Enduring Value

ITC Limited

REPORT AND ACCOUNTS

OF

SUBSIDIARY COMPANIES

2017

SUBSIDIARY COMPANIES

REPORT OF THE BOARD OF DIRECTORS & MANAGEMENT DISCUSSION AND ANALYSIS FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2017

1. Your Directors submit their Report for the financial year ended 31st March, 2017.

2. **ECONOMIC ENVIRONMENT**

The Indian economy is estimated to grow by 7.1% in real terms during 2016-17 as against a growth of 7.9% in 2015-16. Gross Value Added (GVA) growth (at basic prices) is expected at 6.7% in 2016-17, against 7.8% in 2015-16. Economic indicators such as credit off-take, capacity utilisation and investments continue to point to weakness in the broader economy, although inflation and Current Account Deficit remained in the comfort zone aided, inter-alia, by low crude oil prices. The Government's commitment to contain the Fiscal Deficit also helped maintain macro-economic stability.

Services sector growth slowed in 2016-17, especially post demonetisation from November 2016 onwards. While Industry growth figures indicated signs of recovery, other measures (e.g. IIP) continued to reflect muted growth. Agriculture growth was positively impacted by normal monsoon after 2 consecutive years of poor rainfall.

Sustained macro-economic stability, including decline in headline inflation, led to RBI continuing with its accommodative Monetary Policy to stimulate economic growth. The Central Bank cut Policy interest rates by 50 bps in the first half of the financial year, taking the aggregate cuts to 175 bps since January 2015. Further, to facilitate better transmission of interest rate cuts, the RBI, at the beginning of the financial year, shifted its Monetary Policy stance to progressively reduce liquidity deficit in the Banking system and bring it to a position closer to neutrality. In response to liquidity measures from the RBI, market interest rates started to decline. However, the withdrawal of specified bank notes during the year resulted in significant increase in banking system liquidity and led to steep fall in market interest rates and bank deposit / lending rates.

However, bank credit growth continues to remain tepid despite fall in borrowing costs. This alongwith Central Government's commitment to fiscal prudence and continuation of monetary stimulus by Central Banks in Europe and Japan are expected to push market interest rates further lower. However, trajectory of monsoon in 2017, rally in global commodity prices, persistence in core Consumer Price Inflation which poses upside risks, volatility in currency markets and normalisation of monetary policy by global Central Banks can adversely influence sentiment and cause market interest rates to remain range bound in financial year 2017-18.

3. **FINANCIAL PERFORMANCE**

The overall performance of your Company has been satisfactory, despite decline in market interest rates. During the year, revenue from operations was lower by 21.54% to ₹ 4,627.64 lakhs (previous year: ₹ 5,898.34 lakhs). Income from debt market deployments by the Company was ₹ 2,597.81 lakhs (previous year: ₹ 3,655.03 lakhs), while revenue from equity market operations was ₹ 154.17 lakhs (previous year: ₹ 382.34 lakhs). Income from the Company's mutual fund distribution and leasing activities aggregated ₹ 907.27 lakhs during the year (previous year: ₹ 1,201.58 lakhs). Profit Before Tax registered a decline of 25.37% to ₹ 4,860.95 lakhs while Net Profit declined by 23.98% to ₹ 3,421.85 lakhs.

The financial results of your Company, summarised, are as under:

	For the year ended 31st March, 2017 (₹ in lakhs)	For the year ended 31st March, 2016 (₹ in lakhs)
a. Profit Before Tax	**4,860.95**	6,513.09
Less : Tax Expense	**1,439.10**	2,011.87
b. Profit After Tax	**3,421.85**	4,501.22
c. Add : Profit brought forward from previous years	**1,394.99**	3,158.96
d. Surplus available for Appropriation	**4,816.84**	7,660.18
e. Add : Adjustment pursuant to the Scheme of Amalgamation [Refer Note 21(xi)(A) to the Financial Statements]	–	81.66
f. Less : Interim Dividend paid	–	4,525.35
g. Less : Income Tax on Interim Dividend	–	921.26
h. Less : Transferred to Special Reserve under Section 45-IC of the Reserve Bank of India Act, 1934	**684.37**	900.24
i. Balance carried forward	**4,132.47**	1,394.99

4. **DIRECTORS AND KEY MANAGERIAL PERSONNEL**

(a) Changes in Directors and Key Managerial Personnel during the year

During the year under review, there was no change in the composition of the Board of Directors ('the Board') of your Company.

The present term of Mr. Sharad Jain, Manager and Company Secretary of the Company, will expire on 30th June, 2017. The Board, on the recommendation of the Nomination and Remuneration Committee, appointed Mr. Tunal Kumar Ghosal as the Manager of the Company for a period of two years with effect from 1st July, 2017, in terms of the provisions of Sections 196 and 203 of the Companies Act, 2013 ('the Act'), subject to the approval of the Members of the Company. Appropriate resolution seeking your approval to Mr. Ghosal's appointment as Manager is appearing in the Notice convening the ensuing Annual General Meeting ('AGM') of the Company. Mr. Ghosal has also been appointed as the Company Secretary of the Company with effect from the said date.

(b) Declaration of Independence by Independent Directors

The Independent Directors of your Company have confirmed that they meet the criteria of Independence as prescribed under Section 149(6) of the Act read with Rule 5 of the Companies (Appointment and Qualification of Directors) Rules, 2014.

(c) Attributes, qualifications and appointment of Directors

As reported in earlier years, the attributes and qualifications of the Independent Directors provided in Section 149(6) of the Act and Rule 5 of the Companies (Appointment and Qualification of Directors) Rules, 2014 were adopted by the Nomination and Remuneration Committee. The attributes and qualifications, as applicable, were also adopted in respect of the other Directors.

In terms of the Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016, the Company's Policy for ascertaining 'fit and proper criteria' of Directors was approved by the Board. The Directors of the Company, other than the Independent Directors, are executives of ITC Limited, the Holding Company, and fulfil the fit and proper criteria for appointment as Directors. The Directors, other than the Independent Directors, are liable to retire by rotation and one-third of them retire every year and are eligible for re-election.

In accordance with the provisions of Section 152(6) of the Act, Mr. Supratim Dutta (DIN: 01804345), Director, will retire by rotation at the ensuing AGM of the Company, and being eligible, offers himself for re-election. Your Board has recommended his re-election.

(d) Board evaluation

The Board carried out annual performance evaluation of its own performance and that of the individual Directors as also functioning of the Board Committees, as required under Section 134(3)(p) of the Act. The performance evaluation of the Board and individual Directors, as in the previous year, was based on criteria approved by the Nomination and Remuneration Committee. The Committee Chairmen placed before the Board, reports on functioning of respective Board Committees during the year.

(e) Remuneration of Non-Executive Directors

Only the Independent Directors of the Company are paid sitting fees of ₹ 20,000/- and ₹ 10,000/-, respectively, for attending meetings of the Board and Committees thereof.

The Directors did not have any pecuniary relationship or transaction with the Company.

(f) Remuneration Policy

The Remuneration Policy of the Company for the Directors, Key Managerial Personnel and other employees, as approved by the Board, is enclosed as **Annexure 1** to this Report.

5. **BOARD AND BOARD COMMITTEES**

The five Board Committees of the Company and their present composition is as follows:

Audit Committee	Nomination and Remuneration Committee
Mr. R. Tandon (Chairman)	Mr. B. B. Chatterjee (Chairman)
Mr. P. Chatterjee	Mr. P. Chatterjee
Ms. A. Guhamallick	Ms. A. Guhamallick
	Mr. R. Tandon

CSR Committee	**Asset Liability Management Committee**
Mr. R. Tandon (Chairman)	Mr. R. Tandon (Chairman)
Mr. B. B. Chatterjee	Mr. B. B. Chatterjee
Mr. P. Chatterjee	Mr. Saradindu Dutta

Risk Management Committee

Mr. R. Tandon (Chairman)
Mr. Saradindu Dutta
Mr. Supratim Dutta

During the year ended 31st March, 2017, the following meetings of the Board and Board Committees were held :

Board / Board Committee	Number of meetings	Date(s) of meeting(s)
Board	6	27th April, 2016 3rd May, 2016 16th May, 2016 31st August, 2016 28th December, 2016 16th March, 2017
Audit Committee	5	3rd May, 2016 16th May, 2016 31st August, 2016 28th December, 2016 16th March, 2017
Nomination and Remuneration Committee	1	3rd May, 2016
CSR Committee	2	3rd May, 2016 16th March, 2017
Asset Liability Management Committee	2	31st August, 2016 16th March, 2017
Risk Management Committee	2	31st August, 2016 16th March, 2017

The attendance of Directors of the Company at the Board and Board Committee meetings held during the year is given below:

Sl. No.	Name of the Director	Number of meetings attended					
		Board	Audit Commi -ttee	Nomination and Remuneration Committee	CSR Commi -ttee	Asset Liability Management Committee	Risk Manage -ment Committee
1.	Mr. R. Tandon	6	5	1	2	2	2
2.	Mr. B. B. Chatterjee	6	N.A.	1	2	2	N.A.
3.	Mr. P. Chatterjee	5	4	1	2	N.A.	N.A.
4.	Mr. Saradindu Dutta	5	N.A.	N.A.	N.A.	1	1
5.	Mr. Supratim Dutta	6	N.A.	N.A.	N.A.	N.A.	2
6.	Ms. A. Guhamallick	6	5	1	N.A.	N.A.	N.A.

6. DIRECTORS' RESPONSIBILITY STATEMENT

As required under Section 134(5) of the Act, your Directors confirm having:

i) followed in the preparation of the Annual Accounts, the applicable Accounting Standards with proper explanation relating to material departures, if any;

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 Act 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; and

v) devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems are adequate and operating effectively.

7. NBFC REGULATIONS

The disclosures as required under the Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016, are provided in the Notes to the Financial Statements of the Company and the Schedule required in terms of Para 18 of the aforesaid Directions is appended to the Balance Sheet.

8. SUBSIDIARY AND ASSOCIATES

The statement in Form No. AOC-1 containing the salient features of the financial statements of the Company's subsidiary and associates is attached to the Financial Statements of the Company.

The Company, being an intermediate wholly owned subsidiary, is not required to prepare Consolidated Financial Statements. However, brief details of the performance and financial position of the Company's subsidiary and associates are given below:

Name of Subsidiary / Associates	Total Revenue / Income		Net Profit / (Loss)	
	FY 2016-17 (₹ in lakhs)	FY 2015-16 (₹ in lakhs)	FY 2016-17 (₹ in lakhs)	FY 2015-16 (₹ in lakhs)
Subsidiary company				
Greenacre Holdings Limited	**634.42**	490.23	**225.38**	162.84
Associate companies				
International Travel House Limited	**20,573.72**	20,004.49	**1,117.24**	960.63
Divya Management Limited	**52.26**	41.62	**20.50**	15.14
Antrang Finance Limited	**29.75**	30.66	**9.33**	10.36
Russell Investments Limited	**372.19**	321.54	**278.47**	224.78
Maharaja Heritage Resorts Limited	**349.23**	372.85	**(76.57)**	(45.50)

9. HUMAN RESOURCES

Human Resources Development (HRD) practices in your Company are aligned with those of ITC Limited and are guided by the principles of relevance, consistency and fairness. A productive workplace has been and remains a key requirement for successful business performance of your Company. The Company believes that HRD strategies and practices will continue to provide competitive advantage to the Company. In addition to the Key Managerial Personnel, the Company had nine employees as on 31st March, 2017.

The details of top ten employees of the Company in terms of remuneration drawn, as required under Rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, are provided in **Annexure 2** to this Report.

10. RISK MANAGEMENT

The Company's risk management framework, designed to bring robustness to the risk management processes in the Company, addresses risks intrinsic to operations, financials and compliances arising out of the overall strategy of the Company.

Management of risks vest with the executive management which is responsible for the day-to-day conduct of the affairs of the Company, within the overall framework approved by the Board. The Internal Auditor of the Company, the Internal Audit Department of ITC Limited, periodically carries out risk focused audits with the objective of identifying areas where risk management processes could be strengthened. The Risk Management Committee of the Board constituted in terms of the Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 periodically reviews the risk management framework of the Company, with the objective of addressing the existing and emerging challenges in a dynamic business environment. The Audit Committee and the Board annually review the effectiveness of the Company's risk management systems and policies.

11. INTERNAL CONTROL SYSTEMS

Your Company has in place adequate internal control systems with respect to its operations, compliances as also internal financial controls with respect to the financial statements, commensurate with its size and scale of operations. The Internal Auditor periodically evaluates the adequacy and effectiveness of internal control systems in the Company. The Audit Committee which provides guidance on internal controls, also reviews internal audit findings and implementation of internal audit recommendations.

During the year, the internal financial controls in the Company with respect to the financial statements were tested and no material weakness in the design or operation of such controls was observed. Nonetheless, your Company recognises that any internal financial control framework, no matter how well designed, has inherent limitations and accordingly, regular audit and review processes ensure that such systems are reinforced on an ongoing basis.

12. CORPORATE SOCIAL RESPONSIBILITY (CSR)

The Annual Report on CSR Activities of the Company in terms of Section 135 of the Act read with the Companies (Corporate Social Responsibility Policy) Rules, 2014 is enclosed as **Annexure 3** to this Report.

13. PARTICULARS OF LOANS, GUARANTEES AND INVESTMENTS

The requirements of Section 186 of the Act relating to loans, guarantees and investments are not applicable to the Company.

14. RELATED PARTY TRANSACTIONS

The Policy on dealing with Related Party Transactions of the Company, as approved by the Board, is enclosed as **Annexure 4** to this Report.

The details of material related party transactions of the Company in the prescribed Form No. AOC-2 are enclosed under **Annexure 5** to this Report.

15. SIGNIFICANT AND MATERIAL ORDERS PASSED BY THE REGULATORS / COURTS / TRIBUNALS

During the year under review, no significant or material orders were passed by the Regulators / Courts / Tribunals impacting the going concern status of the Company and its future operations.

16. EXTRACT OF ANNUAL RETURN

The extract of Annual Return in the prescribed Form No. MGT-9 is enclosed as **Annexure 6** to this Report.

17. AUDITORS

(a) Statutory Auditors

The Company's Statutory Auditors, Messrs. A. F. Ferguson & Co., Chartered Accountants ('AFF'), were appointed at the Twentieth AGM to hold such office till the conclusion of the Twenty-Fifth AGM. On the recommendation of the Audit Committee and pursuant to Section 139 of the Act, your Board has recommended for the ratification of the Members, appointment of AFF from the conclusion of the ensuing AGM till the conclusion of the Twenty-Fourth AGM. On the recommendation of the Audit Committee and pursuant to Section 142 of the Act, the Board has also recommended for the approval of the Members, remuneration of AFF for the financial year 2017-18. Appropriate resolution in respect of the above is appearing in the Notice convening the ensuing AGM of the Company.

(b) Secretarial Auditor

Your Board appointed Messrs. Anjan Kumar Roy & Co., Company Secretaries, to conduct secretarial audit of the Company for the financial year ended 31st March, 2017. The Report of Messrs. Anjan Kumar Roy & Co. in terms of Section 204 of the Act is enclosed as **Annexure 7** to this Report.

18. 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.

During the year under review, there has been no foreign exchange earnings or outflow.

On behalf of the Board

R. Tandon *Chairman*

Dated : 3rd May, 2017 Saradindu Dutta *Director*

Annexure 1 to the Report of the Board of Directors & Management Discussion and Analysis for the financial year ended 31st March, 2017

Remuneration Policy

(Aligned to the Remuneration Policy of ITC Limited, the Holding Company)

The Company's Remuneration Strategy is designed to attract and retain quality talent that gives its business a competitive advantage and enables the Company to achieve its objectives.

The Company's Remuneration Strategy, whilst focusing on remuneration and related aspects of performance management, is aligned with and reinforces the employee value proposition of a superior quality of work life, that includes an enabling work environment, an empowering and engaging work culture and opportunities to learn and grow.

The Compensation approach endeavours to align each employee with the Company's goals.

POLICY

It is the Company's Policy:

1. To ensure that its Remuneration practices support and encourage meritocracy.
2. To ensure that Remuneration is market-led and takes into account the competitive context of the Company's business.
3. To leverage Remuneration as an effective instrument to enhance performance and therefore to link the remuneration to both individual and collective performance outcomes.
4. To adopt a comprehensive approach to Remuneration in order to support a superior quality of personal and work life, in a manner so as to judiciously balance short term with long term priorities.
5. To design Remuneration practices such that they reinforce the Company's values and culture and to implement them in a manner that complies with all relevant regulatory requirements.

Remuneration of Key Managerial Personnel (KMP)

1. Remuneration of KMP is determined and recommended by the Nomination and Remuneration Committee and approved by the Board. Remuneration of the Managing Director / Wholetime Director / Manager is also subject to the approval of the shareholders.
2. Remuneration is reviewed and revised periodically, when such a revision is warranted by the market.
3. Apart from fixed elements of remuneration and benefits, the KMP are also eligible for Variable Pay / Performance Bonus which is linked to their individual performance.
4. Remuneration of KMP on deputation from the Holding Company / subsidiary / fellow subsidiary / associate companies, is aligned to the Remuneration Policy of that company.

Remuneration of Independent Directors

Independent Directors are entitled to sitting fees for attending meetings of the Board and Board Committees, the quantum of which is determined by the Board within the limits prescribed under the Companies Act, 2013 and the Rules thereunder. Independent Directors are also entitled to reimbursement of expenses for attending meetings of the Board and Board Committees and General Meetings.

Remuneration of employees other than KMP

1. Remuneration of employees other than KMP is approved by the Board.
2. Remuneration is reviewed and revised periodically, when such a revision is warranted by the market. The quantum of revision is linked to market trends, the competitive context of the Company's business, as well as the track record of the individual employee.
3. Variable Pay is based on the performance rating of the individual employee.

