u>2,98,14,001</u>	<u>1,86,33,751</u>	<u>2,18,33,989</u>	<u>1,36,46,244</u>
<b>SCHEDULE 15 :</b>				
<b>MANUFACTURING, ADMIN, SELLING EXPENSES ETC.</b>				
Salaries, Wages and Allowances {Refer 2(v)(a) of Schedule 16}	16,08,51,048	10,05,31,905	12,60,45,300	7,87,78,313
Contribution to Provident Fund	52,91,014	33,06,884	45,17,326	28,23,329
Labour & Staff Welfare	1,06,82,200	66,76,375	1,05,79,957	66,12,473
Uniform	9,33,429	5,83,393	16,60,087	10,37,554
Rent	3,03,71,685	1,89,82,303	2,67,96,910	1,67,48,069
Electricity Fuel & Water	4,80,59,544	3,00,37,215	4,29,95,857	2,68,72,411
Rates & Taxes	28,07,676	17,54,798	1,18,19,755	73,87,347
Insurance Premium	1,97,06,597	1,23,16,623	2,05,18,121	1,28,23,826
Repairs & Improvement - Depreciable Assets	6,41,04,899	4,00,65,562	7,22,34,080	4,51,46,300
Safety and Pollution Control Cost	27,24,065	17,02,541	32,06,916	20,04,323
Maintenance to Other Properties	1,14,51,323	71,57,077	88,37,633	55,23,521
Consumable Stores & Spares	1,15,18,629	71,99,143	78,41,404	49,00,878
Freight	2,43,90,968	1,52,44,355	2,37,07,178	1,48,16,986
Product Development	85,94,419	53,71,512	1,92,88,538	1,20,55,336
Advertising	11,95,52,421	7,47,20,263	8,10,15,128	5,06,34,455
Travel & Conveyance	2,99,34,938	1,87,09,336	2,52,25,207	1,57,65,754
Training & Recruitment Expenses	49,17,596	30,73,498	57,87,701	36,17,313
Postage, Telephone, Telex, Fax etc.	66,52,880	41,58,050	79,55,278	49,72,049
Bank Charges and Commission	27,83,590	17,39,744	26,78,932	16,74,333
Audit Fees	3,60,000	2,25,000	3,08,000	1,92,500
Legal Fees	7,90,853	4,94,283	2,85,570	1,78,481
Printing & Stationery	23,47,766	14,67,354	24,97,689	15,61,056
Consultancy Service Charges & Other Fees	2,01,72,129	1,26,07,581	1,94,73,926	1,21,71,204
Entertainment	32,59,414	20,37,134	13,81,376	8,63,360
Sales promotion	7,32,32,744	4,57,70,465	4,95,82,319	3,09,88,949
Damaged & Destroyed Cigarettes	25,157	15,723	5,89,024	3,68,140
Board Meeting Fees	47,941	29,963	47,059	29,412
Donations & Charity	16,97,196	10,60,748	12,80,050	8,00,031
Books & Periodicals	3,37,037	2,10,648	5,52,784	3,45,490
Membership Fee	7,04,437	4,40,273	5,78,799	3,61,749
Claims and Advance Written off	1,46,498	91,561	—	—
(Net of provision write back of Rs. 74,446)				
Provision for Doubtful Advances	2,72,695	1,70,434	74,446	46,529
Provision for Unusable Inventories	—	—	56,71,622	35,44,763
Provision for Retirement Benefits	2,01,61,597	1,26,00,998	—	—
Loss on Foreign Exchange (Net)	—	—	2,26,774	1,41,733
Amortisation of Deferred Revenue Expenditure	—	—	2,40,000	1,50,000
Miscellaneous Expenses {Refer 2(v)(b) of Schedule 16}	77,57,459	48,48,411	49,49,195	30,93,246
	<u>69,66,41,844</u>	<u>43,54,01,153</u>	<u>59,04,49,941</u>	<u>36,90,31,213</u>

## SCHEDULES TO THE ACCOUNTS (Contd.)

## SCHEDULE 16 - 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. The financial statements have also been prepared in accordance with the relevant presentational requirements of the Companies Ordinance, 2005 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. The cost is calculated on weighted average method. Cost comprises expenditure incurred in the normal course of business in bringing such inventories to its location and includes, where applicable, appropriate overheads based on normal level of activity.

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 license fee and implementation cost for the ERP system, the benefits of which is expected to accrue for more than one accounting period. This is being written off in five equal installments.

## vii) Sales

Net sales are stated after deducting taxes and duties from invoiced value of goods sold.

## viii) Investment Income

Income from investments is accounted for on an accrual basis, inclusive of related tax deducted at source.