Annexure 2 to the Report of the Board of Directors & Management Discussion and Analysis for the financial year ended 31st March, 2017

[Information pursuant to Rules 5(2) and 5(3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]

Names of employees	Age	Designation	Gross Remuneration (₹)	Net Remuneration (₹)	Qualifications	Experience (Years)	Date of commencement of employment / deputation	Previous Employment / Position held
1	2	3	4	5	6	7	8	9
S. Suresh Kumar *	41	Chief Financial Officer	55,62,142/-	29,11,292/-	B. Com (Hons.), A.C.A., C.M.A.	17	01.01.2015	Manager (Domestic Treasury) - ITC Limited
S. Jain *	43	Manager & Company Secretary	30,62,245/-	18,78,377/-	B. Com (Hons.), A.C.S., C.M.A.	15	01.07.2005 (date of deputation – 01.01.2008)	-
T. K. Ghosal	44	Senior Manager	21,18,776/-	15,12,116/-	M. Com., A.C.S.	18	01.04.2015	Company Secretary - Wills Corporation Limited
T. Sarkar	51	Assistant Manager	10,17,988/-	7,82,398/-	B.Com.	27	01.04.2015	Accounts Supervisor - Russell Investments Limited
S. Bose	51	Office Associate	8,65,793/-	6,69,604/-	B. Sc., Post Graduate Diploma in Computers	21	01.02.1999	Secretarial Assistant - Sage Investments Limited
S. Mondal	47	Accounts Supervisor	7,35,909/-	6,05,741/-	B. Com (Hons.)	22	01.04.2015	Accounts Supervisor - Divya Management Limited
A. Kumar	35	Accounts Supervisor	6,61,019/-	5,37,071/-	B.A. (Hons.), M.B.A. (Finance)	11	01.08.2015	Information Analyst - Centre for Monitoring Indian Economy Pvt. Ltd.
D. K. Das	45	Junior Assistant	4,57,455/-	3,98,620/-	B.Com.	20	01.04.2015	Junior Assistant - Russell Investments Limited
J. Venkat Rao	40	Junior Assistant	3,93,815/-	3,35,944/-	B.Com.	11	01.04.2015	Junior Assistant - Divya Management Limited
A. Bose	27	Junior Assistant	2,66,520/-	2,35,173/-	B.Com (Hons.)	3	01.04.2015	Junior Assistant - Russell Investments Limited

** On deputation from ITC Limited, the Holding Company.*

Notes:

a. In respect of employees on deputation, gross remuneration disclosed as above is the deputation cost which is borne by the Company.

b. For the other employees, gross remuneration includes salary, variable pay, allowances & other benefits / applicable perquisites except provisions for gratuity and leave encashment which are actuarially determined on an overall Company basis. The term 'remuneration' has the meaning assigned to it under the Companies Act, 2013.

c. Net remuneration comprises cash income less income tax, education cess deducted at source and employee's own contribution to provident fund.

d. The Manager & Company Secretary and the Chief Financial Officer have been granted Stock Options by ITC Limited, the Holding Company, under its Employee Stock Option Schemes at 'market price' [within the meaning of the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014]. Since such Options are not tradeable, no perquisite or benefit is immediately conferred upon them by such grant of Options, and accordingly the said grant has not been considered as remuneration.

e. All appointments (except in case of employees on deputation) are contractual in accordance with terms and conditions as per Company's rules.

f. The aforesaid employees are neither relative of any Director / Manager of the Company nor hold any equity share in the Company.

On behalf of the Board

R. Tandon *Chairman*

Saradindu Dutta *Director*

Dated : 3rd May, 2017

Annexure 3 to the Report of the Board of Directors & Management Discussion and Analysis

Annual Report on CSR Activities of the Company for the financial year ended 31st March, 2017

[Section 135 of the Companies Act, 2013 read with the Companies (Corporate Social Responsibility Policy) Rules, 2014]

1.	A brief outline of the Company's CSR Policy, including overview of projects or programs proposed to be undertaken		The Company, a wholly owned subsidiary of ITC Limited (ITC), discharges its corporate social responsibilities (CSR) by aligning itself with the CSR Policy of ITC. The Company undertakes CSR activities: • as listed in Schedule VII to the Companies Act, 2013, in line with the CSR initiatives of ITC and as approved by the CSR Committee of the Company; • directly or through a registered trust or a registered society or a company established under Section 8 of the Companies Act, 2013. The Company may collaborate with ITC or other companies for undertaking CSR activities.
2.	Composition of the CSR Committee		Mr. R. Tandon (Chairman) Mr. B. B. Chatterjee Mr. P. Chatterjee
3.	Average net profits of the Company for last three financial years		₹ 5,512.82 lakhs
4.	Prescribed CSR expenditure (2% of the amount stated under 3 above)		₹ 110.26 lakhs
5.	Details of CSR spends during the financial year:	a) Total amount to be spent for the financial year b) Amount unspent, if any	₹ 111 lakhs Nil

c) Manner in which the amount spent during the financial year is detailed below:

Sl. No.	CSR project or activity identified	Sector in which the project is covered	Projects or programs (1) Local area or other (2) Specify the State and district where projects or programs were undertaken	Amount outlay (Budget) project or program wise	Amount spent on the projects or programs Sub-heads: (1) Direct expenditure on projects or programs (2) Overheads	Cumulative expenditure upto the reporting period	Amount spent: Direct or through implementing agency
1.	Contribution to ITC Rural Development Trust	Undertaking rural development projects [covered under Clause (x) of Schedule VII to the Companies Act, 2013]	N.A.	₹ 111 lakhs	₹ 111 lakhs	₹ 111 lakhs	Implementing Agency – ITC Rural Development Trust, Kolkata

The CSR Committee of the Board has confirmed that the implementation and monitoring of the CSR Policy is in compliance with the CSR objectives and Policy of the Company.

On behalf of the Board

R. Tandon *Chairman – CSR Committee*

Dated : 3rd May, 2017 Saradindu Dutta *Director*

Annexure 4 to the Report of the Board of Directors &

Management Discussion and Analysis for the financial year ended 31st March, 2017

Policy on dealing with Related Party Transactions

1. The Company shall not enter into any contract or arrangement with a related party without the approval of the Audit Committee.
2. The Audit Committee may, in the interest of the conduct of affairs of the Company, grant omnibus approval for related party transactions that are repetitive in nature, provided that the aggregate value of transactions which can be approved by the Committee in a financial year under the omnibus route shall not exceed 5% of the revenue of operations of the Company as per its last audited financial statements, with the value of each such transaction not exceeding 1% of the revenue of operations.
3. While assessing a proposal for approval under the omnibus route, the Audit Committee to satisfy itself on the need for such approval and that the same is in the interest of the Company. For this purpose, the following shall be placed before the Audit Committee while seeking omnibus approval:
   (a) The name(s) of the related party and the nature and duration of the transaction;
   (b) The maximum amount that can be transacted;
   (c) The indicative base price / current contracted price and the formula for variation in the price, if any; For this purpose, (i) price will mean the estimated money consideration under a contract of sale or purchase of goods or services, net of applicable taxes such as Sales Tax / Value Added Tax / Service Tax and (ii) the formula for variation of the price to be based on one of the globally accepted methods of establishing arm's length pricing such as Comparable Uncontrolled Price ('CUP'), Cost Plus, Transaction Net Margin and Resale Price Method.
   (d) Any other information relevant or important for the Audit Committee to take a decision on the proposed transaction.
4. The Audit Committee shall review, at least on a half-yearly basis, the details of related party transactions entered into by the Company pursuant to the omnibus approval; such omnibus approval to be valid for the financial year.
5. Where the need for related party transactions cannot be foreseen and the details mentioned in (3) above are not available, the Audit Committee may grant omnibus approval for such transactions subject to their value not exceeding ₹ 50 lakhs per transaction.

6. Transactions of the following nature are not to be subjected to the omnibus approval mechanism:
   (a) Transactions which are not in the ordinary course of business or not at arm's length;
   (b) Transactions exceeding the threshold limits specified in (2) above;
   (c) Transactions which are not repetitive or not unforeseen in nature;
   (d) Transactions in respect of sale or disposal of any undertaking of the Company.
7. As the term 'transaction' has not been defined in the Companies Act, 2013 and the Rules framed thereunder, it will mean a single transaction or a group of transactions under a single contract or arrangement in line with the definition prescribed for listed companies under the SEBI Regulations.
8. In the event any contract or arrangement with a related party is not in the ordinary course of business or not at arm's length, the Company shall comply with the provisions of the Companies Act, 2013 and the Rules framed thereunder and obtain approval of the Board and / or shareholders, as applicable, for such contract or arrangement.
9. The requisite details of (a) material related party transactions and (b) related party transactions which are not at arm's length, shall be disclosed in the Annual Report in terms of the Companies Act, 2013 & the Rules framed thereunder and the RBI Regulations.

   For this purpose, a transaction with a related party shall be considered material if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceeds 10% of the revenue of operations of the Company as per its last audited financial statements.

Annexure 5 to the Report of the Board of Directors &
Management Discussion and Analysis for the financial year ended 31st March, 2017

FORM NO. AOC-2

[Pursuant to Section 134(3)(h) of the Companies Act, 2013 and
Rule 8(2) of the Companies (Accounts) Rules, 2014]

Form for disclosure of particulars of contracts / arrangements entered into by the Company with related parties referred to in sub-section (1) of Section 188 of the Companies Act, 2013 including certain arm's length transactions under third proviso thereto

1. Details of contracts or arrangements or transactions not at arm's length basis

a)	Name(s) of the related party and nature of relationship	NIL
b)	Nature of contracts / arrangements / transactions	
c)	Duration of the contracts / arrangements / transactions	
d)	Salient terms of the contracts or arrangements or transactions including the value, if any	
e)	Justification for entering into such contracts or arrangements or transactions	
f)	Date(s) of approval by the Board	
g)	Amount paid as advances, if any	
h)	Date on which the special resolution was passed in general meeting as required under first proviso to Section 188	

2. Details of material contracts or arrangements or transactions at arm's length basis

a)	Name(s) of the related party and nature of relationship	North East Nutrients Private Limited (NENPL), fellow subsidiary
b)	Nature of contracts / arrangements / transactions	Secured inter-corporate loan of ₹ 800 lakhs to NENPL
c)	Duration of the contracts / arrangements / transactions	Not exceeding one year from 21st January, 2016
d)	Salient terms of the contracts or arrangements or transactions including the value, if any	• Secured by hypothecation of NENPL's movable fixed assets, inventory and receivables • Interest payable on quarterly basis @ 12% per annum
e)	Date(s) of approval by the Board, if any	The Board of Directors of the Company at the meeting held on 18th December, 2014 delegated the power to two Directors to grant inter-corporate loans to fellow Indian subsidiaries
f)	Amount paid as advances, if any	Nil

On behalf of the Board

R. Tandon *Chairman*

Dated : 3rd May, 2017 Saradindu Dutta *Director*

Annexure 6 to the Report of the Board of Directors & Management Discussion and Analysis

FORM NO. MGT-9
EXTRACT OF ANNUAL RETURN
as on the financial year ended on 31st March, 2017

[Pursuant to Section 92(3) of the Companies Act, 2013 and Rule 12(1) of the Companies (Management and Administration) Rules, 2014]

I. REGISTRATION AND OTHER DETAILS

i) CIN	:	U65993WB1994PLC061684
ii) Registration Date	:	1st February, 1994
iii) Name of the Company	:	Russell Credit Limited
iv) Category / Sub-Category of the Company	:	Unlisted Public Company limited by shares
v) Address of the Registered office and contact details	:	Virginia House 37 J. L. Nehru Road Kolkata – 700 071 Phone: 033 2288 4086 / 6228 / 1946 Fax: 033 2288 9980 e-mail ID : RussellCredit.Limited@itc.in
vi) Whether listed company	:	No
vii) Name, Address and Contact details of Registrar and Transfer Agent, if any	:	N.A.

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

All the business activities contributing 10% or more of the total turnover of the Company shall be stated:

Sl. No.	Name and Description of main products / services	NIC Code of the product / service	% to total turnover of the Company
1.	Other financial service activities: • Interest Income from Bonds • Interest Income from Loans • Net profit on sale of stock-in-trade	64990	 35.47% 20.93% 20.67%
2.	Brokerage Income	66120	10.08%

III. PARTICULARS OF HOLDING, SUBSIDIARIES AND ASSOCIATE COMPANIES

Sl. No.	Name and address of the company	CIN / GLN	Holding / Subsidiary / Associate	% of shares held in / by the Company	Applicable Section
1.	ITC Limited Virginia House 37 Jawaharlal Nehru Road Kolkata – 700 071	L16005WB1910PLC001985	Holding company	100.00%	2(46)
2.	Greenacre Holdings Limited ITC Centre 37 J. L. Nehru Road Kolkata – 700 071	U55202WB1986PLC049467	Subsidiary company	100.00%	2(87)
3.	International Travel House Limited Travel House, T-2 Community Centre Sheikh Sarai, Phase I New Delhi – 110 017	L63040DL1981PLC011941	Associate company	45.36%	2(6)
4.	Divya Management Limited 8/2 Kiron Sankar Roy Road 2nd floor, Room No. 28 Kolkata – 700 001	U51109WB1995PLC069518	Associate company	33.33%	2(6)
5.	Antrang Finance Limited 4 Ripon Street, 2nd Floor Kolkata – 700 016	U65993WB1993PLC060271	Associate company	33.33%	2(6)
6.	Russell Investments Limited 21 Prafulla Sarkar Street Kolkata – 700 072	U65993WB1987PLC043324	Associate company	25.43%	2(6)
7.	Maharaja Heritage Resorts Limited 25, Community Centre, Basant Lok, Vasant Vihar New Delhi – 110 057	U74899DL1995PLC099649	Associate company	25.00%	2(6)

IV. SHAREHOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity)

(i) Category-wise Shareholding:

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
A. Promoters									
(1) **Indian**									
a) Individual/HUF	–	–	–	–	–	–	–	–	N.A.
b) Central Govt.	–	–	–	–	–	–	–	–	N.A.
c) State Govt.(s)	–	–	–	–	–	–	–	–	N.A.
d) Bodies Corp.	–	67,28,76,577	67,28,76,577	100.00	–	67,28,76,577	67,28,76,577	100.00	Nil
e) Banks / FI	–	–	–	–	–	–	–	–	N.A.
f) Any Other	–	–	–	–	–	–	–	–	N.A.
Sub-total (A)(1)	–	**67,28,76,577**	**67,28,76,577**	**100.00**	–	**67,28,76,577**	**67,28,76,577**	**100.00**	**Nil**
(2) **Foreign**									
a) NRIs – Individuals	–	–	–	–	–	–	–	–	N.A.
b) Other – Individuals	–	–	–	–	–	–	–	–	N.A.
c) Bodies Corp.	–	–	–	–	–	–	–	–	N.A.
d) Banks / FI	–	–	–	–	–	–	–	–	N.A.
e) Any Other	–	–	–	–	–	–	–	–	N.A.
Sub-total (A)(2)	–	–	–	–	–	–	–	–	**N.A.**
Total shareholding of Promoter (A) = (A)(1)+(A)(2)	–	**67,28,76,577**	**67,28,76,577**	**100.00**	–	**67,28,76,577**	**67,28,76,577**	**100.00**	**Nil**
B. Public Shareholding									
(1) **Institutions**									
a) Mutual Funds	–	–	–	–	–	–	–	–	N.A.
b) Banks / FI	–	–	–	–	–	–	–	–	N.A.
c) Central Govt.	–	–	–	–	–	–	–	–	N.A.
d) State Govt.(s)	–	–	–	–	–	–	–	–	N.A.
e) Venture Capital Funds	–	–	–	–	–	–	–	–	N.A.
f) Insurance Companies	–	–	–	–	–	–	–	–	N.A.
g) FIIs	–	–	–	–	–	–	–	–	N.A.
h) Foreign Venture Capital Funds	–	–	–	–	–	–	–	–	N.A.
i) Others (specify)	–	–	–	–	–	–	–	–	N.A.
Sub-total (B)(1)	–	–	–	–	–	–	–	–	**N.A.**
(2) **Non-Institutions**									
a) Bodies Corp.									
i) Indian	–	–	–	–	–	–	–	–	N.A.
ii) Overseas	–	–	–	–	–	–	–	–	N.A.
b) Individuals i) Individual shareholders holding nominal share capital upto ₹ 1 lakh	–	–	–	–	–	–	–	–	N.A.
ii) Individual shareholders holding nominal share capital in excess of ₹ 1 lakh	–	–	–	–	–	–	–	–	N.A.
c) Others (specify)	–	–	–	–	–	–	–	–	N.A.
Sub-total (B)(2)	–	–	–	–	–	–	–	–	**N.A.**
Total Public Shareholding (B)=(B)(1) + (B)(2)	–	–	–	–	–	–	–	–	**N.A.**
C. Shares held by Custodian for GDRs & ADRs	–	–	–	–	–	–	–	–	N.A.
Grand Total (A+B+C)	–	**67,28,76,577**	**67,28,76,577**	**100.00**	–	**67,28,76,577**	**67,28,76,577**	**100.00**	**Nil**

(ii) Shareholding of Promoters:

Sl. No.	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in shareholding during the year
		No. of Shares	% of total Shares of the Company	% of Shares pledged / encumbered to total Shares	No. of Shares	% of total Shares of the Company	% of Shares pledged / encumbered to total Shares	
1.	ITC Limited	67,28,76,577	100.00	Nil	67,28,76,577	100.00	Nil	Nil

(iii) **Change in Promoters' Shareholding (please specify, if there is no change):**

Sl. No.		Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of Shares	% of total Shares of the Company	No. of Shares	% of total Shares of the Company
	At the beginning of the year	No change during the year			
	Date wise Increase / Decrease in Promoters Shareholding during the year				
	At the end of the year				

(iv) **Shareholding Pattern of top ten Shareholders (other than Directors, Promoters and Holders of GDRs and ADRs):** NOT APPLICABLE

(v) **Shareholding of Directors and Key Managerial Personnel:** None of the Directors and Key Managerial Personnel hold any share in the Company in their individual capacity.

V. INDEBTEDNESS

Indebtedness of the Company including interest outstanding / accrued but not due for payment: NIL

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

A. Remuneration to Managing Director, Wholetime Directors and / or Manager:

(₹ in lakhs)

Sl. No.	Particulars of Remuneration	S. Jain (Manager & Company Secretary) *(refer Note)*
1.	Gross Salary	
	(a) Salary as per provisions contained in Section 17(1) of the Income-tax Act, 1961	25.38
	(b) Value of perquisites under Section 17(2) of the Income-tax Act, 1961	4.58
	(c) Profits in lieu of salary under Section 17(3) of the Income-tax Act, 1961	–
2.	Stock Option	–
3.	Sweat Equity	–
4.	Commission - as % of profit - others, specify	–
5.	Others, please specify	–
Total Amount (A)		**29.96**
Ceiling as per the Companies Act, 2013 *(5% of the net profits of the Company computed in accordance with Section 198 of the said Act)*		244.76

Note: Mr. S. Jain is on deputation from ITC Limited (ITC) and has been granted Stock Options by ITC under its Employee Stock Option Schemes at 'market price' [within the meaning of the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014]. Since such Options are not tradeable, no perquisite or benefit is immediately conferred upon him by such grant of Options, and accordingly the said grant has not been considered as remuneration.

B. Remuneration to other Directors:

(₹ in lakhs)

Sl. No.	Name of the Directors	Particulars of Remuneration			Total Amount
		Fee for attending Board and Board Committee meetings	Commission	Independent Directors' Meeting Fee	
1.	**Independent Directors**				
	P. Chatterjee	1.70	Nil	0.10	1.80
	A. Guhamallick	1.80		0.10	1.90
	Total Amount (B)(1)	**3.50**		**0.20**	**3.70**
2.	**Other Non-Executive Directors**				
	R. Tandon	Nil	Nil	Nil	Nil
	B. B. Chatterjee				
	Saradindu Dutta				
	Supratim Dutta				
	Total Amount (B)(2)				**Nil**
Total Amount (B) = (B)(1) + (B)(2)					**3.70**
Total Managerial Remuneration (A + B)					**33.66**
Overall ceiling as per the Companies Act, 2013 *(11% of the net profits of the Company computed in accordance with Section 198 of the said Act)*					538.48

C. Remuneration to Key Managerial Personnel other than MD / Manager / WTD:

(₹ in lakhs)

Sl. No.	Particulars of Remuneration	S. Suresh Kumar (Chief Financial Officer) *(refer Note)*
1.	Gross Salary	
	(a) Salary as per provisions contained in Section 17(1) of the Income-tax Act, 1961	47.60
	(b) Value of perquisites under Section 17(2) of the Income-tax Act, 1961	7.99
	(c) Profits in lieu of salary under Section 17(3) of the Income-tax Act, 1961	–
2.	Stock Option	–
3.	Sweat Equity	–
4.	Commission - as % of profit - others, specify	–
5.	Others, please specify	–
Total Amount		**55.59**

Note: Mr. S. Suresh Kumar is on deputation from ITC Limited (ITC) and has been granted Stock Options by ITC under its Employee Stock Option Schemes at 'market price' [within the meaning of the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014]. Since such Options are not tradeable, no perquisite or benefit is immediately conferred upon him by such grant of Options, and accordingly the said grant has not been considered as remuneration.

VII. PENALTIES / PUNISHMENT / COMPOUNDING OF OFFENCES against the Company, Directors and other Officers in Default under the Companies Act, 2013 : None

On behalf of the Board

R. Tandon *Chairman*

Dated : 3rd May, 2017 Saradindu Dutta *Director*

Annexure 7 to the Report of the Board of Directors & Management Discussion and Analysis

SECRETARIAL AUDIT REPORT

FOR THE FINANCIAL YEAR ENDED ON 31ST MARCH, 2017

[Pursuant to Section 204(1) of the Companies Act, 2013 and Rule 9 of
The Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]

To,

The Members,
M/s. Russell Credit Limited
Virginia House,
37, J.L. Nehru Road,
Kolkata – 700 071

1. We have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by **M/s. Russell Credit Limited** (hereinafter called 'the Company') for the financial year ended 31st March, 2017. Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing our opinion thereon.

2. On the basis of verification of the secretarial compliance and on the basis of secretarial audit of Company's books, papers, minute books, forms and returns filed and other records maintained by the Company, as shown to us during the said audit and also based on the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, we hereby report that in our opinion and to the best of our understanding, the Company has, during the audit period covering the financial year ended on 31st March, 2017, complied with the statutory provisions listed hereunder and also that the Company has adequate Board processes and compliance mechanism in place to the extent, in the manner and subject to the reporting made hereinafter.

3.

(a) We have examined the secretarial compliance based on the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on 31st March, 2017 and as shown to us during our audit, according to the provisions of the following laws:

(i) The Companies Act, 2013 (the Act) and the Rules made thereunder;

(ii) The Foreign Exchange Management Act, 1999 and the Rules and Regulations made thereunder, as applicable;

(iii) The Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act') viz. :-

a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;

(b) We have also examined the secretarial compliance based on the books, papers, forms and returns filed and other records maintained by the Company for the financial year ended on 31st March, 2017 according to the provisions of the following laws specifically applicable to the Company and as shown to us during our audit:

(i) Systemically Important Non-Banking Financial (Non - Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2015 applicable till 31st August, 2016;

(ii) Non-Banking Financial Companies – Corporate Governance (Reserve Bank) Directions, 2015, applicable till 31st August, 2016;

(iii) Non- Banking Financial Company – Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016, with effect from 1st September, 2016;

(iv) Other RBI Regulations as applicable to Systemically Important Non-Deposit taking NBFCs.

(v) Reserve Bank of India and Securities and Exchange Board of India guidelines relating to Mutual Fund Advisor.

4. We have also examined compliance with the applicable clauses of the following:

(i) Secretarial Standards issued by The Institute of Company Secretaries of India under Section 118 of the Companies Act, 2013.

5. On the basis of the audit as referred above and to the best of our knowledge, understanding and belief, we are of the view that during the period under review the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above in paragraph 3(a), 3(b) and paragraph 4 of this report.

6. We further report that,

a) The Board of Directors of the Company is duly constituted with proper balance of Non-Executive Directors and Independent Directors, in compliance with the applicable provisions of law. There has been no change in the composition of the Board of Directors of the Company during the period under review.

b) Adequate notice is given to all Directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

7. We further report that there are adequate systems and processes in the Company commensurate with the size and operations of the Company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

8. This Report is to be read with our letter of even date which is annexed as **Annexure A** and forms an integral part of this Report.

For, **ANJAN KUMAR ROY & CO.**
Company Secretaries
ANJAN KUMAR ROY
Proprietor
FCS No. 5684
CP. No. 4557

Place : Kolkata
Date : 26/04/2017

'Annexure A'

(To the Secretarial Audit Report of M/s. Russell Credit Limited for the Financial Year ended 31/03/2017)

To,
The Members,
M/s. Russell Credit Limited
Virginia House,
37, J.L. Nehru Road,
Kolkata – 700 071

Our Secretarial Audit Report for the financial year ended 31/03/2017 of even date is to be read along with this letter.

1. Maintenance of secretarial record is the responsibility of the management of the Company. Our responsibility is to express an opinion on these secretarial records based on our audit.

2. We have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the secretarial records. The verification was done on test basis to ensure that correct facts are reflected in secretarial records. We believe that the processes and practices, we followed provide a reasonable basis for our opinion.

3. We have not verified the correctness and appropriateness of financial records and Books of Accounts of the Company.

4. Wherever required, we have obtained the Management representation about the compliance of laws, rules and regulations and happening of events etc.

5. The compliance of the provisions of corporate and other applicable laws, rules, regulations, standards is the responsibility of management. Our examination was limited to the verification of procedures on test basis.

6. The Secretarial Audit Report is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.

For, **ANJAN KUMAR ROY & CO.**
Company Secretaries
ANJAN KUMAR ROY
Proprietor
FCS No. 5684
CP. No. 4557

Place : Kolkata
Date : 26/04/2017

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF RUSSELL CREDIT LIMITED

Report on the Financial Statements

We have audited the accompanying financial statements of RUSSELL CREDIT LIMITED ("the Company"), which comprise the Balance Sheet as at 31st March, 2017, the Statement of Profit and Loss and the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards prescribed under Section 133 of the Act.

This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgements and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit.

In conducting our audit, we have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit of the financial statements in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence, obtained by us is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements 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, of the state of affairs of the Company as at 31st March, 2017, and its profit and its cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. As required by Section 143 (3) of the Act, based on our audit we report, to the extent applicable that:
   a) We have sought and 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 it appears from our examination of those books.
   c) The Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement dealt with by this Report are in agreement with the books of account
   d) In our opinion, the aforesaid financial statements comply with the Accounting Standards prescribed under Section 133 of the Act.
   e) On the basis of the written representations received from the directors as on 31st March, 2017 taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2017 from being appointed as a director in terms of Section 164 (2) of the Act.
   f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure A". Our report expresses an unmodified opinion on the adequacy and operating effectiveness of the Company's internal financial controls over financial reporting.
   g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, as amended, in our opinion and to the best of our information and according to the explanations given to us:
      i. The Company has disclosed the impact of pending litigations on its financial position in its financial statements in accordance with the generally accepted accounting practice - also refer Note 6 and Note 21(ii)(a) to the financial statements.
      ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.
      iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.
      iv. The Company has provided requisite disclosures in the financial statements as regards its holding and dealings in Specified Bank Notes as defined in the Notification S.O. 3407(E) dated the 8th November, 2016 of the Ministry of Finance, during the period from 8th November, 2016 to 30th December, 2016. Based on audit procedures performed and the representations provided to us by the management we report that the disclosures are in accordance with the books of account maintained by the Company and as produced to us by the Management. Also refer Note 21 (v) to the financial statements.
2. As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government in terms of Section 143(11) of the Act, we give in "Annexure B" a statement on the matters specified in paragraphs 3 and 4 of the Order.

For A. F. FERGUSON & CO
Chartered Accountants
(Firm's Registration No. 112066W)

Ketan Vora
Partner
(Membership No. 100459)

Place: Kolkata
Date: 3rd May, 2017

ANNEXURE A TO THE INDEPENDENT AUDITOR'S REPORT

(Referred to in paragraph 1(f) under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

Report on the Internal Financial Controls Over Financial Reporting under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls over financial reporting of RUSSELL CREDIT LIMITED ("the Company") as of 31st March, 2017 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditor's Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") issued by the Institute of Chartered Accountants of India and the Standards on Auditing prescribed under Section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the

Company's internal financial controls system over financial reporting.

Meaning of Internal Financial Controls Over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, to the best of our information and according to the explanations given to us, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31st March, 2017, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For A. F. FERGUSON & CO
Chartered Accountants
(Firm's Registration No. 112066W)
Ketan Vora
Partner
(Membership No. 100459)

Place: Kolkata
Date: 3rd May, 2017

ANNEXURE B TO THE INDEPENDENT AUDITOR'S REPORT

(Referred to in paragraph 2 under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

(i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of property, plant and equipment.

(b) The property, plant and equipment were physically verified during the year by the management in accordance with a regular programme of verification which, in our opinion, provides for physical verification of all the property, plant and equipment at reasonable intervals. According to the information and explanations given to us, no material discrepancies were noticed on such verification.

(c) With respect to immovable properties of acquired land and buildings that are freehold, according to the information and explanations given to us and the records examined by us and based on the examination of the registered sale deed / transfer deed / conveyance deed / court orders approving schemes of amalgamations provided to us, we report that, the title deeds, of such immovable properties are held in the name of the Company as at the balance sheet date.

(ii) The Company does not have any inventory and hence reporting under clause (ii) of the Order is not applicable.

(iii) The Company has not granted any loans, secured or unsecured, to companies, firms, Limited Liability Partnerships or other parties covered in the Register maintained under Section 189 of the Companies Act, 2013.

(iv) In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Sections 185 and 186 of the Companies Act, 2013 in respect of grant of loans, making investments and providing guarantees and securities, as applicable.

(v) According to the information and explanations given to us, the Company has not accepted any deposit during the year. There are no unclaimed deposits under the provisions of Sections 73 to 76 or any other relevant provisions of the Companies Act, 2013.

(vi) Having regard to the nature of the Company's business / activities, reporting under clause (vi) of the Order is not applicable.

(vii) According to the information and explanations given to us, in respect of statutory dues:

(a) The Company has been regular in depositing undisputed statutory dues, including Provident Fund, Income-tax, Sales Tax, Service Tax, Value Added Tax, Cess and other material statutory dues applicable to it with the appropriate authorities. Customs Duty and Excise Duty are not applicable to the Company.

(b) Details of dues of Income-tax, Sales Tax, Service Tax and Value Added Tax which have not been deposited as on 31st March, 2017 on account of disputes are given below:

Name of Statute	Nature of Dues	Amount (₹ in lakhs)	Period to which the amount relates	Forum where Dispute is Pending
			Various years covering the period	
Uttar Pradesh Value Added Tax erstwhile namely "UP Trade Tax Act, 1948"	Lease Tax	37.01	1996-97 to 1999-2000	Joint Commissioner (A), Trade Tax, Kanpur
Income Tax Act, 1961	Income Tax	76.56	2001-02	Income Tax Appellate Tribunal, Mumbai
Tamil Nadu General Sales Tax Act & Central Sales Tax Act	Sales Tax	1.79	2003-04	Sales Tax Appellate Tribunal
Tamil Nadu General Sales Tax Act & Central Sales Tax Act	Sales Tax	19.24	2004-05	Commercial Tax Officer
Tamil Nadu General Sales Tax Act & Central Sales Tax Act	Sales Tax	24.25	2005-06	Commercial Tax Officer
The Central Sales Tax Act	Sales Tax	10.53	2005-06	Directorate of Commercial Taxes
Income Tax Act, 1961	Income Tax	19.50	2008-09	Income Tax Appellate Tribunal, Mumbai

Out of the total disputed dues aggregating ₹ 188.88 lakhs as above, ₹ 178.35 lakhs has been stayed for recovery by the relevant authorities.

(viii) The Company has not taken any loans or borrowings from financial institutions, banks and government or has not issued any debentures. Hence reporting under clause (viii) of the Order is not applicable to the Company.

(ix) The Company has not raised moneys by way of initial public offer or further public offer (including debt instruments) or term loans and hence reporting under clause (ix) of the Order is not applicable.

(x) To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company and no material fraud on the Company by its officers or employees has been noticed or reported during the year.

(xi) In our opinion and according to the information and explanations given to us, the Company has paid / provided managerial remuneration in accordance with the requisite approvals mandated by the provisions of Section 197 read with Schedule V to the Companies Act, 2013.

(xii) The Company is not a Nidhi Company and hence reporting under clause (xii) of the Order is not applicable.

(xiii) In our opinion and according to the information and explanations given to us the Company is in compliance with Sections 177 and 188 of the Companies Act, 2013, where applicable, for all transactions with the related parties and the details of related party transactions have been disclosed in the financial statements etc. as required by the applicable accounting standards.

(xiv) During the year the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures and hence reporting under clause (xiv) of the Order is not applicable to the Company.

(xv) In our opinion and according to the information and explanations given to us, during the year the Company has not entered into any non-cash transactions with its directors or directors of its holding, subsidiary or associate company or person connected with them and hence provisions of Section 192 of the Companies Act, 2013 are not applicable.

(xvi) The Company is required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934 and it has obtained the registration.

For A. F. FERGUSON & CO
Chartered Accountants
(Firm's Registration No. 112066W)
Ketan Vora
Partner
(Membership No. 100459)

Place: Kolkata
Date: 3rd May, 2017

BALANCE SHEET AS AT 31ST MARCH, 2017

	Note		As at 31st March, 2017 (₹ in lakhs)		As at 31st March, 2016 (₹ in lakhs)
EQUITY AND LIABILITIES					
Shareholders' funds					
Share capital	1	64,647.88		64,647.88	
Reserves and surplus	2	16,148.98	80,796.86	12,727.13	77,375.01
Non-current liabilities					
Deferred tax liabilities (Net)	3	–		90.35	
Long-term provisions	4	47.21	47.21	42.68	133.03
Current liabilities					
Other current liabilities	5	191.99		55.66	
Short-term provisions	6	117.85	309.84	81.24	136.90
TOTAL			81,153.91		77,644.94
ASSETS					
Non-current assets					
Property, Plant and Equipment	7				
Tangible assets		703.77		1,351.73	
Non-current investments	8	16,965.77		16,965.77	
Deferred tax asset (Net)	9	70.62		-	
Long-term loans and advances	10	4,875.48	22,615.64	6,645.15	24,962.65
Current assets					
Inventories	11	55,500.29		33,717.71	
Trade receivables	12	1,072.66		1,495.61	
Cash and bank balances	13	607.28		15,852.72	
Short-term loans and advances	14	1,357.20		1,552.50	
Other current assets	15	0.84	58,538.27	63.75	52,682.29
TOTAL			81,153.91		77,644.94

The accompanying notes 1 to 22 are an integral part of the Financial Statements.

In terms of our report attached

For A. F. Ferguson & Co.
Chartered Accountants

On behalf of the Board

KETAN VORA
Partner

SARADINDU DUTTA *Director*
S. SURESH KUMAR *Chief Financial Officer*

R. TANDON *Chairman*
S. JAIN *Manager & Company Secretary*

Kolkata, 3rd May, 2017

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH, 2017

	Note	For the year ended 31st March, 2017 (₹ in lakhs)	For the year ended 31st March, 2016 (₹ in lakhs)
Revenue from operations	16	4,627.64	5,898.34
Other income	17	1,339.07	1,165.28
Total Revenue		5,966.71	7,063.62
Expenses			
Employee benefits expense	18	300.28	136.32
Depreciation expense		228.27	197.88
Other expenses	19	577.21	216.33
Total Expenses		1,105.76	550.53
Profit before tax		4,860.95	6,513.09
Tax expense:			
Current tax	20	1,600.07	2,015.00
Deferred tax	20	(160.97)	(3.13)
Profit for the year		3,421.85	4,501.22
Earnings per share (Face Value ₹ 10.00 each) - Basic and Diluted (in ₹)	21(i)	0.53	0.70

The accompanying notes 1 to 22 are an integral part of the Financial Statements.

In terms of our report attached

For A. F. Ferguson & Co.
Chartered Accountants

On behalf of the Board

KETAN VORA
Partner

SARADINDU DUTTA *Director*
S. SURESH KUMAR *Chief Financial Officer*

R. TANDON *Chairman*
S. JAIN *Manager & Company Secretary*

Kolkata, 3rd May, 2017

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2017

		For the year ended 31st March, 2017 (₹ in lakhs)		For the year ended 31st March, 2016 (₹ in lakhs)
A. Cash Flow from Operating Activities				
PROFIT BEFORE TAX		4,860.95		6,513.09
ADJUSTMENTS FOR:				
Depreciation expense	228.27		197.88	
Interest income	(3,923.78)		(2,789.20)	
Dividend income from long-term investments	(154.17)		(298.41)	
Dividend income from equity market operations	-		(9.73)	
Dividend income from mutual funds held as stock-in-trade	-		(12.86)	
Gain on sale of long-term investments	-		(7.49)	
Loss on disposal of property, plant and equipment	314.62		0.08	
Provision on assets held for sale during the year	21.86		-	
Provision on standard assets created during the year	-		20.51	
		(3,513.20)		(2,899.22)
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES		1,347.75		3,613.87
ADJUSTMENTS FOR:				
Trade receivables	422.95		(1,111.84)	
Inventories	(21,782.58)		12,106.11	
Loans and advances	1,832.94		(7,545.37)	
Other liabilities and provisions	162.73		(45.88)	
		(19,363.96)		3,403.02
CASH GENERATED FROM/(USED IN) OPERATIONS BEFORE INTEREST AND DIVIDEND		(18,016.21)		7,016.89
Interest income other than deposits with banks	2,640.81		1,630.52	
Dividend income from long-term investments	154.17		298.41	
Dividend income from equity market operations	-		9.73	
Dividend income from mutual funds held as stock-in-trade	-		12.86	
		2,794.98		1,951.52
CASH GENERATED FROM/(USED IN) OPERATIONS		(15,221.23)		8,968.41
Income tax paid		(1,453.28)		(2,069.74)
NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES		(16,674.51)		6,898.67
B. Cash Flow from Investing Activities				
Disposal of property, plant and equipment	105.06		-	
Purchase of Subsidiary - Wills Corporation Limited [Refer Note 21 (ix) (A)]	-		(488.56)	
Purchase of Subsidiary - BFIL Finance Limited [Refer Note 21 (ix) (B)]	-		...	
Sale of long-term investments	-		384.37	
Redemption proceeds from fixed deposit	15,782.74		-	
Investment in debentures of Subsidiary - BFIL Finance Limited [Refer Note 21(ix) (B)]	-		(52.00)	
Investment in bank deposits (original maturity more than 3 months)	(191.99)		(2,548.48)	
Interest income from deposits with banks	1,324.02		1,207.51	
NET CASH GENERATED FROM/(USED IN) INVESTING ACTIVITIES		17,019.83		(1,497.16)
C. Cash Flow from Financing Activities				
Interim Dividend Paid	-		(4,525.35)	
Income Tax on Interim Dividend Paid	-		(921.26)	
NET CASH USED IN FINANCING ACTIVITIES		-		(5,446.61)
NET INCREASE/(DECREASE)IN CASH AND CASH EQUIVALENTS		345.32		(45.10)
OPENING CASH AND CASH EQUIVALENTS		69.97		43.49
CASH AND CASH EQUIVALENTS PURSUANT TO THE SCHEME OF AMALGAMATION [Refer Note 2(I) below]		-		1.52
CASH AND CASH EQUIVALENTS PURSUANT TO THE SCHEME OF AMALGAMATION [Refer Note 2(II) below]		-		70.06
CLOSING CASH AND CASH EQUIVALENTS		415.29		69.97

Notes:

1. The above Cash Flow Statement has been prepared under the "Indirect Method" as set out in Accounting Standard - 3 "Cash Flow Statements".
2. The following are non-cash transactions undertaken in 2015-16 :
   I. Wills Corporation Limited
   (a) Pursuant to the Scheme of Amalgamation [Refer Note 21 (ix) (A)] the entire assets and liabilities of Wills Corporation Limited was transferred to and vested in the Company, from 1st April, 2015 at the values stated below :

	2015-16 (₹ in lakhs)
(i) Reserves & surplus	92.81
(ii) Other long-term liabilities	24.00
(iii) Long-term provisions	4.88
(iv) Other current liabilities	1.75
(v) Tangible assets	41.05
(vi) Long-term loans and advances	0.37
(vii) Cash and cash equivalents	1.52
(viii)Other bank balances	565.18
(ix) Other current assets	3.89

   (b) As per the Scheme of Amalgamation, 48,85,626 Equity Shares of ₹ 10.00 each of Wills Corporation Limited acquired by the Company during the previous year, were cancelled.