## ix) 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.

## x) Retirement Benefits

## (a) Gratuity

Liability for gratuity benefits payable to the employees is actuarially determined and provided for.

## (b) Leave Encashment and Other Retirement Benefits

Leave encashment and other retirement benefits on retirement, wherever applicable, is determined on the basis of actuarial valuation and provided in the accounts.

## (c) Provident Fund

Regular monthly contributions are made to Provident Funds, which are charged against revenue.

## xi) Bonus

Bonus is provided as per the provisions of the Bonus Act, 2030.

## xii) 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.

## xiii) Cash and Cash Equivalents

Cash and cash equivalents represent cash and cheques on hand and balance in bank accounts.

## xiv) 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.

## xv) 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) Company has declared an interim dividend of NRs. 70 per share (net of tax).

ii) 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 (2061-62 – 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 (2061-62 - NRs. 30,88,097).

iii) Excise Demand for NRs. 37,17,24,680.

A demand letter dated 12 July, 2005 for NRs. 37,17,24,680 for the period 2055/56 to 2059/60 (1998/99 to 2002/03) was issued to the Company by the Inland Revenue Office, Simra, Bara. In reply to the said demand, an administrative petition was filed with the Director General of Inland Revenue, in accordance with the revenue rules. However, the Director General without dealing with the issues raised by the Company, summarily dismissed the petition by an order-dated 17 January, 2006. The Company thereafter filed an appeal to the Revenue Tribunal, which refused to entertain the appeal in the absence of a pre-deposit of the entire sum of NRs. 37.17 Crores. Immediately thereafter the Company filed a petition to the Tribunal praying that its appeal may be heard by accepting a bank guarantee for the said amount. This petition was dismissed by the Tribunal on 1 August, 2006. The Company is now taking steps to challenge the demand in the Supreme Court. The Company considers that the demand has no legal or factual basis. This position is re-inforced by opinion received from eminent counsel. Accordingly, the Company is of the view that there is no liability that is likely to arise.

iv) Estimated amount of contracts remaining to be executed on capital account NRs. 3,63,03,607 (2061-62 - NRs. 3,20,49,988).

v) a) Salaries, Wages and Allowances include payment to Managing Director NRs. 55,74,484 (2061-62 – NRs. 38,16,000). Out of the above, payment to the current Managing Director amounting to NRs. 13,13,032 is pending approval of the shareholders at the AGM.

b) Miscellaneous Expenses include reimbursement of expenses to statutory auditors amounting to NRs. 1,53,947 (2061-62 – NRs. 1,61,811).

vi) The Company's entire present and future fixed and current assets (except land at Biratnagar, land for Housing Colony at Simra and portion of land at Kathmandu) have been secured by way of mortgage, hypothecation and assigned with the banks for obtaining credit facilities on pari-passu basis. However, there is no balance outstanding as at the year-end and the Company is in the process of releasing the mortgage / hypothecation from the banks.

vii) Figures in the financial statements are rounded off to the nearest rupee.

viii) Previous year's figures have been regrouped and/or rearranged wherever necessary.

A R Banerjee  
Vice President Finance

H M Dar  
Managing Director

S SJB Rana  
Director

A Singh  
Director

Y C Deveshwar  
Chairman

D B Mathema  
Director

P Chatterjee  
Director

B B Chatterjee  
Director

Nem Lal Amatya  
Partner  
N. Amatya & Co.  
Chartered Accountants

Partha Mitra  
Partner  
Lovell & Lewes  
Chartered Accountants

Date : 26th Bhadra 2063 (11th September 2006)



## REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors

King Maker Marketing, Inc.

Paramus, New Jersey

We have audited the accompanying Balance Sheet of King Maker Marketing, Inc. as of March 31, 2007, and the related statements of income and retained earnings and cash flows for the year then ended. 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. The financial statements of King Maker Marketing, Inc. for the year ended March 31, 2006, were audited by other auditors whose report, dated April 21, 2006, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of King Maker Marketing, Inc. as of March 31, 2007, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Albany, New York

April 20, 2007

Bollam, Sheedy, Torani &amp; Co. LLP

## BALANCE SHEETS

	March 31, 2007 \$	March 31, 2007 Rs.	March 31, 2006 \$	March 31, 2006 Rs.
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	5,660,317	246,053,980	1,665,363	74,300,170
Short-term investments	—	—	3,043,714	135,795,300
Accounts receivable	633,948	27,557,720	413,044	18,427,958
Inventories	5,321,923	231,343,993	2,426,352	108,251,695
Accounts receivable, other	11,833	514,383	3,415	152,360
Due from related parties	1,244,749	54,109,239	1,809,448	80,728,521
Income taxes receivable	—	—	429,548	19,164,284
Prepaid expenses	42,096	1,829,913	30,556	1,363,256
Deferred income taxes	510,508	22,191,783	501,381	22,369,114
	<u>13,425,374</u>	<u>583,601,011</u>	<u>10,322,821</u>	<u>460,552,658</u>
<b>PROPERTY AND EQUIPMENT, net</b>	77,081	3,350,711	84,247	3,758,680
<b>OTHER ASSETS</b>	8,810	382,971	8,810	393,058
	<u>13,511,265</u>	<u>587,334,693</u>	<u>10,415,878</u>	<u>464,704,396</u>
<b>LIABILITIES AND STOCKHOLDER'S EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Accounts payable	661,435	28,752,579	615,668	27,468,028
Due to related party	6,591	286,511	44,965	2,006,113
Income tax payable	723,019	31,429,639	—	—
Accrued settlement charges	7,235,713	314,536,444	6,087,397	271,589,217
Accrued expenses and other	270,843	11,773,545	201,108	8,972,433
	<u>8,897,601</u>	<u>386,778,718</u>	<u>6,949,138</u>	<u>310,035,791</u>
<b>LONG-TERM LIABILITIES</b>				
Deferred income taxes	53,406	2,321,559	41,626	1,857,144
<b>STOCKHOLDERS' EQUITY</b>				
Preferred stock	2,000	86,940	2,000	89,230
Common stock	2,080	90,418	2,000	89,230
Retained earnings	4,556,178	198,057,058	3,421,114	152,633,001
	<u>4,560,258</u>	<u>198,234,416</u>	<u>3,425,114</u>	<u>152,811,461</u>
	<u>13,511,265</u>	<u>587,334,693</u>	<u>10,415,878</u>	<u>464,704,396</u>

The accompanying Notes to Financial Statements are an integral part of these statements.

STATEMENTS OF INCOME AND  
RETAINED EARNINGS

	For the year ended 31st March, 2007 \$	For the year ended 31st March, 2007 Rs.	For the year ended 31st March, 2006 \$	For the year ended 31st March, 2006 Rs.
<b>SALES</b>				
Revenues	32,503,659	1,431,461,142	26,575,041	1,177,540,067
Less quick pay discounts	(1,263,098)	(55,626,836)	(1,019,334)	(45,166,690)
Net sales	<u>31,240,561</u>	<u>1,375,834,306</u>	<u>25,555,707</u>	<u>1,132,373,377</u>
<b>COST OF SALES</b>	<u>20,242,632</u>	<u>895,926,293</u>	<u>17,583,431</u>	<u>776,150,521</u>
	10,997,929	479,908,013	7,972,276	356,222,856
<b>MSA SETTLEMENT CHARGES, NET</b>	<u>5,029,685</u>	<u>221,507,327</u>	<u>3,286,706</u>	<u>145,633,943</u>
<b>Gross profit</b>	5,968,244	258,400,686	4,685,570	210,588,913
<b>OPERATING EXPENSES</b>	<u>4,208,110</u>	<u>185,325,164</u>	<u>3,577,534</u>	<u>158,520,532</u>
<b>Income from operations</b>	<u>1,760,134</u>	<u>73,075,522</u>	<u>1,108,036</u>	<u>52,068,381</u>
<b>OTHER INCOME (EXPENSE)</b>				
Market research income	120,000	5,284,800	120,000	5,317,200
Interest income	242,164	10,541,521	196,887	8,698,167
Other income	5,100	224,604	4,860	215,347
Loss on sale of fixed assets	(2,494)	(109,836)	(2,090)	(92,608)
Interest Expense	—	—	(244,220)	(10,821,388)
	<u>364,770</u>	<u>15,941,089</u>	<u>75,437</u>	<u>3,316,718</u>
<b>Income before provision for income taxes</b>	2,124,904	89,016,611	1,183,473	55,385,099
<b>PROVISION FOR INCOME TAXES</b>	<u>(989,840)</u>	<u>(43,592,554)</u>	<u>(472,437)</u>	<u>(20,933,683)</u>
<b>Net income</b>	<u>1,135,064</u>	<u>45,424,057</u>	<u>711,036</u>	<u>34,451,416</u>
<b>Retained Earnings, beginning of year</b>	3,421,114	152,633,001	3,210,078	140,336,585
Dividends	—	—	(500,000)	(22,155,000)
<b>Retained Earnings, end of year</b>	<u>4,556,178</u>	<u>198,057,058</u>	<u>3,421,114</u>	<u>152,633,001</u>

The accompanying Notes to Financial Statements are an integral part of these statements.