   II. BFIL Finance Limited
   (a) Pursuant to the Scheme of Amalgamation [Refer Note 21 (ix) (B)] the entire assets and liabilities of BFIL Finance Limited was transferred to and vested in the Company, from 1st April, 2015 at the values stated below:

	2015-16 (₹ in lakhs)
(i) Trade payables	(1.81)
(ii) Other current liabilities	(43.86)
(iii) Short-term provisions	(80.67)
(iv) Long-term loans & advances	28.26
(v) Inventories	...
(vi) Cash and cash equivalents	70.06
(vii) Other bank balances	169.09
(viii)Other current assets	23.93
Net Assets	**165.00**

(b) As per the Scheme of Amalgamation,
– 2,00,00,000 Equity Shares of ₹ 10.00 each of BFIL Finance Limited acquired at ₹ 1.00,
– 15,00,000, 9% Unsecured Redeemable Non-Convertible Debentures of ₹ 100.00 each, fully paid, acquired at ₹ 52.00 lakhs
– Loan and advances (asset) acquired at ₹ 113.00 lakhs,
by the Company during the previous year, were cancelled.

3. Since the Company is an investment company, purchase and sale of investments and investments in fixed deposits have been considered as part of "Cash Flow from Investing Activities" and income earned on investments have been considered as part of "Cash Flow from Operating Activities".

4. **CASH AND CASH EQUIVALENTS:**

	2016-17 (₹ in lakhs)	2015-16 (₹ in lakhs)
Cash and Cash Equivalents as above	415.29	69.97
Other bank balances	191.99	15,782.75
Cash and bank balances (Note 13)	607.28	15,852.72

The accompanying notes 1 to 22 are an integral part of the Financial Statements.

In terms of our report attached

For A. F. Ferguson & Co.
Chartered Accountants

On behalf of the Board

KETAN VORA
Partner
Kolkata, 3rd May, 2017

SARADINDU DUTTA *Director*
S. SURESH KUMAR *Chief Financial Officer*
R. TANDON *Chairman*
S. JAIN *Manager & Company Secretary*

NOTES TO THE FINANCIAL STATEMENTS

	As at 31st March, 2017 (No. of Shares)	As at 31st March, 2017 (₹ in lakhs)	As at 31st March, 2016 (No. of Shares)	As at 31st March, 2016 (₹ in lakhs)
1. Share capital				
Authorised				
Equity Shares of ₹ 10.00 each	70,00,00,000	70,000.00	70,00,00,000	70,000.00
Issued and Subscribed				
Equity Shares of ₹ 10.00 each, fully paid	59,74,54,177	59,745.42	59,74,54,177	59,745.42
Equity Shares of ₹ 10.00 each, ₹ 6.50 per share paid up	7,54,22,400	4,902.46	7,54,22,400	4,902.46
TOTAL		64,647.88		64,647.88
A) Reconciliation of number of Equity Shares outstanding				
As at the beginning and at the end of the year (fully paid up)	59,74,54,177	59,745.42	59,74,54,177	59,745.42
As at the beginning and at the end of the year (partly paid up)	7,54,22,400	4,902.46	7,54,22,400	4,902.46
TOTAL		64,647.88		64,647.88

B) Shareholders holding more than 5% of the Equity Shares in the Company

	As at 31st March, 2017 (No. of Shares)	As at 31st March, 2017 %	As at 31st March, 2016 (No. of Shares)	As at 31st March, 2016 %
Issued, Subscribed and Fully Paid–up				
ITC Limited – Holding Company	59,74,54,177	100.00	59,74,54,177	100.00
Issued, Subscribed but not Fully Paid–up				
ITC Limited – Holding Company	7,54,22,400	100.00	7,54,22,400	100.00

C) Rights, preferences and restrictions attached to the Equity Shares

In respect of the Equity Shares of the Company having par value of ₹ 10.00 per share, the voting rights and entitlement to dividend are in the same proportion as the capital paid–up on such Equity Shares.

		As at 31st March, 2017 (₹ in lakhs)		As at 31st March, 2016 (₹ in lakhs)
2. Reserves and surplus				
Capital Reserve				
At the beginning and at the end of the year		287.67		287.67
General Reserve				
At the beginning of the year	235.94		224.79	
Add: Pursuant to the Scheme of Amalgamation [Refer Note 21 (ix) (A)]	–		11.15	
At the end of the year		235.94		235.94
Special Reserve u/s 45–IC of the Reserve Bank of India Act, 1934				
At the beginning of the year	10,808.53		9,908.29	
Add: Transfer from Surplus in Statement of Profit and Loss	684.37		900.24	
At the end of the year		11,492.90		10,808.53
Surplus in Statement of Profit and Loss				
At the beginning of the year	1,394.99		3,158.96	
Add: Pursuant to the Scheme of Amalgamation [Refer Note 21 (ix) (A)]	–		81.66	
Add: Profit for the year	3,421.85		4,501.22	
Less: Transfer to Special Reserve u/s 45–IC of the Reserve Bank of India Act, 1934	684.37		900.24	
Interim Dividend [Nil (2016 – ₹ 0.70) per share]	–		4,525.35	
Income tax paid on Interim Dividend	–		921.26	
At the end of the year		4,132.47		1,394.99
TOTAL		16,148.98		12,727.13

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

	As at 31st March, 2017 (₹ in lakhs)	As at 31st March, 2016 (₹ in lakhs)
3. Deferred tax liabilities (Net)		
Deferred tax liabilities		
On fiscal allowances on property, plant and equipment	–	95.07
	–	95.07
Deferred tax assets		
On employees' separation and retirement etc.	–	4.72
	–	4.72
TOTAL	–	90.35

	As at 31st March, 2017 (₹ in lakhs)	As at 31st March, 2016 (₹ in lakhs)
4. Long–term provisions		
Provision for employee benefits		
Provision for compensated absences	12.15	9.20
Provision for gratuity	6.01	4.43
Others		
Contingent provision against standard assets	29.05	29.05
TOTAL	47.21	42.68

	As at 31st March, 2017 (₹ in lakhs)	As at 31st March, 2016 (₹ in lakhs)
5. Other current liabilities		
Security deposits – from Holding Company	36.00	36.00
Liability for Share based payment to managers on deputation - payable to Holding Company	138.57	–
Other payables		
Statutory liabilities	6.41	3.99
Liabilities for expenses	11.01	15.67
TOTAL	191.99	55.66

	As at 31st March, 2017 (₹ in lakhs)	As at 31st March, 2016 (₹ in lakhs)
6. Short-term provisions		
Provision for litigation/disputes [Refer Note 21(x)]	81.24	81.24
Provision for tax (net of Advance Tax)	36.61	–
TOTAL	117.85	81.24

7. Property, plant and equipment

(₹ in lakhs)

	Gross Block							Depreciation								Net Book Value		
Particulars	As at 31st March, 2015	Additions - Pursuant to the Scheme of Amalgamation [Refer Note 21(ix)(A)]	Withdrawals and adjust-ments	As at 31st March, 2016	Additions	Withdrawals and adjustments	As at 31st March 2017	Upto 31st March, 2015	Pursuant to the Scheme of Amalgamation [Refer Note 21(ix)(A)]	For the year ended on 31st March, 2016	On Withdrawals and adjustments	Upto 31st March, 2016	For the year ended on 31st March, 2017	On Withdrawals and adjustments	Upto 31st March, 2017	As at 31st March, 2017	As at 31st March, 2016	As at 31st March, 2015
Tangible assets																		
Building - Freehold	-	57.15	-	57.15	-	-	57.15	-	16.10	0.90	-	17.00	0.90	-	17.90	39.25	40.15	-
Plant and Equipment	2,508.57	3.42	3.42	2,508.57	-	1,368.56	1,140.01	1,000.01	3.42	196.98	3.42	1,196.99	227.37	948.87	475.49	664.52	1,311.58	1,508.56
Office Equipment	1.60	-	1.60	-	-	-	-	1.52	-	-	1.52	-	-	-	-	-	-	0.08
TOTAL	2,510.17	60.57	5.02	2,565.72	-	1,368.56	1,197.16	1,001.53	19.52	197.88	4.94	1,213.99	228.27	948.87	493.39	703.77	1,351.73	1,508.64

The above includes following assets given on operating leases, which are not non–cancellable :

	As at 31st March, 2017				As at 31st March, 2016			
	Gross Block	Accumulated Depreciation	Net Block	Depreciation charge for the year	Gross Block	Accumulated Depreciation	Net Block	Depreciation charge for the year
Building Freehold *	57.15	17.90	39.25	0.90	57.15	17.00	40.15	0.90
Plant and Equipment *	1,139.75	475.39	664.36	227.35	2,508.31	1,196.92	1,311.39	196.97
TOTAL	1,196.90	493.29	703.61	228.25	2,565.46	1,213.92	1,351.54	197.87

* Note: The lease rental from these leased assets of ₹ 401.35 lakhs (2016 : ₹ 598.53 lakhs) is included in "Lease and other rental income" under "Revenue from operations" (Note 16).

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

	As at 31st March, 2017 (₹ in lakhs) Quoted	Unquoted	As at 31st March, 2016 (₹ in lakhs) Quoted	Unquoted
8. Non–current investments (at cost unless stated otherwise)				
Long Term				
A. TRADE INVESTMENTS				
INVESTMENT IN EQUITY INSTRUMENTS				
In Subsidiaries				
Greenacre Holdings Limited 4,20,60,166 Equity Shares of ₹ 10.00 each, fully paid		4,210.34		4,210.34
In Associates				
Russell Investments Limited 42,75,437 Equity Shares of ₹ 10.00 each, fully paid		427.57		427.57
Divya Management Limited 41,82,915 Equity Shares of ₹ 10.00 each, fully paid		693.07		693.07
Antrang Finance Limited 43,24,634 Equity Shares of ₹ 10.00 each, fully paid		439.56		439.56
International Travel House Limited 36,26,633 Equity Shares of ₹ 10.00 each, fully paid	2,121.58		2,121.58	
Maharaja Heritage Resorts Limited (a joint venture of the Holding Company) 90,000 Equity Shares of ₹ 100.00 each, fully paid		90.00		90.00
In Others				
Hotel Leelaventure Limited 50,27,565 Equity Shares of ₹ 2.00 each, fully paid	1,592.77		1,592.77	
EIH Limited 65,56,551 Equity Shares of ₹ 2.00 each, fully paid	4,837.88		4,837.88	
B. OTHER INVESTMENTS				
INVESTMENT IN EQUITY INSTRUMENTS				
Lotus Court Limited 2 Class G Shares of ₹ 48,000.00 each, fully paid		234.00		234.00
Adyar Property Holding Company Private Limited 311 Equity Shares of ₹ 100.00 each, ₹ 65.00 per share paid		2,319.00		2,319.00
Net of Provision for Diminution in Value ₹ 2,067.50 lakhs (2016- ₹ 2,067.50 lakhs)				
Aggregate amount of quoted and unquoted Investments	8,552.23	8,413.54	8,552.23	8,413.54
Total Non-current Investments		16,965.77		16,965.77

Aggregate market value of quoted investments ₹ 15,810.55 lakhs (2016 - ₹ 13,879.71 lakhs)
Aggregate provision for diminution in value ₹ 2,067.50 lakhs (2016 - ₹ 2,067.50 lakhs)

	As at 31st March, 2017 (₹ in lakhs)	As at 31st March, 2016 (₹ in lakhs)
9. Deferred tax assets (Net)		
On fiscal allowances on property, plant and equipment	63.23	-
On employees' separation and retirement etc.	7.39	-
TOTAL	70.62	-

	As at 31st March, 2017 (₹ in lakhs)	As at 31st March, 2016 (₹ in lakhs)
10. Long–term loans and advances		
Secured, considered good		
Term loans to related parties	4,868.00	6,387.50
Term loans to others	–	140.00
Unsecured, considered good		
Deposits with statutory authorities	7.48	7.48
Advance Tax (net of provisions)	–	110.17
TOTAL	4,875.48	6,645.15

	As at 31st March, 2017 (₹ in lakhs) Number	Value	As at 31st March, 2016 (₹ in lakhs) Number	Value
11. Inventories (at lower of cost and fair value)				
Stock–in–trade				
Equity Shares of ₹ 10.00 each, fully paid				
SKH Metals Limited [book value ₹ 1.00] (*)	40,000	...	40,000	...
Patheja Brothers Forgings and Stampings Limited [book value ₹ 1.00] (*)	50,000	...	50,000	...
Jind Textiles Limited [book value ₹ 1.00] (*)	5,00,000	...	5,00,000	...
Taib Capital Corporation Limited [book value ₹ 1.00] (*)	2,45,000	...	2,45,000	...
Ultratech Cement Limited [book value ₹ 1.00] [Refer Note 21 (ix) (B)]	3	...	3	...
Preference shares of ₹ 1,00,00,000.00 each, fully paid				
ICICI Bank Limited Non-Cumulative Redeemable Non-Convertible Non-Participative Preference Shares (20th April 2018)	34	1,529.71	34	1,529.71

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

		As at 31st March, 2017 (₹ in lakhs)		As at 31st March, 2017 (₹ in lakhs)
Units of Mutual funds of ₹ 1,000.00 each, fully paid				
UTI Money Market Fund - Institutional Plan	**5,23,050**	**9,500.00**	4,48,584	7,588.00
Reliance Liquid Fund - Treasury Plan	-	-	2,60,788	9,600.00
SBI Premier Liquid Fund - Regular Plan	**3,77,212**	**9,600.00**	-	-
Bonds				
Tax Free				
Indian Railway Finance Corporation Limited (*) 7.18% Tax Free Non-Cumulative Non-Convertible Redeemable Bonds in the nature of Debentures 86th Series (19th February 2023) of ₹ 1,000.00 each, fully paid	**15,00,000**	**15,297.23**	7,50,000	7,500.00
National Housing Bank (*) 6.82% Tax Free Non-Cumulative Non-Convertible Redeemable Bonds (26th March 2023) of ₹ 10,000.00 each, fully paid	**5,000**	**512.23**	-	-
India Infrastructure Finance Company Limited (*) 7.19% Tax Free Non-Cumulative Non-Convertible Redeemable Bonds Series I (22nd January 2023) of ₹ 1,000.00 each, fully paid	**1,50,000**	**1,562.12**	-	-
Taxable				
Infrastructure Leasing & Financial Services Limited 8.74% Taxable Non-Cumulative Non-Convertible Redeemable Bonds in the nature of Debentures Series I Option II (11th August 2018) of ₹ 1,000.00 each, fully paid	**7,50,000**	**7,500.00**	7,50,000	7,500.00
PNB Housing Finance Limited 7.46% Taxable Bonds Non-Convertible Non-Cumulative taxable bonds in the nature of Promissory Note Series XXXI (30th April 2020) of ₹ 10,00,000.00 each, fully paid	**500**	**4,999.50**	-	-
Canfin Homes Limited 7.57% Secured Redeemable Non-Convertible Debentures (12th April 2020) of ₹ 10,00,000.00 each, fully paid	**500**	**4,999.50**	-	-
TOTAL		**55,500.29**		33,717.71
* Aggregate value of stock-in-trade written off/Aggregate excess of cost over fair value		**56.65**		30.40

	As at 31st March, 2017 (₹ in lakhs)	As at 31st March, 2016 (₹ in lakhs)
12. Trade receivables		
Others		
Unsecured, considered good	**1,072.66**	1,495.61
TOTAL	**1,072.66**	1,495.61
13. Cash and bank balances		
Cash and cash equivalents		
Balances with banks		
Current accounts	**291.63**	69.94
Cheque, drafts on hand	**123.64**	–
Cash on hand	**0.02**	0.03
	415.29	69.97
Other bank balances *		
In deposit accounts	**191.99**	15,782.75
TOTAL	**607.28**	15,852.72

* Represents deposits with original maturity of more than 3 months having remaining maturity of more than 12 months from the Balance Sheet date - ₹ 68.48 lakhs (2016 - Nil). Includes Earmarked balances of ₹ 5.78 lakhs (2016 - Nil).

14. Short–term loans and advances		
Secured, considered good		
Term loans to related party	**1,216.00**	1,412.50
Term loans to others	**140.00**	140.00
Unsecured, considered good		
Deposits with statutory authorities	**1.20**	-
TOTAL	**1,357.20**	1,552.50
15. Other current assets		
Interest accrued on bank deposits	**0.71**	41.76
Assets held for sale (at lower of net realisable value)	**0.13**	21.99
TOTAL	**0.84**	63.75

	For the year ended 31st March, 2017 (₹ in lakhs)	For the year ended 31st March, 2016 (₹ in lakhs)
16. Revenue from operations		
Net Profit on sale of stock-in-trade (*)	**956.47**	2,671.04
Profit on sale of long-term investments	-	7.49
Dividend income		
- Long term investments	**154.17**	298.41
- Mutual funds held as stock-in-trade	-	12.86
- Other equity market operations	-	9.73
Interest income		
- Loans	**968.39**	659.39
- Bonds	**1,641.34**	960.16
- Non-convertible Debentures	-	10.97
Brokerage Income	**466.32**	563.45
Lease and other rental income	**440.95**	638.13
Net Profit from other equity market operations	-	66.71
TOTAL	**4,627.64**	5,898.34
* Net Profit on sale of stock-in-trade		
Sales	**3,27,935.72**	7,12,850.55
Less: Purchases	**3,48,761.83**	6,98,073.40
	(20,826.11)	14,777.15
Add/(Less) : Increase/(Decrease) in closing stock-in-trade	**21,782.58**	(12,106.11)
Net Profit on sale of stock-in-trade	**956.47**	2,671.04
17. Other income		
Interest income		
- Deposits with banks	**1,282.97**	1,158.68
- Others (on income tax refund)	**31.08**	-
Miscellaneous income	**25.02**	6.60
TOTAL	**1,339.07**	1,165.28
18. Employee benefits expense		
Salaries and wages	**65.12**	66.05
Reimbursement of managers' salary on deputation*	**224.81**	63.38
Contribution to provident and other funds	**8.97**	5.47
Staff welfare expenses	**1.38**	1.42
TOTAL	**300.28**	136.32

* Includes reimbursement on account of Share-based Payment of ₹ 138.57 lakhs (2016 - Nil) [Refer Note 21 (xi)]

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

	For the year ended 31st March, 2017 (₹ in lakhs)	For the year ended 31st March, 2016 (₹ in lakhs)
19. Other expenses		
Rent	8.69	8.61
Bank, custodial and depository charges	0.31	0.40
Directors' sitting fees	3.70	4.00
Rates and taxes	10.03	6.74
Repairs to buildings	0.40	0.39
Electricity charges	2.63	3.03
Insurance	1.28	2.26
Travelling and conveyance	6.17	8.00
Professional/Legal fees	85.74	30.98
Auditors' remuneration and expenses		
Audit fees	3.45	2.86
Tax audit fees	1.15	1.14
Fees for other services	1.73	8.15
Reimbursement of expenses	-	0.01
Communication expense	0.69	0.32
Printing, stationery and periodicals	1.45	1.58
Expenditure on Corporate Social Responsibility (CSR) activities	111.00	111.00
Loss on Disposal of Property, Plant and Equipments	314.63	0.08
Provision for standard assets	-	20.51
Provision for asset held for sale	21.86	-
Miscellaneous expenses	2.30	6.27
TOTAL	577.21	216.33
20. Tax expense		
Current tax		
Income tax for the year	1,600.00	2,015.00
Adjustments/(credits) related to previous years - Net	0.07	-
	1,600.07	2,015.00
Deferred tax		
for the year	(160.97)	(3.13)
	(160.97)	(3.13)
TOTAL	1,439.10	2,011.87

21. Additional Notes to the Financial Statements

i. Earnings per Share

		2017	2016
Earnings per Share has been computed as under:			
(a)	Profit for the year (₹ in lakhs)	3,421.85	4,501.22
(b)	Weighted average number of Equity Shares outstanding	64,64,78,737	64,64,78,737
(c)	Earnings per Share on profit for the year (Face Value - ₹ 10.00 per Share) - Basic and Diluted [(a)/(b)] (in ₹)	0.53	0.70

ii. Contingent liabilities and commitments

(a) Contingent liabilities

- Claims against the Company not acknowledged as debts ₹ 109.82 lakhs (2016 - ₹ 109.82 lakhs). This comprises the following :
  - o Sales tax claims disputed by the Company relating to issues of applicability ₹ 57.99 lakhs (2016 - ₹ 57.99 lakhs);
  - o Lease tax on account of non-accrual of lease rental ₹ 32.33 lakhs (2016 - ₹ 32.33 lakhs) considered pursuant to the Scheme of Amalgamation. [Refer Note: 21 (ix)(B)]; and
  - o Income Tax matter under dispute ₹ 19.50 lakhs (2016 - ₹ 19.50 lakhs) considered pursuant to the Scheme of Amalgamation. [Refer Note: 21 (ix)(B)].

  It is not practicable for the Company to estimate the closure of these issues and the consequential timings of cash flows, if any, in respect of the above.

(b) **Commitments**

- Uncalled liability on shares partly paid ₹ 0.11 lakh (2016 - ₹ 0.11 lakh).

iii. Segment Reporting

The Company operates in a single business segment namely Financial Services and in a single geographical segment in India.

iv. There are no Micro, Small and Medium Enterprises to whom the Company owes any dues, which are outstanding for more than 45 days during the year and also as at 31st March, 2017. This information as required to be disclosed under the Micro, Small and Medium Enterprises Development Act, 2006 has been determined to the extent such parties have been identified on the basis of information available with the Company.

v. Details of Specified Bank Notes (SBNs) held and transacted during the period from 8th November, 2016 to 30th December, 2016:

(Amount in ₹)

	SBNs	Other denomination notes	Total
Closing cash in hand as on 08.11.2016	Nil	4,905/-	4,905/-
(+) Permitted receipts (Withdrawn from Bank)	Nil	9,700/-	9,700/-
(-) Permitted payments	Nil	14,504/-	14,504/-
(-) Amount deposited in Banks	Nil	-	-
Closing cash in hand as on 30.12.2016	Nil	101/-	101/-

vi. Related Party Disclosures

(a) **RELATIONSHIP**

Holding Company

- ITC Limited

Subsidiary Company

- Greenacre Holdings Limited

Key Management Personnel

- Mr. R. Tandon	Chairman & Non-Executive Director
- Mr. B. B. Chatterjee	Non-Executive Director
- Mr. Saradindu Dutta	Non-Executive Director
- Mr. Supratim Dutta	Non-Executive Director
- Mr. P. Chatterjee	Independent Director
- Ms. A. Guhamallick	Independent Director
- Mr. S. Suresh Kumar	Chief Financial Officer
- Mr. S. Jain	Manager & Company Secretary

Other related parties with whom the Company had transactions during the year

(i) Fellow Subsidiary Companies

- North East Nutrients Private Limited

(ii) Associate Company

- International Travel House Limited

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

(b) **DISCLOSURE OF TRANSACTIONS BETWEEN THE COMPANY AND RELATED PARTIES AND THE STATUS OF OUTSTANDING BALANCES AS ON 31.03.2017**

(₹ in lakhs)

	Related Party Transaction Summary	Holding Company		Subsidiary Company		Fellow Subsidiaries		Associates		Key Management Personnel	
		2017	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
1.	Purchase of Investments – BFIL Finance Limited (at fair value) [Refer Note 21 (ix) (B)]										
	• Equity Shares	–	...	–	–	–	–	–	–	–	–
	• Non–Convertible Debentures	–	52.00	–	–	–	–	–	–	–	–
	– Wills Corporation Limited (at cost) • Equity Shares [Refer Note 21 (ix) (A)]	–	488.56	–	–	–	–	–	–	–	–
2.	Purchase of Unsecured Loan – BFIL Finance Limited (at fair value) [Refer Note 21 (ix) (B)]	–	113.00	–	–	–	–	–	–	–	–
3.	Sale of Investment : Equity Shares of Classic Infrastructure & Development Limited (at fair value) – Greenacre Holdings Limited	–	–	–	384.37	–	–	–	–	–	–
4.	Rent Received	**55.20**	55.20	–	–	–	–	–	–	–	–
5.	Purchase of Services – ITC Limited	**1.15**	1.33	–	–	–	–	–	–	–	–
	– International Travel House Limited	–	–	–	–	–	–	**0.26**	0.96	–	–
6.	Rent Paid	**8.69**	8.61	–	–	–	–	–	–	–	–
7.	Expenses Reimbursed	**2.63**	3.06	–	–	–	–	–	–	–	–
8.	Dividend Income – International Travel House Limited	–	–	–	–	–	–	**154.13**	154.13	–	–
9.	Loans Disbursed – North East Nutrients Private Limited	–	–	–	–	**1,300.00**	7,800.00	–	–	–	–
10.	Interest Income – Landbase India Limited	–	–	–	–	–	5.60	–	–	–	–
	– North East Nutrients Private Limited	–	–	–	–	**944.36**	612.16	–	–	–	–
11.	Receipt towards Loan Repayment – Landbase India Limited	–	–	–	–	–	200.00	–	–	–	–
	– North East Nutrients Private Limited	–	–	–	–	**3,016.00**	–	–	–	–	–
12.	Security Deposit taken over pursuant to amalgamation of Wills Corporation Limited [Refer Note 21 (ix) (A)]	–	24.00	–	–	–	–	–	–	–	–
13.	Interim Dividend Paid	–	4,525.35	–	–	–	–	–	–	–	–
14.	Remuneration of manager on deputation reimbursed – for Chief Financial Officer	**55.62**	42.55	–	–	–	–	–	–	–	–
	– for Manager & Company Secretary	**30.62**	20.83	–	–	–	–	–	–	–	–
15.	Remuneration on account of share based payment for managers on deputation	**138.57**	–	–	–	–	–	–	–	–	–
16.	Directors' sitting fees – Mr. P. Chatterjee	–	–	–	–	–	–	–	–	**1.80**	2.10
	– Ms. A. Guhamallick	–	–	–	–	–	–	–	–	**1.90**	1.90
17.	**Balances as at 31st March**										
	i) Deposits Taken – ITC Limited	**36.00**	36.00	–	–	–	–	–	–	–	–
	ii) Loans given – North East Nutrients Private Limited	–	–	–	–	**6,084.00**	7,800.00	–	–	–	–
	iii) Payables – ITC Limited	**138.57**	–	–	–	–	–	–	–	–	–
	iv) Receivables – North East Nutrients Private Limited	–	–	–	–	–	229.04	–	–	–	–

Also refer the Scheme of Amalgamation between Wills Corporation Limited and the Company. [Refer Note 21 (ix) (A)]

Also refer the Scheme of Amalgamation between BFIL Finance Limited and the Company. [Refer Note 21 (ix) (B)]

vii. Amounts towards Defined Contribution Plans have been recognized under 'Contribution to provident and other funds' under "Employee benefits expense" in Note 18 – ₹ 2.87 lakhs (2016 – ₹ 3.74 lakhs).

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

viii. Defined Benefit Plans / Long Term Compensated Absences - As per Actuarial Valuation as on 31st March, 2017 and recognised in the Financial Statements in respect of Employee Benefit Schemes:

		For the year ended 31st March, 2017 (₹ in lakhs)		For the year ended 31st March, 2016 (₹ in lakhs)	
		Gratuity	Leave Encashment	Gratuity	Leave Encashment
		Funded	Unfunded	Funded	Unfunded
I.	**Components of Employer Expenses**				
	1. Current Service Cost	1.28	0.67	1.06	0.57
	2. Interest Cost	0.77	0.62	0.40	0.33
	3. Expected Return on Plan Assets	(0.54)	–	(0.32)	–
	4. Curtailment Cost/(Credit)	–	–	–	–
	5. Settlement Cost/(Credit)	–	–	–	–
	6. Past Service Cost	–	–	–	–
	7. Actuarial Losses/(Gains)	4.59	1.66	0.59	0.53
	8. Total expense recognised in the Statement of Profit & Loss	6.10	2.95	1.73	1.43
	The Gratuity expenses have been recognized in "Contribution to provident and other funds" and Leave encashment in "Salaries and wages" under "Employee benefits expense" in Note 18.				
II.	**Actual Returns**	(2.45)	–	0.14	–
III.	**Net Asset/(Liability) recognised in Balance Sheet**				
	1. Present Value of Defined Benefit Obligation	15.08	12.15	11.42	9.20
	2. Fair Value of Plan Assets	9.07	–	6.99	–
	3. Status [Surplus/(Deficit)]	(6.01)	(12.15)	(4.43)	(9.20)
	4. Unrecognised Past Service Cost	–	–	–	–
	5. Net Asset / (Liability) recognised in Balance Sheet	(6.01)	(12.15)	(4.43)	(9.20)

		For the year ended 31st March, 2017 (₹ in lakhs)		For the year ended 31st March, 2016 (₹ in lakhs)	
		Gratuity	Leave Encashment	Gratuity	Leave Encashment
		Funded	Unfunded	Funded	Unfunded
IV.	**Change in Defined Benefit Obligation (DBO)**				
	1. Present Value of DBO at the beginning of the year	11.42	9.20	2.78	2.10
	2. Pursuant to the Scheme of Amalgamation [Refer Note 21(ix) (A)]	–	–	2.51	2.36
	3. Current Service Cost	1.28	0.67	1.06	0.57
	4. Interest Cost	0.77	0.62	0.40	0.33
	5. Curtailment Cost/(Credit)	–	–	–	–
	6. Settlement Cost/(Credit)	–	–	–	–
	7. Plan Amendments	–	–	–	–
	8. Past Service Cost	–	–	–	–
	9. Transfer In	–	–	4.26	3.31
	10. Transfer Out	–	–	–	–
	11. Actuarial (Gains)/Losses	1.61	1.66	0.41	0.53
	12. Benefits Paid	–	–	–	–
	13. Present Value of DBO at the end of the year	15.08	12.15	11.42	9.20
V.	**Change in Fair Value of Assets**				
	1. Plan Assets at the beginning of the year	6.99	–	1.74	–
	2. Pursuant to the Scheme of Amalgamation [Refer Note 21(ix) (A)]	–	–	–	–
	3. Expected Return on Plan Assets	0.54	–	0.32	–
	4. Transfer Out	–	–	–	–
	5. Actuarial Gains/(Losses)	(2.98)	–	(0.19)	–
	6. Actual Company Contributions	4.52	–	5.12	–
	7. Benefits Paid	–	–	–	–
	8. Plan Assets at the end of the year	9.07	–	6.99	–
VI.	**Actuarial Assumptions**				
	1. Discount Rate (%)	6.75	6.75	7.50	7.50
	2. Expected Return on Plan Assets (%)	6.75	–	7.50	–
	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.				

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

VII.	Major Category of Plan Assets as a % of the Total Plan Assets	As at 31st March, 2017	As at 31st March, 2016
	1. Government Securities/Special Deposit with RBI	7.00 %	10.00 %
	2. High Quality Corporate Bonds	7.00 %	11.00 %
	3. Insurance Companies *	78.00 %	70.00 %
	4. Mutual Funds	2.00 %	3.00 %
	5. Cash and Cash Equivalents	6.00 %	6.00 %
	6. Term Deposits	–	–
	7. Equity	–	–

* In the absence of detailed information regarding plan assets which is funded with Insurance Company, the composition of each major category of plan assets, the percentage or amount for each category to the fair value of plan assets have not been disclosed.

VIII. Basis used to determine the Expected Rate of Return on Plan Assets

The expected rates of return on plan assets are based on the current portfolio of assets, investment strategy and market scenario. In order to protect the capital and optimize returns within acceptable risk parameters, the plan assets are well diversified.

IX. Net Asset/(Liability) recognized in Balance Sheet (including experience adjustment)

	For the year ended 31st March, 2017		For the year ended 31st March, 2016		For the year ended 31st March, 2015		For the year ended 31st March, 2014		For the year ended 31st March, 2013	
	Gratuity	Leave Encashment	Gratuity	Leave Encashment	Gratuity	Leave Encashment	Gratuity	Leave Encashment	Gratuity	Leave Encashment
Present Value of Defined Benefit Obligation	15.08	12.15	11.42	9.20	2.78	2.10	2.20	1.78	25.56	30.23
Fair Value on Plan Assets	9.07	-	6.99	-	1.74	-	1.39	-	29.00	-
Status [Surplus/(Deficit)]	(6.01)	(12.15)	(4.43)	(9.20)	(1.04)	(2.10)	(0.81)	(1.78)	3.44	(30.23)
Experience Adjustment of Plan Assets [Gain/(Loss)]	(2.98)	-	(0.19)	-	(0.03)	-	(1.03)	-	1.18	-
Experience Adjustment of Obligation [(Gain)/Loss]	0.60	(0.77)	(1.52)	(0.30)	(0.12)	(0.17)	(1.91)	(0.47)	(1.70)	(3.45)

ix. The below mentioned Schemes have been given effect in the Financial Statement of the Company for the year ended on 31st March 2016:

A. Amalgamation of erstwhile Wills Corporation Limited ('Wills'), a wholly owned subsidiary, which was engaged in the business of general trading, with the Company:

a) In accordance with the Scheme of Amalgamation of Wills under Sections 391 and 394 of the Companies Act, 1956 with the Company (as a going concern), as approved by the Board of Directors of the Company on 25th November, 2015, and subsequently sanctioned by the Hon'ble High Court at Calcutta on 16th February, 2016, the assets and liabilities of Wills were transferred to the Company with effect from 1st April, 2015, the Appointed Date. The Scheme became effective on 22nd March, 2016 upon filing of the Order of the Hon'ble High Court with the Registrar of Companies, West Bengal.

b) The Amalgamation had been accounted for under the 'pooling of interests' method as prescribed by "Accounting Standard-14- Accounting for Amalgamations" specified under Section 133 of the Companies Act, 2013, as applicable. Accordingly, the assets, liabilities and reserves of Wills as at 1st April, 2015 have been taken over in the books of account of the Company at their respective book values in 2015-16. [Refer to Note – 2I(a) to the Cash Flow Statement].

c) As per the Scheme of Amalgamation, 48,85,626 Equity Shares of ₹ 10.00 each of Wills, acquired by the Company during the year, were cancelled in 2015-16.

B. Amalgamation of erstwhile BFIL Finance Limited ('BFIL'), a wholly owned subsidiary, which was engaged in the business of leasing, hire purchase and other allied finance activities and was focused on recovery of its old dues in the normal course of business, with the Company:

a) In accordance with the Scheme of Amalgamation of BFIL under Sections 391 and 394 of the Companies Act, 1956 with the Company (as a going concern), as approved by the Board of Directors of the Company on 25th November, 2015, and subsequently sanctioned by the Hon'ble High Courts at Calcutta and at Bombay on 27th November, 2015 and on 4th May, 2016 respectively, the assets and liabilities of BFIL were transferred to the Company with effect from 1st April, 2015, the Appointed Date. The Scheme became effective on 16th May, 2016 upon filing of the Order of the Hon'ble High Court at Bombay with the respective Registrar of Companies.

b) The Amalgamation had been accounted for under the 'purchase' method as prescribed by "Accounting Standard-14- Accounting for Amalgamations" specified under Section 133 of the Companies Act, 2013, as applicable. Accordingly, the assets and liabilities of BFIL as at 1st April, 2015 had been taken over in the books of account of the Company at their respective fair values [Refer to Note – 2II(a) to the Cash Flow Statement].

c) The value at which the assets and liabilities have been transferred to the Company during the year ended 31st March, 2016 are given below:

(₹ in lakhs)

Fair Value of Net Assets acquired [Refer Note 2 II(a) to the Cash Flow Statement]	**165.00**
Investments made by the Company : [Refer Note (d) below]	
– 2,00,00,000 Equity Shares of ₹ 10.00 each, fully paid	…
– 15,00,000, 9% Unsecured Redeemable Non–Convertible Debentures of ₹ 100.00 each, fully paid	52.00
– Unsecured term loans	113.00
TOTAL	**165.00**
Balance transferred to Goodwill / Capital Reserve	**Nil**

d) As per the Scheme of Amalgamation, the above investments made by the Company during 2015-2016, were cancelled.

x. Provision for litigation/disputes : (₹ in lakhs)

Balance as at the beginning of the year	–
Additions during the year	81.24
Balance as at the end of the year	81.24
Classified as short-term provisions	81.24
TOTAL	**81.24**

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

Provision for litigation/disputes represents claims against the Company relating to income tax and lease tax for which provision has been made as above and are expected to materialise in future.

xi. The deputed employees of ITC Limited, the Holding Company (ITC), have been granted stock options by ITC under the ITC Employee Stock Option Schemes (ITC ESOS). These options have been granted at 'market price' within the meaning of the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014. The fair value of the options granted is determined by ITC, using the Black Scholes Option Pricing Model, for all the Optionees covered under the ITC ESOS as a whole.