## STATEMENTS OF CASH FLOWS YEARS ENDED MARCH 31,

	2007 \$	2007 Rs.	2006 \$	2006 Rs.
<b>CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES</b>				
Net income	1,135,064	45,424,057	711,036	34,451,416
Adjustments to reconcile net income to net cash provided (used) by operating activities				
Depreciation	33,299	1,466,488	30,306	1,342,859
Deferred income taxes	2,653	116,882	(9,077)	(402,202)
Loss on disposal of assets	2,494	109,836	2,090	92,608
(Increase) decrease in				
Accounts receivable	(220,904)	(9,006,381)	(142,785)	(6,329,463)
Accounts receivable, other	(8,418)	(362,021)	4,975	221,437
Inventories	(2,895,571)	(123,092,298)	1,319,027	58,709,892
Due from related parties	71,706	3,380,141	(271,850)	(12,100,044)
Income taxes receivable	429,548	19,164,284	(217,912)	(9,699,263)
Prepaid expense	(11,540)	(466,657)	15,617	695,113
Other assets	—	—	(600)	(26,707)
Increase (decrease) in				
Accounts payable	45,767	1,284,551	(298,314)	(13,277,956)
Due to related party	(38,374)	(1,719,602)	(30,868)	(1,373,935)
Income tax payable	723,019	31,429,639	—	—
Accrued settlement charges	1,148,316	42,947,227	(3,292,472)	(146,636,976)
Accrued tobacco buyout	—	—	(671,569)	(29,891,536)
Accrued expenses and other	69,735	2,801,112	27,579	1,227,541
	<u>486,794</u>	<u>13,477,258</u>	<u>(2,824,817)</u>	<u>(122,997,216)</u>
<b>CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES</b>				
Purchase of short-term investments	—	—	(3,043,714)	(135,795,300)
Proceeds from maturity of short-term investments	3,043,714	135,795,300	—	—
Payments for the purchase of property	(28,627)	(759,079)	(9,895)	(430,630)
Proceeds from sale of equipment	—	—	741	32,248
Repayment of (loan to) related parties	492,993	23,239,143	(1,500,000)	(61,947,133)
	<u>3,508,080</u>	<u>158,275,364</u>	<u>(4,552,868)</u>	<u>(198,140,815)</u>
<b>CASH FLOWS PROVIDED (USED) BY FINANCING ACTIVITIES</b>				
Proceeds from issuance of common stock	80	1,188	—	—
Distributions to stockholders	—	—	(500,000)	(21,760,000)
	<u>80</u>	<u>1,188</u>	<u>(500,000)</u>	<u>(21,760,000)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<u>3,994,954</u>	<u>171,753,810</u>	<u>(7,877,685)</u>	<u>(342,898,031)</u>
<b>Cash and cash equivalents at beginning of year</b>	<u>1,665,363</u>	<u>74,300,170</u>	<u>9,543,048</u>	<u>417,198,201</u>
<b>Cash and cash equivalents, end of year</b>	<u>5,660,317</u>	<u>246,053,980</u>	<u>1,665,363</u>	<u>74,300,170</u>

The accompanying Notes to Financial Statements are an integral part of these statements.

## NOTES TO FINANCIAL STATEMENTS

### March 31, 2007 and 2006

#### NOTE A – ORGANIZATION

King Maker Marketing, Inc. ("Company"), organized in New York State and headquartered in New Jersey, was incorporated on August 17, 1994. Its business is to import and distribute tobacco products to licensed wholesale distributors and retailers throughout the United States. The Company employs two independent warehouses located in New Jersey and Illinois. The Company has significant transactions with ITC Limited (ITC), which is organized under the laws of the Republic of India and is a major stockholder of the Company. The Company is subject to the inherent risks associated with the industry.

#### NOTE B – SIGNIFICANT ACCOUNTING POLICIES

##### 1. Accounting Basis

The Company uses the accrual basis for financial and income tax reporting.

##### 2. Federal Excise Tax Refunds and Customs Duty Drawbacks

The Company records Federal Excise Tax Refunds and Customs Duty Drawbacks when settled due to the uncertainty of the final settlement of these claims.

##### 3. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires that management make estimates and assumptions relevant to the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses during the reporting period. Actual results may differ from estimates.

##### 4. Cash and Cash Equivalents

The Company's cash and cash equivalents are defined as cash and short-term highly liquid investments with an original maturity of three or fewer months.

##### 5. Inventories

Inventories consist of cigarettes and other tobacco-related products. The lower of cost (first-in, first-out) or market method has been used in

determining the inventory value and includes applicable freight-in, storage, duty, federal excise taxes, tobacco buyout costs, and settlement costs.

##### 6. Property and Equipment

Property and equipment are carried at cost less accumulated depreciation. Major additions and improvements are capitalized and replacements, maintenance and repairs that do not improve or extend the useful life of an asset are expensed as incurred. The Company uses the straight-line method of depreciation and depreciates equipment and fixtures over 5 to 7 years; software over 3 years and leasehold improvements over 39 years.

##### 7. Fair Value of Financial Instruments

The fair value of cash and cash equivalents and short-term investments, accounts receivable, and accounts payable approximates their carrying value due to their short maturities.

##### 8. Revenue Recognition/Accounts Receivable

The Company recognizes revenue when title is transferred as the product is shipped. Trade discounts are offered to customers on invoiced prices, which are reflected in net sales. Accounts receivable are charged to bad debt expense as they are deemed uncollectible based upon management's periodic review of the accounts.

##### 9. Shipping and Handling Expenses

Shipping and handling expenses are classified under operating expenses. A portion of the expenses relating to inbound receipt of materials is classified under cost of goods sold.

##### 10. Marketing and Promotion Costs

The Company's policy is to expense marketing and promotion costs as incurred. Total marketing and promotion costs, which are included in operating expenses, were \$ 1,079,931 and \$ 848,000 for the years ended March 31, 2007 and 2006, respectively.

##### 11. Income Tax

The Company follows the asset and liability approach to account for income taxes. This approach requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax basis of assets and liabilities.

**NOTE C – STOCKHOLDERS' EQUITY AND STOCK WARRANTS**

The Company's Certificate of Incorporation provides for the capital structure to include common stock and three additional classes of preferred stock. Common stock and Class B preferred stock are voting, while Class A and Class C preferred stock are nonvoting. In the event of liquidation, the priority of proceeds is Class A preferred stock, Class B preferred stock, Class C preferred stock, and then common stock. Further, the Company may redeem the Class A and Class C preferred stock at \$ 500 per share plus accrued dividends.

	March 31, 2007	2006
<b>Capital structure :</b>		
Common Stock, no par value, authorized, 1,000 issued and outstanding	104	100
<b>Preferred Stock</b>		
Class A, \$ 500 par value, authorized, 3,000 issued and outstanding	—	—
Class B, convertible, no par value, authorized, 1,000 issued and outstanding	100	100
Class C, \$ 500 par value, 10,000 authorized issued and outstanding	—	—

The voting stock of the Company is owned as follows: ITC Limited 51%; Mark Finkle 24.5%, and Dan Finkle 24.5%. Mark Finkle was an officer of the Company until March 31, 2007.

The Company and its two owner groups have set forth voting rights, indemnification clauses, and rights of first refusal to repurchase shares if a party desires to sell. The right of first refusal includes a mechanism, for the valuation of such transactions and restrictive covenants/ noncompete terms. Pursuant to these agreements and due to the fact that the Company previously declared, issued, and paid the preferential dividends to Class B preferred stockholders, the holders of the Class B preferred stock will be on par with common stockholders.

There were no dividends paid or declared during the year ended March 31, 2007. During the year ended March 31, 2006, dividends in the amount of \$ 500,000 were paid pro rata to all Common and Class B preferred stockholders.

On October 25, 2006, ITC exercised its warrant to purchase four shares of common stock at \$ 20 per share.

**NOTE D – PROPERTY AND EQUIPMENT, NET**

Property and equipment, net, consist of the following :

	2007 \$	2007 Rs.	2006 \$	2006 Rs.
Equipment and fixtures	85,346	3,709,991	84,104	3,752,300
Leasehold improvements	13,306	578,412	13,306	593,647
Computer software	74,082	3,220,345	58,482	2,609,174
	172,734	7,508,748	155,892	6,955,121
Less accumulated depreciation	95,653	4,158,037	71,645	3,196,441
	77,081	3,350,711	84,247	3,758,680

Depreciation expense for property and equipment amounted to \$ 33,299 and \$ 30,306 for the years ended March 31, 2007 and 2006, respectively.

**NOTE E – COMMITMENTS****1. Leases**

The Company leases office space in Paramus, New Jersey under a lease agreement that expires in October 2009. Rent expense for this lease for both years ended March 31, 2007 and 2006, was approximately \$ 74,000.

The Company also leases six automobiles under noncancellable operating leases. The lease terms range from 36 to 42 months. Vehicle lease expense for the years ended March 31, 2007 and 2006, was \$ 36,545 and \$ 44,003, respectively.

The Company leases office equipment with a term of 39 months under a noncancellable operating lease. Monthly rental payments are included in operating expense.