In terms of the deputation arrangement, the Company has accounted for its share of the cost of fair value of options granted, as stated above, based on the advice / on-charge by ITC, amounting to ₹ 138.57 Lakhs (2016 – Nil) of which ₹ 70.99 lakhs relate to previous year.

xii. Previous Year's figures have been regrouped/reclassified, where necessary, to correspond with current year's classification/disclosure.

xiii. Disclosures under Non-Banking Financial Companies – Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016:

a) Capital

Particulars	2017	2016
i) CRAR (%)	99.81	128.79
ii) CRAR – Tier I Capital (%)	99.77	128.74
iii) CRAR – Tier II Capital (%)	0.04	0.05
iv) Amount of subordinated debt raised as Tier – II Capital (₹ in lakhs)	–	–
v) Amount raised by issue of Perpetual Debt Instruments (₹ in lakhs)	–	–

b) Investments (₹ in lakhs)

Particulars				2017	2016
(1)	Value of Investments				
	(i)	Gross Value of Investments (including Inventories)			
		(a)	In India	74,590.21	52,781.38
		(b)	Outside India	–	–
	(ii)	Provisions for Depreciation			
		(a)	In India	2,124.15	2,097.90
		(b)	Outside India	–	–
	(iii)	Net Value of Investments (including Inventories)			
		(a)	In India	72,466.06	50,683.48
		(b)	Outside India	–	–
(2)	Movement of provisions held towards Depreciation on Investments (including Inventories)				
	(i)	Opening balance		2,097.90	2,568.82
	(ii)	Add : Provisions made during the year		26.25	–
	(iii)	Less : Write–off / (write–back) of excess provisions during the year		-	(470.92)
	(iv)	Closing balance		2,124.15	2,097.90

c) Derivatives

i. Forward Rate Agreement / Interest Rate Swap : Nil

ii. Exchange Traded Interest Rate Derivatives : Nil

iii. Disclosures on Risk Exposure in Derivatives :

- Qualitative Disclosure: The Company does not use Derivatives to hedge its risks.
- Quantitative Disclosure : Nil

d) Disclosures relating to securitisation :

i. Outstanding amount of securitised assets: Nil

ii. Details of financial assets sold to securitisation / reconstruction companies for asset reconstruction : Nil

iii. Details of assignment transactions undertaken : Nil

iv. Details of non–performing financial assets purchased / sold : Nil

e) Asset Liability Management Maturity pattern of certain items of Assets and Liabilities:

(₹ in lakhs)

	Upto 30/31 Days	Over 1 month & upto 2 months	Over 2 months & upto 3 months	Over 3 months & upto 6 months	Over 6 months & upto 1 year	Over 1 year & upto 3 years	Over 3 years & upto 5 years	Over 5 years	Total
Deposits – Fixed Deposits with Banks	–	1.59	–	68.82	53.10	68.48	–	–	191.99
– Others	–	–	–	–	–	–	–	–	–
Advances / Loans	35.00	–	304.00	339.00	643.00	2,467.00	2,436.00	–	6,224.00
Investments (including Inventories)	55,500.29[1]	–	–	–	–	–	–	16,965.77[2]	72,466.06
Borrowings	–	–	–	–	–	–	–	–	–
Foreign Currency assets	–	–	–	–	–	–	–	–	–
Foreign Currency liabilities	–	–	–	–	–	–	–	–	–

[1] Investments classified as Inventories (Note 11)

[2] Investments classified as Non–current investments (Note 8).

f) Exposure to Real Estate Sector : Nil

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

g) Exposure to Capital Market: (₹ in lakhs)

	Particulars	2017	2016
(i)	Direct investment in equity shares (*), convertible bonds, convertible debentures and units of equity oriented mutual funds the corpus of which is not exclusively invested in corporate debt;	**8,552.23**	8,552.23
(ii)	Advances against shares / bonds / debentures or other securities or on clean basis to individuals for investment in shares (including IPOs / ESOPs), convertible bonds, convertible debentures, and units of equity oriented mutual funds;	–	–
(iii)	Advances for any other purposes where shares or convertible bonds or convertible debentures or units of equity oriented mutual funds are taken as primary security;	–	–
(iv)	Advances for any other purposes to the extent secured by the collateral security of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds i.e. where the primary security other than shares / convertible bonds / convertible debentures / units of equity oriented mutual funds does not fully cover the advances;	–	–
(v)	Secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers;	–	–
(vi)	Loans sanctioned to corporates against the security of shares / bonds / debentures or other securities or on clean basis for meeting promoter's contribution to the equity of new companies in anticipation of raising resources;	–	–
(vii)	Bridge loans to companies against expected equity flows / issues;	–	–
(viii)	All exposures to Venture Capital Funds (both registered and unregistered)	–	–
Total Exposure to Capital Market		**8,552.23**	8,552.23

* Only quoted equity investments considered

h) Details of financing of parent company products : Nil

i) Details of Single Borrower Limit / Group Borrower Limit exceeded by the Company: Nil

j) Unsecured Advances / Loans as on 31st March, 2017: Nil

k) Registration obtained from other financial sector regulators : None

l) Penalties imposed by RBI and other regulators: Nil

m) Area, country of operation and joint venture partners with regard to joint ventures and overseas subsidiaries: None

n) Related Party Transactions: Details of material transactions with related parties and Company's Policy on dealing with Related Party Transactions are disclosed in the Report of the Board of Directors & Management Discussion and Analysis.

o) Ratings assigned by credit rating agencies and migration of ratings during the year : None

p) Remuneration of Directors: Details of remuneration of the Independent Directors of the Company are disclosed in the Report of the Board of Directors & Management Discussion and Analysis.

q) Provisions and Contingencies: (₹ in lakhs)

Break up of 'Provisions and Contingencies' shown under the head Expenditure in the Statement of Profit and Loss		**2017**	2016
Provisions for Depreciation on Investment		**26.25**	(470.92)
Provision towards NPA		–	–
Provision made towards Income tax (including deferred tax)		**1,439.10**	2,011.87
Other Provision and Contingencies (with details)			
A	Provision for compensated absences	**2.95**	1.43
B	Provision for gratuity	**6.10**	1.73
Provision for Standard Assets		–	20.51

r) Draw Down from Reserves : Nil

s) Concentration of Deposits : Not Applicable

t) Concentration of Advances and Exposures : (₹ in lakhs)

Borrower	As at 31st March, 2017			As at 31st March, 2016		
	Principal	**Interest Accrued**	**Percentage to Total Exposure**	Principal	Interest Accrued	Percentage to Total Exposure
ATC Limited	**140.00**	**4.30**	**2.32%**	280.00	8.71	3.47%
North East Nutrients Private Limited	**6,084.00**	–	**97.68%**	7,800.00	229.04	96.53%
	6,224.00	**4.30**	**100.00%**	8,080.00	237.75	100.00%

u) Concentration of NPAs : Nil

v) Sector–wise NPAs : Nil

w) Movement of NPAs : Nil

x) Overseas Assets : Nil

y) Off–Balance Sheet SPVs sponsored : Nil

z) Customer Complaints:

I	No. of complaints pending at the beginning of the year	Nil
II	No. of complaints received during the year	Nil
III	No. of complaints redressed during the year	Nil
IV	No. of complaints pending at the end of the year	Nil

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

SCHEDULE TO THE BALANCE SHEET AS AT 31ST MARCH, 2017 [as required in terms of Paragraph 18 of Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016]

(₹ in Lakhs)

	Particulars	31st March, 2017	
	Liabilities Side :	Amount Outstanding	Amount Overdue
(1)	Loans and advances availed by the NBFCs inclusive of interest accrued thereon but not paid		
	a) Debentures		
	– Secured	–	–
	– Unsecured	–	–
	(other than falling within the meaning of public deposits)		
	b) Deferred Credits	–	–
	c) Term Loans	–	–
	d) Inter–Corporate loans and borrowings	–	–
	e) Commercial papers	–	–
	f) Other Loans (specify nature)	–	–
	Assets Side :		Amount Outstanding
(2)	Break-up of Loans and Advances including bills receivables [other than those included in (4) below]		
	a) Secured		6,224.00
	b) Unsecured		–
(3)	Break-up of Leased Assets and stock on hire and other assets counting towards AFC activities		
	(i) Lease assets including lease rentals under sundry debtors		**703.61**
	(a) Financial lease		–
	(b) Operating lease		703.61
	(ii) Stock on hire including hire charges under sundry debtors		
	(a) Assets on hire		–
	(b) Repossessed Assets		–
	(iii) Other Loans counting towards AFC Activities		
	(a) Loans where assets have been repossessed		–
	(b) Loans other than (a) above		–
(4)	Break-up of Investments :		
	Current Investments		
	1. Quoted :		**24,871.58**
	(i) Shares : (a) Equity		–
	(b) Preference		–
	(ii) Debentures and Bonds		24,871.58
	(iii) Units of Mutual Funds		–
	(iv) Government Securities		–
	(v) Others		–
	2. Unquoted :		**30,628.71**
	(i) Shares : (a) Equity		–
	(b) Preference		1,529.71
	(ii) Debentures and Bonds		9,999.00
	(iii) Units of Mutual Funds		19,100.00
	(iv) Government Securities		–
	(v) Others		–
	Long Term investment :		
	1. Quoted :		**8,552.23**
	(i) Shares : (a) Equity		8,552.23
	(b) Preference		–
	(ii) Debentures and Bonds		–
	(iii) Units of mutual funds		–
	(iv) Government Securities		–
	(v) Others		–
	2. Unquoted :		**8,413.54**
	(i) Shares :		
	(a) Equity		8,413.54
	(b) Preference		–
	(ii) Debentures and Bonds		–
	(iii) Units of Mutual Funds		–
	(iv) Government Securities		–
	(v) Others		–

(5)	Borrower group–wise classification of assets financed as in (2) and (3) above			
		Amount Net of Provisions		
	Category	Secured	Unsecured	Total
	1. Related Parties			
	(a) Subsidiaries	–	–	–
	(b) Companies in the same group	6,084.00	39.25	6,123.25
	(c) Other related parties	–	–	–
	2. Other than related parties	140.00	664.36	804.36
	Total	**6,224.00**	**703.61**	**6,927.61**

(6)	Investor group–wise classification of all investments (current and long term) in shares and securities (both quoted and unquoted):		
	Category	Market Value / Break up or fair value or NAV	Book Value (Net of Provisions)
	1. Related Parties		
	(a) Subsidiaries	5,097.44	4,210.34
	(b) Companies in the same group	9,403.74	3,771.78
	(c) Other related parties	–	–
	2. Other than related parties	65,972.03	64,483.94
	Total	**80,473.21**	**72,466.06**

(7)	Other Information	
	Particulars	**Amount**
	(i) Gross Non–Performing Assets	–
	(a) Related Parties	–
	(b) Other than related parties	–
	(ii) Net Non–Performing Assets	–
	(a) Related Parties	–
	(b) Other than related parties	–
	(iii) Assets acquired in satisfaction of debt	–

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

22. Significant Accounting Policies

Convention

To prepare financial statements in accordance with applicable Accounting Standards in India. A summary of important accounting policies is set out below. The financial statements have also been prepared in accordance with relevant presentational requirements of the Companies Act, 2013.

Basis of Accounting

To prepare financial statements in accordance with the historical cost convention.

All assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria as set out in Schedule III to the Companies Act, 2013 based on the nature of services.

Property, Plant and Equipment

To state Property, Plant and Equipment at cost of acquisition inclusive of inward freight, duties and taxes and incidental expenses related to acquisition. Expenses capitalised also include borrowing costs, if any.

Depreciation

To calculate depreciation on Property, Plant and Equipment, on 'Straight Line' basis over the useful lives specified in Schedule II to the Companies Act, 2013.

Investments

To state Current Investments at lower of cost and fair value and Long Term Investments, including in Joint Ventures and Associates, at cost. Where applicable, provision is made to recognise a decline, other than temporary, in valuation of Long Term Investments. Investments are accounted for based on the trade date. The Investments are accounted in compliance with the Prudential Norms as prescribed by the Reserve Bank of India for Non-Banking Financial Companies.

Revenue Recognition

To recognise revenue including lease rentals on an accrual basis at the time of rendering of services excluding taxes recovered except in case of default where accrual is guided by Prudential Norms prescribed by the Reserve Bank of India for Non-Banking Financial Companies.

To account for Income from Investments on an accrual basis, inclusive of related tax deducted at source. To account for Income from Dividends when the right to receive such dividends is established.

Inventories

To state inventories comprising of stock-in-trade at lower of cost or at available market quotation or their fair values, whichever is lower. The cost is calculated on weighted average method. Stock-in-trade is accounted for based on trade date.

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 Statement of Profit and Loss in the period in which they arise.

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.

To account for profit/loss arising on cancellation or renewal of forward exchange contracts as income/expense for the period.

To account for gains/losses in the Statement of Profit and Loss on foreign exchange rate fluctuations relating to monetary items at the year-end.

Employee Benefits

To make regular monthly contributions to Provident Fund which are in the nature of defined contribution schemes and such paid/payable amounts are charged against revenue.

To determine the liabilities towards gratuity and employee leave encashment by an independent actuarial valuation as per the requirements of Accounting Standard –15 on "Employee Benefits". To determine actuarial gains or losses and to recognise such gains or losses immediately in the Statement of Profit and Loss as income or expense.

Taxes on Income

To provide Current tax as the amount of tax payable in respect of taxable income for the period, measured using the applicable tax rates and tax laws.

To provide Deferred tax on timing differences between taxable income and accounting income subject to consideration of prudence, measured using the tax rates and tax laws that have been enacted or substantively enacted by the Balance Sheet date.

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.

On behalf of the Board

SARADINDU DUTTA *Director* R. TANDON *Chairman*

S. SURESH KUMAR *Chief Financial Officer* S. JAIN *Manager & Company Secretary*

Kolkata, 3rd May, 2017

Form AOC-1

[Pursuant to first proviso to sub-section (3) of Section 129 read with Rule 5 of Companies (Accounts) Rules, 2014]

Statement containing salient features of the financial statement of Subsidiaries/Associate Companies/Joint Ventures

Part A : Subsidiaries

1.	**Sl. No.**	:	1
2.	**Name of the subsidiary**	:	Greenacre Holdings Limited
3.	**The date since when subsidiary was acquired**	:	14-Jun-1999
4.	**Reporting period for the subsidiary concerned, if different from the holding company's reporting period**	:	Year ended 31st March (same as the Holding Company)
5.	**Reporting currency and Exchange rate as on the last date of the relevant Financial year in the case of foreign subsidiaries**	:	Not applicable
6.	**Share capital (₹ in lakhs)**	:	4,206.02 (4,20,60,166 Equity Shares of ₹ 10.00 each)
			(₹ in lakhs)
7.	**Reserves & surplus**	:	898.25
8.	**Total assets**	:	5,229.99
9.	**Total Liabilities**	:	5,229.99
10.	**Investments**	:	3,222.43
11.	**Turnover**	:	274.57
12.	**Profit before taxation**	:	329.56
13.	**Provision for taxation**	:	104.18
14.	**Profit after taxation**	:	225.38
15.	**Proposed Dividend**	:	NIL
16.	**% of shareholding**	:	100

Notes: 1. Names of subsidiaries which are yet to commence operations : None

2. Names of subsidiaries which have been liquidated or sold during the year : None

Part B : Associates and Joint Ventures

Statement pursuant to Section 129 (3) of the Companies Act, 2013 related to Associate Companies and Joint Ventures

Name of Associates/Joint Ventures	Russell Investments Limited	Divya Management Limited	Antrang Finance Limited	International Travel House Limited	Maharaja Heritage Resorts Limited
1. Latest audited Balance Sheet Date	31-Mar-2017	31-Mar-2017	31-Mar-2017	31-Mar-2017	31-Mar-2017
2. Date on which the Associate or Joint Venture was associated or acquired	14-Jun-1999	23-Nov-2007	21-Jan-2008	14-Jun-1999	11-Aug-2008
3. Shares of Associate/Joint Ventures held by the company on the year end					
Number	42,75,435	41,82,915	43,24,634	36,26,633	90,000
Amount of Investment in Associates / Joint Venture (₹ in lakhs)	427.57	693.07	439.56	2,121.58	90.00
Extent of Holding %	25.43	33.33	33.33	45.36	25.00
4. Description of how there is significant influence	Associate	Associate	Associate	Associate	Associate
5. Reason why the Associate/Joint Venture is not consolidated	Not Applicable*	Not Applicable*	Not Applicable*	Not Applicable*	Not Applicable*
6. Net worth attributable to Shareholding as per latest audited Balance Sheet (₹ in lakhs)	1,349.86	612.76	473.35	7,348.71	(37.39)
7. Profit / (Loss) for the year (₹ in lakhs)	306.98	20.50	9.33	1,117.24	(76.57)
i. Considered in Consolidation *	–	–	–	–	–
ii. Not Considered in Consolidation *	306.98	20.50	9.33	1,117.24	(76.57)

* The Company, being an intermediate wholly owned subsidiary, is not required to prepare Consolidated Financial Statements in terms of the Companies (Accounts) Rules, 2014 and ITC Limited, the Holding Company, prepares Consolidated Financial Statements.

1. Names of the associates or joint ventures which are yet to commence operations : None
2. Names of associates or joint ventures which have been liquidated or sold during the year : None

On behalf of the Board

SARADINDU DUTTA *Director* R. TANDON *Chairman*

Kolkata, 3rd May, 2017 S. SURESH KUMAR *Chief Financial Officer* S. JAIN *Manager & Company Secretary*

REPORT OF THE BOARD OF DIRECTORS FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2017

1. Your Directors submit their Report for the financial year ended 31st March, 2017.

2. PERFORMANCE OF THE COMPANY

During the year, your Company earned revenue of ₹ 274.57 lakhs from its operations, with total income being ₹ 634.42 lakhs. The Company continues to engage in building maintenance and property management. It presently maintains the ITC Centre and certain other properties owned by ITC Limited, the ultimate Holding Company.

The financial results of your Company, summarised, are as under:

	For the year ended 31st March, 2017 (₹)	For the year ended 31st March, 2016 (₹)
a. Profit Before Tax	3,29,56,373	2,44,61,010
b. Less : Tax Expense	1,04,18,847	81,77,321
c. Profit After Tax	2,25,37,526	1,62,83,689
d. Add : Other Comprehensive Income / (Loss)	(5,77,709)	3,12,039
e. Total Comprehensive Income	2,19,59,817	1,65,95,728
f. Add : Profit brought forward from previous years	6,78,65,291	13,11,86,561
g. Less : Adjustment pursuant to the Scheme of Amalgamation [Refer Note 21 to the Financial Statements]	–	7,99,16,998
h. Balance carried forward	8,98,25,108	6,78,65,291

3. DIRECTORS AND KEY MANAGERIAL PERSONNEL

(a) Changes in Directors and Key Managerial Personnel during the year

During the year under review, there was no change in the composition of the Board of Directors ('the Board') of your Company.

Md. Jamshed Alam resigned as the Manager and Company Secretary of the Company with effect from close of work on 23rd December, 2016. The Board, on the recommendation of the Nomination and Remuneration Committee, appointed Mr. Pretiush Kumar as the Manager of the Company from 27th December, 2016, in terms of the provisions of Sections 196 and 203 of the Companies Act, 2013 ('the Act'), subject to the approval of the Members of the Company. Appropriate resolution seeking your approval to Mr. Kumar's appointment as Manager is appearing in the Notice convening the ensuing Annual General Meeting ('AGM') of the Company. Mr. Kumar was also appointed as the Company Secretary of the Company with effect from the said date.

(b) Declaration of Independence by Independent Directors

The Independent Directors of your Company have confirmed that they meet the criteria of Independence as prescribed under Section 149(6) of the Act read with Rule 5 of the Companies (Appointment and Qualification of Directors) Rules, 2014.

(c) Attributes, qualifications and appointment of Directors

As reported in earlier years, the attributes and qualifications of the Independent Directors provided in Section 149(6) of the Act and Rule 5 of the Companies (Appointment and Qualification of Directors) Rules, 2014 were adopted by the Nomination and Remuneration Committee. The attributes and qualifications, as applicable, were also adopted in respect of the other Directors.

The Directors of the Company, other than the Independent Directors, are executives of ITC Limited and fulfil the fit and proper criteria for appointment as Directors. The Directors, other than the Independent Directors, are liable to retire by rotation and one-third of them retire every year and are eligible for re-election.

In accordance with the provisions of Section 152(6) of the Act, Mr. Saradindu Dutta (DIN: 00058639), Director, will retire by rotation at the ensuing AGM of the Company, and being eligible, offers himself for re-election. Your Board has recommended his re-election.