Future minimum lease payments at March 31, 2007, are :

2008	\$ 93,933
2009	72,047
2010	38,189
	<u>\$ 204,169</u>

**2. Employment Agreement**

The Company has an employment contract with one of its key executives that provides for a minimum annual salary. This contract expired on October 31, 2005, but automatically renewed annually. Pursuant to a Separation Agreement dated March 2, 2007, the employment agreement with this stockholder was terminated as of March 31, 2007. Payments on the contract will cease on April 30, 2007.

**3. Legal Matters**

In the ordinary course of business, the Company may be a defendant in legal matters. Management does not believe the impact of such matters will have a material effect on the financial position or results of operations of the Company.

**NOTE F – RELATED PARTY TRANSACTIONS**

The Company has in place an Exclusive Distribution Agreement with ITC that states that the Company is ITC's exclusive distributor of ITC manufactured tobacco products in the territories of the United States, Canada, and Mexico. Purchases for the years ended March 31, 2007 and 2006, from ITC were \$ 8,261,008 and \$ 4,838,074, respectively. ITC charges the Company for certain air freight expenses incurred to ship inventory. At March 31, 2007 and 2006, the Company owed ITC approximately \$ 7,000 and \$ 42,000, respectively, for air freight expenses.

The Company has in place a Private Label Supply Agreement and a Controlled Label Distribution Agreement with ITC. The agreements designate ITC as the sole supplier to the Company, and the Company is the exclusive importer and distributor for all ITC manufactured tobacco products in the United States, Canada, and Mexico. Furthermore, the Company billed approximately \$ 120,000 to ITC for expenses related to market research for the years ended March 31, 2007 and 2006. At March 31, 2007 and 2006, \$ 237,425 and \$ 297,000, respectively, is due from ITC relating to market research invoices and other costs reimbursable by ITC Limited.

The Company sold products to Finkle Distributors, Inc. (a company wholly-owned by two stockholders of the Company) amounting to \$ 984,264 and \$ 897,922 during the years ended March 31, 2007 and 2006, respectively. At March 31, 2007 and 2006, Finkle Distributors, Inc. owed the Company \$ 11,065 and \$ 2,983, respectively. At March 31, 2007 and 2006, the Company owed Finkle Distributors, Inc. \$ 1,190 and \$ 2,055, respectively, for promotional costs.

Additionally, the Company had, as of March 31, 2007, a receivable for a loan made to Finkle Distributors, Inc. in the amount of \$ 1.0 million, plus approximately \$ 7,000 in interest thereon. The Company, Mark & Dan Finkle, and ITC anticipate concluding a Share Purchase Agreement which provides for the sale of 100 shares of the Company's common stock by Mark and Dan Finkle to ITC on such time and date set forth in the Share Purchase Agreement. The term of repayment of the full principal of the loan has been extended to until the closing date of the said Share Purchase Agreement. Interest on the loan is calculated at the prevailing Wall Street Journal prime rate at each month-end. Interest accrued in the current fiscal year on this loan was \$ 93,385, of which \$ 86,378 was received.

Salary paid to a director and officer of the Company (who is also a major stockholder) amounted to \$ 150,000 and \$ 160,051 for the years ended March 31, 2007 and 2006, respectively.

**NOTE G – SETTLEMENT CHARGES**

On February 11, 1999, the Company signed a Master Settlement Agreement ("MSA") as a Subsequent Participating Manufacturer as stated in Amendment No. 11 to the MSA. The Company was then granted immunity from any future tobacco health-related lawsuits in those 46 states where final approval has been obtained from the Courts.

The MSA is similar to the Agreement reached by the major cigarette manufacturers. However, it provides small cigarette manufacturers, such as the Company, exemption from liability for any market share in 1998 (base year). These companies are defined in the MSA as Subsequent Participating Manufacturers. Under the MSA, the Company is required to pay a proportionate share of the ultimate liability as stipulated in the MSA based on the additional market share gained by the Company over and above the base year, as measured by the Federal excise tax paid units of the Company and as calculated by an independent auditor. All settlement costs are measured on a calendar year basis and are due by the following April 15. This calculation is performed annually for each of the next 26 years, at which point it becomes fixed. The Company estimates its relative market share gain as defined in the MSA and the resultant settlement contribution required. The Company prorates such calendar year calculation to conform to its fiscal year. However, the ultimate amount of MSA contributions for the period for which the Company may be liable will not be known until the calculations are completed by the independent auditor. In addition, the calculations performed by the independent auditor are subject to retroactive changes and adjustments.

The Company's settlement contribution for calendar year 2006 (payable in April 2007) and 2005 (paid in April 2006) is \$ 4,735,713 and \$ 3,887,000, respectively. A contingency reserve had been provided for estimated retroactive adjustments and other variances for previous calendar year assessments and is included in the Accrued Settlement Charges totaling \$ 7,235,713 and \$ 6,087,397 as of March 31, 2007 and 2006, respectively.

MSA settlement charges are as follows :

	March 31, 2007 \$	2007 Rs.	2006 \$	2006 Rs.
Estimated cost based on current activity, net of credits	5,051,785	222,480,611	3,943,708	174,745,701
change in estimate of MSA settlement costs based on actual results for calendar year end	(22,100)	(973,284)	(657,002)	(29,111,758)
	<u>5,029,685</u>	<u>221,507,327</u>	<u>3,286,706</u>	<u>145,633,943</u>

**NOTE G – SETTLEMENT CHARGES (Contd.)**

The Company occasionally protests a portion of the calculated settlement amount. Under the agreement, the Company has four years to formally protest.

**NOTE H – TOBACCO BUYOUT**

As required by Title VI of the American Jobs Creation Act of October 2004, and related regulations thereof, the Company is required to pay its share of the "Tobacco Buyout" assessment issued by the Commodity Credit Corporation, USDA. This assessment is for a ten-year period commencing January 2005, and is payable quarterly. Each quarterly payment is based on the Company's market share as determined by the Federal Excise Tax paid units during the previous quarter as per the rules and regulations notified. Total payments for the periods ended March 31, 2007 and 2006, were \$ 1,300,967 and \$ 2,150,781, respectively. There is no liability accrued for this purpose in the books as of March 31, 2007 and 2006.

**NOTE I – PROFIT-SHARING PENSION PLAN**

The Company offers a profit-sharing pension plan for all eligible employees. Employees become eligible as long as they are 21 years of age and have credited 12 months or 1,000 hours of employment. Employees become

fully vested with six or more years of service. Contributions to the Plan are discretionary, with a 3% minimum, under certain circumstances, on an employee's Social Security base income. Expenses for the years ended March 31, 2007 and 2006, are estimated to be approximately \$ 121,000 and \$ 115,000, respectively.

**NOTE J – CONCENTRATION OF CREDIT RISK**

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash and cash equivalents, short-term investments, and accounts receivable.

The Company deposits its cash and short-term investments at three major financial institutions in the United States. At times, the Company's cash balances exceed the current insured amount under the Federal Deposit Insurance Corporation.

With respect to accounts receivable, concentration of credit risk is limited due to the large number of customers and their dispersion across various geographic regions. Two of the Company's customers account for more than 10% of the Company's total sales for the year ended March 31, 2007. As of March 31, 2007, accounts receivable for these clients was \$ 294,862 and \$ 18,244.

**NOTE K – INCOME TAXES**

The income tax provision reflected in the statements of income and retained earnings consists of the following components:

	Year ended 31st March, 2007 \$	Year ended 31st March, 2007 Rs.	Year ended 31st March, 2006 \$	Year ended 31st March, 2006 Rs.
Current income tax expense				
Federal	1,074,635	47,326,926	350,833	15,545,410
States	(87,449)	(3,851,254)	130,681	5,790,475
Total current	987,186	43,475,672	481,514	21,335,885
Deferred income tax expense				
Federal	(77,268)	(3,402,883)	64,393	2,853,254
States	79,922	3,519,765	(73,470)	(3,255,456)
Total deferred	2,654	116,882	(9,077)	(402,202)
Net income tax expense				
Federal	997,367	43,924,043	415,226	18,398,664
States	(7,527)	(331,489)	57,211	2,535,019
Total income tax expense charged to operations	989,840	43,592,554	472,437	20,933,683

The difference between the statutory rate and the rate reflected in the financial statements is due to state taxes.

The Internal Revenue Service has audited fiscal years through April 30, 2004; the amounts of the assessments and related financial impact have been properly reflected in the financial statements for the current year.