(d) Board evaluation

The Board carried out annual performance evaluation of its own performance and that of the individual Directors as also functioning of the Board Committees, as required under Section 134(3)(p) of the Act. The performance evaluation of the Board and individual Directors, as in the previous year, was based on criteria approved by the Nomination and Remuneration Committee. The Committee Chairmen placed before the Board, reports on functioning of respective Board Committees during the year.

(e) Remuneration Policy

The Remuneration Policy of the Company for the Directors, Key Managerial Personnel and other employees, as approved by the Board, is enclosed as **Annexure 1** to this Report.

4. BOARD AND BOARD COMMITTEES

The two Board Committees of the Company and their present composition is as follows:

Audit Committee	Nomination and Remuneration Committee
Mr. R. Tandon (Chairman)	Mr. R. K. Singhi (Chairman)
Mr. S. Banerjee	Mr. S. Banerjee
Ms. A. Guhamallick	Ms. A. Guhamallick
	Mr. R. Tandon

During the year ended 31st March, 2017, the following meetings of the Board and Board Committees were held:

Board / Board Committee	Number of meetings	Date(s) of meeting(s)
Board	4	2nd May, 2016 29th August, 2016 27th December, 2016 22nd March, 2017
Audit Committee	4	2nd May, 2016 29th August, 2016 27th December, 2016 22nd March, 2017
Nomination and Remuneration Committee	2	2nd May, 2016 27th December, 2016

The attendance of Directors of the Company at the Board and Board Committee meetings held during the year is given below:

Sl. No.	Name of the Director	Number of meetings attended		
		Board	Audit Committee	Nomination and Remuneration Committee
1.	Mr. R. Tandon	4	4	2
2.	Mr. S. Banerjee	4	4	2
3.	Mr. S. Dutta	3	N.A.	N.A.
4.	Ms. A. Guhamallick	4	4	2
5.	Mr. R. K. Singhi	4	N.A.	2

5. DIRECTORS' RESPONSIBILITY STATEMENT

As required under Section 134(5) of the Act, your Directors confirm having:

i) followed in the preparation of the Annual Accounts, the applicable Accounting Standards with proper explanation relating to material departures, if any;

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 Act 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; and

v) devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems are adequate and operating effectively.

6. SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

The Company does not have any subsidiary, associate or joint venture.

7. PARTICULARS OF EMPLOYEES

The details of top ten employees of the Company in terms of remuneration drawn, as required under Rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, are provided in **Annexure 2** to this Report.

8. RISK MANAGEMENT

The Company's risk management framework, designed to bring robustness to the risk management processes in the Company, addresses risks intrinsic to operations, financials and compliances arising out of the overall strategy of the Company.

Management of risks vest with the executive management which is responsible for the day-to-day conduct of the affairs of the Company, within the overall framework approved by the Board. The Internal Audit Department of ITC Limited, appointed as the Internal Auditor of the Company, periodically carries out risk focused audits with the objective of identifying areas where risk management processes could be strengthened. The Audit Committee annually reviews the effectiveness of the Company's risk management systems and policies.

9. INTERNAL FINANCIAL CONTROLS

Your Company has in place adequate internal financial controls with respect to the financial statements, commensurate with its size and scale of operations. The Internal Auditor of the Company periodically evaluates the adequacy and effectiveness of internal financial controls. The Audit Committee which provides guidance on internal controls, also reviews internal audit findings and implementation of internal audit recommendations.

During the year, the internal financial controls in the Company with respect to the financial statements were tested and no material weakness in the design or operation of such controls was observed. Nonetheless, your Company recognises that any internal financial control framework, no matter how well designed, has inherent limitations and accordingly, regular audit and review processes ensure that such systems are reinforced on an ongoing basis.

10. PARTICULARS OF LOANS, GUARANTEES AND INVESTMENTS

During the year ended 31st March, 2017, the Company has neither given any loan or guarantee nor has made any investment under Section 186 of the Act.

11. RELATED PARTY TRANSACTIONS

The details of material related party transactions of the Company in the prescribed Form No. AOC-2 are enclosed as **Annexure 3** to this Report.

12. SIGNIFICANT AND MATERIAL ORDERS PASSED BY THE REGULATORS / COURTS / TRIBUNALS

During the year under review, no significant or material orders were passed by the Regulators / Courts / Tribunals impacting the going concern status of the Company and its future operations.

13. EXTRACT OF ANNUAL RETURN

The extract of Annual Return in the prescribed Form No. MGT-9 is enclosed as **Annexure 4** to this Report.

14. AUDITORS

The Company's Statutory Auditors, Messrs. A. F. Ferguson & Co., Chartered Accountants ('AFF'), were appointed at the Twenty-Eighth AGM to hold such office till the conclusion of the Thirty-Third AGM. On the recommendation of the Audit Committee and pursuant to Section 139 of the Act, your Board has recommended for the ratification of the Members, appointment of AFF from the conclusion of the ensuing AGM till the conclusion of the Thirty-Second AGM. On the recommendation of the Audit Committee and pursuant to Section 142 of the Act, the Board has also recommended for the approval of the Members, remuneration of AFF for the financial year 2017-18. Appropriate resolution in respect of the above is appearing in the Notice convening the ensuing AGM of the Company.

15. 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.

During the year under review, there has been no foreign exchange earnings or outflow.

On behalf of the Board

R. Tandon *Chairman*

Dated : 3rd May, 2017 S. Dutta *Director*

Annexure 1 to the Report of the Board of Directors for the financial year ended 31st March, 2017

Remuneration Policy

(Aligned to the Remuneration Policy of ITC Limited, the ultimate Holding Company)

The Company's Remuneration Strategy is designed to attract and retain quality talent that gives its business a competitive advantage and enables the Company to achieve its objectives.

The Company's Remuneration Strategy, whilst focusing on remuneration and related aspects of performance management, is aligned with and reinforces the employee value proposition of a superior quality of work life, that includes an enabling work environment, an empowering and engaging work culture and opportunities to learn and grow.

The Compensation approach endeavours to align each employee with the Company's goals.

POLICY

It is the Company's Policy:

1. To ensure that its Remuneration practices support and encourage meritocracy.
2. To ensure that Remuneration is market-led and takes into account the competitive context of the Company's business.
3. To leverage Remuneration as an effective instrument to enhance performance and therefore to link the remuneration to both individual and collective performance outcomes.
4. To adopt a comprehensive approach to Remuneration in order to support a superior quality of personal and work life, in a manner so as to judiciously balance short term with long term priorities.
5. To design Remuneration practices such that they reinforce the Company's values and culture and to implement them in a manner that complies with all relevant regulatory requirements.

Remuneration of Key Managerial Personnel (KMP)

1. Remuneration of KMP is determined and recommended by the Nomination and Remuneration Committee and approved by the Board. Remuneration of the Managing Director / Wholetime Director / Manager is also subject to the approval of the shareholders.
2. Remuneration is reviewed and revised periodically, when such a revision is warranted by the market.
3. Apart from fixed elements of remuneration and benefits, the KMP are also eligible for Variable Pay / Performance Bonus which is linked to their individual performance.
4. Remuneration of KMP on deputation from the Holding Company / ultimate Holding Company / subsidiary / fellow subsidiary / associate companies, is aligned to the Remuneration Policy of that company.

Remuneration of Independent Directors

Independent Directors are entitled to sitting fees for attending meetings of the Board and Board Committees, the quantum of which is determined by the Board within the limits prescribed under the Companies Act, 2013 and the Rules thereunder. Independent Directors are also entitled to reimbursement of expenses for attending meetings of the Board and Board Committees and General Meetings.

Remuneration of employees other than KMP

1. Remuneration of employees other than KMP is approved by the Board.
2. Remuneration is reviewed and revised periodically, when such a revision is warranted by the market. The quantum of revision is linked to market trends, the competitive context of the Company's business, as well as the track record of the individual employee.
3. Variable Pay is based on the performance rating of the individual employee.

Annexure 2 to the Report of the Board of Directors for the financial year ended 31st March, 2017

[Information pursuant to Rules 5(2) and 5(3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]

Names of employees	Age	Designation	Gross Remuneration (₹)	Net Remuneration (₹)	Qualifications	Experience (Years)	Date of commencement of employment / deputation	Previous Employment / Position held
1	2	3	4	5	6	7	8	9
M. Seth *	36	Chief Financial Officer	30,46,850/-	23,28,953/-	B.Com (Hons.), A.C.A.	11	01.01.2015	Manager (Finance) - ITC Limited
A. Bhattacharya	48	Assistant Manager - Finance	9,99,196/-	7,96,180/-	B. Com, P.G.D.P. (Insurance & Risk Mngt.)	19	01.10.1997	–
Md. J. Alam #	34	Manager & Company Secretary	7,35,177/-	6,24,188/-	B.Com (Hons.), F.C.S., A.C.M.A.	9	01.09.2015	Deputy General Manager & Company Secretary - Hooghly Mills Group
A. Kanjilal	44	Security & Fire Officer	7,14,675/-	6,22,961/-	B.A.	24	16.02.2015	Site Security Leader - IBM India Pvt. Ltd.
S. K. Singh	50	Administrative Assistant	5,96,300/-	4,91,920/-	Madhyamik	19	01.10.1997	–
S. Bhattacharya	54	Maintenance Supervisor (Administrative)	4,35,260/-	3,62,124/-	B.Sc. (Hons.)	25	16.04.1992	–
S. Lama	43	Administrative Assistant	4,28,398/-	3,61,537/-	H.S.	19	01.10.1997	–
N. Ghosh	55	Maintenance Supervisor (Electricity)	4,11,136/-	3,36,974/-	Electrician License	26	15.02.1991	–
T. K. Chowdhury	61	Maintenance Supervisor (AC)	4,10,689/-	3,44,009/-	Pre-university, ITI (Air Conditioning)	26	01.04.1991	–
G. B. Das	49	Maintenance Supervisor (Plumbing)	3,88,795/-	3,24,488/-	Madhyamik	25	01.11.1991	–

** On deputation from ITC Limited, the ultimate Holding Company.*

 # Resigned w.e.f. close of work on 23rd December, 2016.

Notes:

a. In respect of employee on deputation, gross remuneration disclosed as above is the deputation cost which is borne by the Company.

b. For the other employees, gross remuneration includes salary, variable pay, allowances & other benefits / applicable perquisites except provisions for gratuity and leave encashment which are actuarially determined on an overall Company basis. The term 'remuneration' has the meaning assigned to it under the Companies Act, 2013.

c. Net remuneration comprises cash income less income tax, education cess deducted at source and employee's own contribution to provident fund.

d. The Chief Financial Officer has been granted Stock Options by ITC Limited, the ultimate Holding Company, under its Employee Stock Option Schemes at 'market price' [within the meaning of the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014]. Since such Options are not tradeable, no perquisite or benefit is immediately conferred upon him by such grant of Options, and accordingly the said grant has not been considered as remuneration.

e. All appointments (except in case of employee on deputation) are / were contractual in accordance with terms and conditions as per Company's rules.

f. The aforesaid employees are neither relative of any Director / Manager of the Company nor hold any equity share in the Company.

On behalf of the Board

R. Tandon *Chairman*

Dated : 3rd May, 2017

S. Dutta *Director*

Annexure 3 to the Report of the Board of Directors for the financial year ended 31st March, 2017

FORM NO. AOC-2

[Pursuant to Section 134(3)(h) of the Companies Act, 2013 and Rule 8(2) of the Companies (Accounts) Rules, 2014]

Form for disclosure of particulars of contracts / arrangements entered into by the Company with related parties referred to in sub-section (1) of Section 188 of the Companies Act, 2013 including certain arm's length transactions under third proviso thereto

1. Details of contracts or arrangements or transactions not at arm's length basis

a)	Name(s) of the related party and nature of relationship	NIL
b)	Nature of contracts / arrangements / transactions	
c)	Duration of the contracts / arrangements / transactions	
d)	Salient terms of the contracts or arrangements or transactions including the value, if any	
e)	Justification for entering into such contracts or arrangements or transactions	
f)	Date(s) of approval by the Board	
g)	Amount paid as advances, if any	
h)	Date on which the special resolution was passed in general meeting as required under first proviso to Section 188	

2. Details of material contracts or arrangements or transactions at arm's length basis

a)	Name(s) of the related party and nature of relationship	ITC Limited (ITC), the ultimate Holding Company
b)	Nature of contracts / arrangements / transactions	Maintenance of ITC Centre, Kolkata and certain other properties owned by ITC
c)	Duration of the contracts / arrangements / transactions	Maintenance of ITC Centre – 1st August, 2016 to 31st July, 2017 Maintenance of certain other properties – 1st April, 2016 to 31st March, 2017
d)	Salient terms of the contracts or arrangements or transactions including the value, if any	Value of the transaction during the year - ₹ 274.57 lakhs
e)	Date(s) of approval by the Board, if any	29th August, 2016
f)	Amount paid as advances, if any	Nil

On behalf of the Board

R. Tandon *Chairman*

Dated : 3rd May, 2017 S. Dutta *Director*

Annexure 4 to the Report of the Board of Directors

FORM NO. MGT-9

EXTRACT OF ANNUAL RETURN

as on the financial year ended on 31st March, 2017

[Pursuant to Section 92(3) of the Companies Act, 2013 and Rule 12(1) of the Companies (Management and Administration) Rules, 2014]

I. REGISTRATION AND OTHER DETAILS

i) CIN	:	U55202WB1986PLC049467
ii) Registration Date	:	2nd June, 1986
iii) Name of the Company	:	Greenacre Holdings Limited
iv) Category / Sub-Category of the Company	:	Unlisted Public Company limited by shares
v) Address of the Registered office and contact details	:	ITC Centre 37 J. L. Nehru Road Kolkata – 700 071 Phone: 033 2288 9371 / 9900 Fax: 033 2288 9980 e-mail ID : GreenacreHoldings.Limited@itc.in
vi) Whether listed company	:	No
vii) Name, Address and Contact details of Registrar and Transfer Agent, if any	:	N.A.

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

All the business activities contributing 10% or more of the total turnover of the Company shall be stated:

Sl. No.	Name and Description of main products / services	NIC Code of the product / service	% to total turnover of the Company
1.	Managing and providing maintenance services for buildings	68200	100%

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES

Sl. No.	Name and address of the company	CIN / GLN	Holding / Subsidiary / Associate	% of shares held in the Company	Applicable Section
1.	Russell Credit Limited Virginia House 37 J. L. Nehru Road Kolkata – 700 071	U65993WB1994PLC061684	Holding company	100.00%	2(46)
2.	ITC Limited Virginia House 37 Jawaharlal Nehru Road Kolkata – 700 071	L16005WB1910PLC001985	Ultimate Holding company	–	2(46)

IV. SHAREHOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity)

(i) **Category-wise Shareholding:**

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
A. Promoters									
(1) **Indian**									
a) Individual/HUF	–	–	–	–	–	–	–	–	N.A.
b) Central Govt.	–	–	–	–	–	–	–	–	N.A.
c) State Govt.(s)	–	–	–	–	–	–	–	–	N.A.
d) Bodies Corp.	–	4,20,60,166	4,20,60,166	100.00	–	4,20,60,166	4,20,60,166	100.00	Nil
e) Banks / FI	–	–	–	–	–	–	–	–	N.A.
f) Any Other	–	–	–	–	–	–	–	–	N.A.
Sub-total (A)(1)	–	**4,20,60,166**	**4,20,60,166**	**100.00**	–	**4,20,60,166**	**4,20,60,166**	**100.00**	**Nil**
(2) **Foreign**									
a) NRIs – Individuals	–	–	–	–	–	–	–	–	N.A.
b) Other – Individuals	–	–	–	–	–	–	–	–	N.A.
c) Bodies Corp.	–	–	–	–	–	–	–	–	N.A.
d) Banks / FI	–	–	–	–	–	–	–	–	N.A.
e) Any Other	–	–	–	–	–	–	–	–	N.A.
Sub-total (A)(2)	–	–	–	–	–	–	–	–	**N.A.**
Total shareholding of Promoter (A) = (A)(1)+(A)(2)	–	**4,20,60,166**	**4,20,60,166**	**100.00**	–	**4,20,60,166**	**4,20,60,166**	**100.00**	**Nil**
B. Public Shareholding									
(1) **Institutions**									
a) Mutual Funds	–	–	–	–	–	–	–	–	N.A.
b) Banks / FI	–	–	–	–	–	–	–	–	N.A.
c) Central Govt.	–	–	–	–	–	–	–	–	N.A.
d) State Govt.(s)	–	–	–	–	–	–	–	–	N.A.
e) Venture Capital Funds	–	–	–	–	–	–	–	–	N.A.
f) Insurance Companies	–	–	–	–	–	–	–	–	N.A.
g) FIIs	–	–	–	–	–	–	–	–	N.A.
h) Foreign Venture Capital Funds	–	–	–	–	–	–	–	–	N.A.
i) Others (specify)	–	–	–	–	–	–	–	–	N.A.
Sub-total (B)(1)	–	–	–	–	–	–	–	–	**N.A.**
(2) **Non-Institutions**									
a) Bodies Corp.									
i) Indian	–	–	–	–	–	–	–	–	N.A.
ii) Overseas	–	–	–	–	–	–	–	–	N.A.
b) Individuals									
i) Individual shareholders holding nominal share capital upto ₹ 1 lakh	–	–	–	–	–	–	–	–	N.A.
ii) Individual shareholders holding nominal share capital in excess of ₹ 1 lakh	–	–	–	–	–	–	–	–	N.A.
c) Others (specify)	–	–	–	–	–	–	–	–	N.A.
Sub-total (B)(2)	–	–	–	–	–	–	–	–	**N.A.**
Total Public Shareholding (B)=(B)(1) + (B)(2)	–	–	–	–	–	–	–	–	**N.A.**
C. Shares held by Custodian for GDRs & ADRs	–	–	–	–	–	–	–	–	N.A.
Grand Total (A+B+C)	–	**4,20,60,166**	**4,20,60,166**	**100.00**	–	**4,20,60,166**	**4,20,60,166**	**100.00**	**Nil**

(ii) **Shareholding of Promoters:**

Sl. No.	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in shareholding during the year
		No. of Shares	% of total Shares of the Company	% of Shares pledged / encumbered to total Shares	No. of Shares	% of total Shares of the Company	% of Shares pledged / encumbered to total Shares	
1.	Russell Credit Limited	4,20,60,166	100.00	Nil	4,20,60,166	100.00	Nil	Nil

(iii) **Change in Promoters' Shareholding (please specify, if there is no change):**

Sl. No.		Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of Shares	% of total Shares of the Company	No. of Shares	% of total Shares of the Company
	At the beginning of the year	No change during the year			
	Date wise Increase / Decrease in Promoters Shareholding during the year				
	At the end of the year				

(iv) **Shareholding Pattern of top ten Shareholders (other than Directors, Promoters and Holders of GDRs and ADRs)**: NOT APPLICABLE

(v) **Shareholding of Directors and Key Managerial Personnel**: None of the Directors and Key Managerial Personnel hold any share in the Company in their individual capacity.