The Company's total deferred tax assets (liabilities) arise from basis differences summarized as follows :

	31st March, 2007 \$	31st March, 2007 Rs.	31st March, 2006 \$	31st March, 2006 Rs.
Deferred tax assets				
Inventory	80,882	3,515,941	47,687	2,127,556
Accruals and reserves	429,626	18,675,842	453,694	20,241,558
Total deferred tax assets	510,508	22,191,783	501,381	22,369,114
Deferred tax liabilities	(53,406)	(2,321,559)	(41,626)	(1,857,144)

**NOTE L – SUPPLEMENTAL CASH FLOW INFORMATION**

The following supplemental disclosures are required regarding cash flow information :

Cash paid during the year for:

	Year ended 31st March, 2007 \$	Year ended 31st March, 2007 Rs.	Year ended 31st March, 2006 \$	Year ended 31st March, 2006 Rs.
Income taxes	—	—	1,126,785	49,927,843

**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON SUPPLEMENTAL INFORMATION**

Board of Directors  
**King Maker Marketing, Inc.**  
Paramus, New Jersey

Our audit was made for the purpose of forming an opinion on the basic financial statements for the year ended March 31, 2007, taken as a whole. The supplementary information described in the contents of this report is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information for the year ended March 31, 2007, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion,

is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The supplementary information for the year ended March 31, 2006, was audited by other auditors whose report, dated April 21, 2006, expressed an unqualified opinion on such information in relation to the basic financial statements taken as a whole.

Albany, New York  
April 20, 2007

Bollam, Sheedy, Torani & Co. LLP



## COST OF SALES

	Year ended 31st March, 2007	Year ended 31st March, 2007		Year ended 31st March, 2006	Year ended 31st March, 2006	
	\$	Rs.	%	\$	Rs.	%
Beginning inventory	2,426,352	108,263,826	7.8	3,745,379	163,738,606	14.7
Cigarette tax, duty, and harbor process fees	12,912,514	568,667,117	41.3	9,588,168	424,851,724	37.5
Cigarette purchases	8,261,008	363,814,792	26.4	4,838,074	214,375,059	18.9
Tobacco buyout expense	1,300,967	57,294,587	4.2	1,479,212	65,543,884	5.8
Freight-in	300,730	13,244,149	1.0	112,247	4,973,665	0.4
Storage	306,918	13,516,669	1.0	217,732	9,647,705	0.9
Customs brokerage	54,821	2,414,317	0.2	26,320	1,166,239	0.1
Brokerage commissions	89	3,919	0.0	2,651	117,465	0.0
Destruction charges	1,156	50,910	0.0	—	—	—
	<u>25,564,555</u>	<u>1,127,270,286</u>	<u>81.9</u>	<u>20,009,783</u>	<u>884,414,347</u>	<u>78.3</u>
Less ending inventory	<u>(5,321,923)</u>	<u>(231,343,993)</u>	<u>(17.0)</u>	<u>(2,426,352)</u>	<u>(108,263,826)</u>	<u>(9.5)</u>
	<u>20,242,632</u>	<u>895,926,293</u>	<u>64.9</u>	<u>17,583,431</u>	<u>776,150,521</u>	<u>68.8</u>

## OPERATING EXPENSES

	Year ended 31st March, 2007	Year ended 31st March, 2007		Year ended 31st March, 2006	Year ended 31st March, 2006	
	\$	Rs.	%	\$	Rs.	%
Marketing and promotion	1,079,931	47,560,161	3.5	848,435	37,594,155	3.3
Professional fees	351,845	15,495,254	1.1	272,072	12,055,510	1.1
Shipping and handling	812,548	35,784,614	2.6	668,653	29,628,014	2.6
Salaries - officers	294,502	12,969,868	2.7	292,307	12,952,123	3.7
Salaries - office	217,448	9,576,410	2.0	248,826	11,025,480	3.1
Salaries - sales	356,787	15,712,899	1.1	285,020	12,629,236	1.1
Travel expense	239,796	10,560,616	0.8	258,827	11,468,624	1.0
Pension expense	120,319	5,298,849	0.6	115,008	5,096,004	0.7
General insurance	97,233	4,282,141	0.3	89,163	3,950,813	0.3
Rent expense	100,129	4,409,681	0.3	73,840	3,271,850	0.3
Payroll tax expense	77,732	3,423,317	0.2	67,856	3,006,699	0.3
Group insurance	102,114	4,497,100	0.3	71,997	3,190,188	0.3
Auto expense	62,670	2,759,987	0.2	52,840	2,341,340	0.2
Office supplies and expense	71,949	3,168,634	0.2	48,635	2,155,017	0.2
Training and placement fees	42,550	1,873,902	0.1	39,050	1,730,306	0.2
Telephone/communication	25,901	1,140,680	0.1	24,592	1,089,672	0.1
Dues and subscriptions	30,963	1,363,611	0.1	36,892	1,634,685	0.1
Depreciation expense	33,299	1,466,488	0.1	30,306	1,342,859	0.1
Miscellaneous/other expenses	90,394	3,980,952	0.3	53,215	2,357,957	0.2
	<u>4,208,110</u>	<u>185,325,164</u>	<u>16.6</u>	<u>3,577,534</u>	<u>158,520,532</u>	<u>18.9</u>