V. INDEBTEDNESS

Indebtedness of the Company including interest outstanding / accrued but not due for payment : NIL

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

A. **Remuneration to Managing Director, Wholetime Directors and / or Manager:**

(Amount in ₹)

Sl. No.	Particulars of Remuneration	P. Kumar (Manager & Company Secretary) *(refer Note)*
1.	Gross Salary	
	(a) Salary as per provisions contained in Section 17(1) of the Income-tax Act, 1961	1,20,333
	(b) Value of perquisites under Section 17(2) of the Income-tax Act, 1961	8,333
	(c) Profits in lieu of salary under Section 17(3) of the Income-tax Act, 1961	–
2.	Stock Option	–
3.	Sweat Equity	–
4.	Commission - as % of profit - others, specify	–
5.	Others, please specify	–
Total Amount (A)		**1,28,666**
Ceiling as per the Companies Act, 2013 *(5% of the net profits of the Company computed in accordance with Section 198 of the said Act)*		17,04,558

Note: Mr. P. Kumar has been appointed as the Manager and Company Secretary of the Company with effect from 27th December, 2016.

B. Remuneration to other Directors:

(Amount in ₹)

Sl. No.	Name of the Directors	Particulars of Remuneration			Total Amount
		Fee for attending Board and Board Committee meetings	Commission	Independent Directors' Meeting Fee	
1.	**Independent Directors**				
	S. Banerjee	1,40,000	Nil	10,000	1,50,000
	A. Guhamallick	1,40,000		10,000	1,50,000
	Total Amount (B)(1)	**2,80,000**		**20,000**	**3,00,000**
2.	**Other Non-Executive Directors**				
	R. Tandon	Nil	Nil	Nil	Nil
	Saradindu Dutta				
	R. K. Singhi				
	Total Amount (B)(2)				**Nil**
Total Amount (B) = (B)(1) + (B)(2)					**3,00,000**
Total Managerial Remuneration (A + B)					**4,28,666**
Overall ceiling as per the Companies Act, 2013 *(11% of the net profits of the Company computed in accordance with Section 198 of the said Act)*					37,50,028

C. Remuneration to Key Managerial Personnel other than MD / Manager / WTD:

(Amount in ₹)

Sl. No.	Particulars of Remuneration	M. Seth (Chief Financial Officer) *(refer Note)*
1.	Gross Salary	
	(a) Salary as per provisions contained in Section 17(1) of the Income-tax Act, 1961	27,32,275
	(b) Value of perquisites under Section 17(2) of the Income-tax Act, 1961	86,512
	(c) Profits in lieu of salary under Section 17(3) of the Income-tax Act, 1961	–
2.	Stock Option	–
3.	Sweat Equity	–
4.	Commission - as % of profit - others, specify	–
5.	Others, please specify	–
Total Amount		**28,18,787**

Note: Mr. M. Seth is on deputation from ITC Limited (ITC) and has been granted Stock Options by ITC under its Employee Stock Option Schemes at 'market price' [within the meaning of the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014]. Since such Options are not tradeable, no perquisite or benefit is immediately conferred upon him by such grant of Options, and accordingly the said grant has not been considered as remuneration.

VII. PENALTIES / PUNISHMENT / COMPOUNDING OF OFFENCES against the Company, Directors and other Officers in Default under the Companies Act, 2013 : None

On behalf of the Board

R. Tandon *Chairman*

Dated : 3rd May, 2017

S. Dutta *Director*

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF GREENACRE HOLDINGS LIMITED

Report on the Ind AS Financial Statements.

We have audited the accompanying Ind AS financial statements of **GREENACRE HOLDINGS LIMITED** ("the Company"), which comprise the Balance Sheet as at 31st March, 2017, the Statement of Profit and Loss (including Other Comprehensive Income), the Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Ind AS Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these Ind AS financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, cash flows and changes in equity of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) prescribed under section 133 of the Act.

This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgements and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these Ind AS financial statements based on our audit.

In conducting our audit, we have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit of the Ind AS financial statements in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Ind AS financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the Ind AS financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the Ind AS financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the Ind AS financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the Ind AS financial statements.

We believe that the audit evidence obtained by us is sufficient and appropriate to provide a basis for our audit opinion on the Ind AS financial statements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid Ind AS financial statements 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, of the state of affairs of the Company as at 31st March, 2017, and its profit, total comprehensive income, its cash flows and the changes in equity for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. As required by Section 143(3) of the Act, based on our audit we report, to the extent applicable that

a) We have sought and 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 it appears from our examination of those books.

c) The Balance Sheet, the Statement of Profit and Loss including Other Comprehensive Income, the Cash Flow Statement and Statement of Changes in Equity dealt with by this Report are in agreement with the books of account.

d) In our opinion, the aforesaid Ind AS financial statements comply with the Indian Accounting Standards prescribed under Section 133 of the Act.

e) On the basis of the written representations received from the directors as on 31st March, 2017 taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2017 from being appointed as a director in terms of Section 164 (2) of the Act.

f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure A". Our report expresses an unmodified opinion on the adequacy and operating effectiveness of the Company's internal financial controls over financial reporting.

g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, as amended in our opinion and to the best of our information and according to the explanations given to us:

   i. The Company has disclosed the impact of pending litigations on its financial position in its Ind AS financial statements; - also refer Note 4 to the Ind AS financial statements;

   ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses;

   iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company;

   iv. The Company has provided requisite disclosures in the Ind AS financial statements as regards its holding and dealings in Specified Bank Notes as defined in the Notification S.O. 3407(E) dated the 8th November, 2016 of the Ministry of Finance, during the period from 8th November 2016 to 30th December 2016. Based on audit procedures performed and the representations provided to us by the management, we report that the disclosures are in accordance with the books of account maintained by the Company and as produced to us by the management. Also Refer Note 18 (iv) to the financial statement.

2. As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government in terms of Section 143(11) of the Act, we give in "Annexure B" a statement on the matters specified in paragraphs 3 and 4 of the Order.

For A.F.FERGUSON & CO
Chartered Accountants
(Firm's Registration No. 112066W)
Ketan Vora
(Partner)
(Membership No. 100459)

Place: Kolkata
Date: 3rd May, 2017

ANNEXURE A TO THE INDEPENDENT AUDITOR'S REPORT

(Referred to in paragraph 1(f) under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

Report on the Internal Financial Controls Over Financial Reporting under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls over financial reporting of GREENACRE HOLDINGS LIMITED ("the Company") as of 31st March, 2017 in conjunction with our audit of the Ind AS financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditor's Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") issued by the Institute of Chartered Accountants of India and the Standards on Auditing prescribed under Section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

Meaning of Internal Financial Controls Over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, to the best of our information and according to the explanations given to us, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31st March, 2017, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For A.F.FERGUSON & CO
Chartered Accountants
(Firm's Registration No. 112066W)
Ketan Vora
Partner
(Membership No. 100459)

Place: Kolkata
Date: 3rd May, 2017

ANNEXURE B TO THE INDEPENDENT AUDITOR'S REPORT

(Referred to in paragraph 2 under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

(i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of property, plant and equipments.

(b) The property, plant and equipments were physically verified during the year by the management in accordance with a regular programme of verification which, in our opinion, provides for physical verification of all the property, plant and equipments at reasonable intervals. According to the information and explanation given to us, no material discrepancies were noticed on such verification.

(c) With respect to immovable properties of acquired land and buildings that are freehold, according to the information and explanations given to us and the records examined by us and based on the examination of the registered sale deed / transfer deed / conveyance deed / court orders approving scheme of amalgamation provided to us, we report that, the title deeds, of such immovable properties of land and buildings which are freehold, are held in the name of the Company as at the balance sheet date.

(ii) The Company does not have any inventory and hence reporting under clause (ii) of the Order is not applicable.

(iii) The Company has not granted any loans, secured or unsecured, to companies, firms, limited liability partnerships or other parties covered in the register maintained under Section 189 of the Companies Act, 2013.

(iv) In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Sections 185 and 186 of the Companies Act, 2013 in respect of grant of loans, making investments and providing securities, as applicable.

(v) According to the information and explanations given to us, the Company has not accepted any deposit during the year. There are no unclaimed deposits under the provisions of Sections 73 to 76 or any other relevant provisions of the Companies Act, 2013.

(vi) Having regard to the nature of the Company's business / activities, reporting under clause (vi) of the Order is not applicable.

(vii) According to the information and explanations given to us, in respect of statutory dues:

(a) The Company has been regular in depositing undisputed statutory dues, including Provident Fund, Employees' State Insurance, Income-tax, Service Tax, Cess and other material statutory dues applicable to it to the appropriate authorities. Sales Tax, Customs Duty, Excise Duty, and Value Added Tax are not applicable to the Company.

(b) There are no dues of Income-tax and Service Tax as on 31st March, 2017 on account of disputes.

(viii) The Company has not taken any loans or borrowings from financial institutions, banks and government or has not issued any debentures. Hence reporting under clause (viii) of the Order is not applicable to the Company.

(ix) The Company has not raised moneys by way of initial public offer or further public offer (including debt instruments) or term loans and hence reporting under clause (ix) of the Order is not applicable.

(x) To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company and no material fraud on the Company by its officers or employees has been noticed or reported during the year.

(xi) In our opinion and according to the information and explanations given to us, the Company has paid / provided managerial remuneration in accordance with the requisite approvals mandated by the provisions of Section 197 read with Schedule V to the Companies Act, 2013. In respect of one manager, remuneration of ₹ 1,32,466 paid/ provided during the year, is subject to the approval of the Members at the forthcoming Annual General Meeting.

(xii) The Company is not a Nidhi Company and hence reporting under clause (xii) of the Order is not applicable.

(xiii) In our opinion and according to the information and explanations given to us the Company is in compliance with Section 177 and 188 of the Companies Act, 2013, where applicable, for all transactions with the related parties and the details of related party transactions have been disclosed in the financial statements etc. as required by the applicable Indian Accounting Standards.

(xiv) During the year the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures and hence reporting under clause (xiv) of the Order is not applicable to the Company.

(xv) In our opinion and according to the information and explanations given to us, during the year the Company has not entered into any non-cash transactions with its directors or directors of its holding and subsidiary or persons connected with them and hence provisions of Section 192 of the Companies Act, 2013 are not applicable.

(xvi) The Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934.

For A.F.FERGUSON & CO
Chartered Accountants
(Firm's Registration No. 112066W)
Ketan Vora
(Partner)
(Membership No. 100459)

Place: Kolkata
Date: 3rd May, 2017

BALANCE SHEET AS AT 31ST MARCH, 2017

	Note		As at 31st March, 2017 (₹)		As at 31st March, 2016 (₹)		As at 1st April, 2015 (₹)
ASSETS							
Non-current assets							
(a) Property, Plant and Equipment	1		14,80,11,279		14,82,07,217		43,05,37,073
(b) Financial Assets							
Investments	2		–		–		6,63,26,700
(c) Deferred tax assets (net)	3		6,82,996		4,45,496		5,21,698
(d) Other non-current assets	4		5,12,33,769		5,09,52,473		1,60,05,743
Current assets							
(a) Financial Assets							
(i) Investments	5	32,22,42,795		25,44,11,714		9,08,02,795	
(ii) Cash and cash equivalents	6	6,99,998		25,66,891		11,87,177	
(iii) Other Bank Balances	7	–		5,29,01,043		–	
(iv) Others	8	–	32,29,42,793	3,14,025	31,01,93,673	–	9,19,89,972
(b) Other current assets	4		1,28,569		2,14,034		1,73,247
TOTAL ASSETS			52,29,99,406		51,00,12,893		60,55,54,433
EQUITY AND LIABILITIES							
Equity							
(a) Equity Share capital	9	42,06,01,660		42,06,01,660		42,06,01,660	
(b) Other Equity		8,98,25,108	51,04,26,768	6,85,48,237	48,91,49,897	14,49,57,539	56,55,59,199
Liabilities							
Non-current liabilities							
(a) Financial Liabilities							
Other financial liabilities	10		80,11,000		90,11,000		2,80,11,000
(b) Provisions	11		18,01,079		13,00,816		12,99,664
Current liabilities							
(a) Financial Liabilities							
Other financial liabilities	10		19,89,043		1,51,525		1,22,358
(b) Provisions	11		6,51,012		2,46,501		4,63,066
(c) Other current liabilities	12		1,20,504		1,01,53,154		1,00,99,146
TOTAL EQUITY AND LIABILITIES			52,29,99,406		51,00,12,893		60,55,54,433

The accompanying notes 1 to 24 are an integral part of the Financial Statements.

In terms of our report attached

On behalf of the Board

For A. F. Ferguson & CO.
Chartered Accountants

R. TANDON *Chairman* S. DUTTA *Director*

KETAN VORA
Partner
Kolkata, 3rd May, 2017

M. SETH *Chief Financial Officer* P. KUMAR *Manager & Company Secretary*

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH, 2017

		Note	For the year ended 31st March, 2017 (₹)	For the year ended 31st March, 2016 (₹)
I	Revenue From Operations	13	2,74,56,578	2,55,54,748
II	Other Income	14	3,59,85,709	2,34,68,041
III	**Total Income (I+II)**		6,34,42,287	4,90,22,789
IV	**EXPENSES**			
	Maintenance and service expense		77,57,288	74,77,056
	Employee benefits expense	15	1,58,46,300	1,31,34,017
	Depreciation expense		1,73,421	1,73,895
	Other expenses	16	67,08,905	37,76,811
	Total expenses (IV)		3,04,85,914	2,45,61,779
V	**Profit before tax (III- IV)**		3,29,56,373	2,44,61,010
VI	**Tax expense:**			
	Current Tax	17	1,04,36,638	82,00,000
	Deferred Tax	17	(17,791)	(22,679)
VII	**Profit for the year (V-VI)**		2,25,37,526	1,62,83,689
VIII	**Other Comprehensive Income**			
	A (i) Items that will not be reclassified to profit or loss:			
	- Remeasurements of defined benefit plans	18 (ii)	(7,97,418)	4,66,167
	(ii) Income tax relating to items that will not be reclassified to profit or loss	17	2,19,709	(1,54,128)
	Other Comprehensive Income [A (i)+(ii)]		(5,77,709)	3,12,039
IX	**Total Comprehensive Income for the year (VII+VIII)**		2,19,59,817	1,65,95,728
X	Earnings per equity share (Face Value ₹ 10.00 each):			
	- Basic and Diluted (in ₹)	18(i)	0.54	0.39

The accompanying notes 1 to 24 are an integral part of the Financial Statements.

In terms of our report attached

On behalf of the Board

For A. F. Ferguson & CO.
Chartered Accountants

R. TANDON *Chairman* S. DUTTA *Director*

KETAN VORA
Partner
Kolkata, 3rd May, 2017

M. SETH *Chief Financial Officer* P. KUMAR *Manager & Company Secretary*

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31ST MARCH, 2017

A. Equity Share Capital (₹)

	Balance at the beginning of the reporting year	Changes in equity share capital during the year	Balance at the end of the reporting year
For the year ended 31st March, 2016	42,06,01,660	–	42,06,01,660
For the year ended 31st March, 2017	42,06,01,660	–	42,06,01,660

B. Other Equity (₹)

	Reserve and Surplus			
	Capital Contribution for Share Based Payment	General Reserve	Retained Earnings	Total
Balance as at 1st April, 2015	–	**1,37,70,978**	**13,11,86,561**	**14,49,57,539**
Profit for the year	–	–	1,62,83,689	1,62,83,689
Other Comprehensive Income (net of tax)	–	–	3,12,039	3,12,039
Total Comprehensive Income for the year	–	–	**1,65,95,728**	**1,65,95,728**
Adjustment pursuant to Scheme of Amalgamation [Refer Note 21]	–	(1,37,70,978)	(7,99,16,998)	(9,36,87,976)
Recognition of share based payment	6,82,946	–	–	6,82,946
Balance as at 31st March, 2016	**6,82,946**	–	**6,78,65,291**	**6,85,48,237**
Profit for the year	–	–	2,25,37,526	2,25,37,526
Other Comprehensive Income (net of tax)	–	–	(5,77,709)	(5,77,709)
Total Comprehensive Income for the year	–	–	**2,19,59,817**	**2,19,59,817**
Transfer from Deemed Capital Contribution - share based payment	(6,82,946)	–	–	(6,82,946)
Balance as at 31st March, 2017	–	–	**8,98,25,108**	**8,98,25,108**

Capital Contribution for Share Based Payments: Represents fair value of equity settled share based payments in respect of employees who have been granted stock options by ultimate Holding Company, net of reimbursements, if any.

General Reserve: This Reserve is created by an appropriation from one component of equity (generally retained earnings) to another, not being an item of Other Comprehensive Income. The same can be utilised by the Company in accordance with the provisions of the Companies Act, 2013.

Retained Earnings: This Reserve represents the cumulative profits of the Company and effects of remeasurement of defined benefit obligations. This Reserve can be utilised in accordance with the provisions of the Companies Act, 2013.

The accompanying notes 1 to 24 are an integral part of the Financial Statements.

In terms of our report attached
For A. F. Ferguson & CO.
Chartered Accountants

KETAN VORA
Partner
Kolkata, 3rd May, 2017

On behalf of the Board

R. TANDON *Chairman* S. DUTTA *Director*
M. SETH *Chief Financial Officer* P. KUMAR *Manager & Company Secretary*

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2017

	For the year ended 31st March, 2017 (₹)	For the year ended 31st March, 2016 (₹)
A. Cash Flow from Operating Activities		
PROFIT BEFORE TAX	**3,29,56,373**	2,44,61,010
ADJUSTMENTS FOR :		
Depreciation expense	**1,73,421**	1,73,895
Interest Income	**(37,01,921)**	(23,12,012)
Dividend income from Current Investments	**(60,100)**	–
Gain on sale of property, plant and equipment - Net	**(6,584)**	–
Re-measurement of defined benefit plans at Fair value Through Other Comprehensive Income (FVTOCI)	**(7,97,418)**	4,66,167
Transfer from Capital Contribution by parent towards share based payment	**(6,82,946)**	6,82,946
Net Gain on sale of current Investments - financial instruments measured at Fair value Through Profit and Loss (FVTPL)	**(1,94,56,997)**	(1,81,27,125)
Progress payments and advance received against projects - written back	**(1,00,00,000)**	–
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	**(15,76,172)**	53,44,881
ADJUSTMENTS FOR :		
Other assets	**85,465**	(38,288)
Other financial liabilities	**18,37,518**	(29,551)
Other current liabilities	**(32,650)**	54,008
Provisions	**9,04,774**	(6,03,133)
CASH GENERATED FROM OPERATIONS	**12,18,935**	47,27,917
Income tax relating to items re-measured at FVTOCI	**2,19,709**	(1,54,128)
Income tax paid	**(1,09,37,643)**	(92,06,747)
NET CASH USED IN OPERATING ACTIVITIES	**(94,98,999)**	(46,32,958)
B. Cash Flow from Investing Activities		
Sale of property, plant and equipment	**29,101**	28,21,78,478
Purchase of current investments	**(4,89,09,97,977)**	(4,00,00,22,206)
Sale/redemption of current investments	**4,84,26,23,893**	3,85,45,40,412
Purchase of Non-current investment (Adjusted subsequently pursuant to the Scheme of Amalgamation [Refer Note 21])	–	(11,37,75,205)
Dividend Income	**60,100**	–
Interest received	**40,15,946**	41,86,035
Investment in bank deposits (original maturity more than 3 months)	–	(4,66,47,571)
Redemption/maturity of bank deposits (original maturity more than 3 months)	**5,29,01,043**	4,47,28,246
Refund of security deposits	**(10,00,000)**	(2,00,00,000)
NET CASH GENERATED FROM INVESTING ACTIVITIES	**76,32,106**	51,88,189
C. Cash Flow from Financing Activities	–	–
NET CASH FROM FINANCING ACTIVITIES	–	–
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**(18,66,893)**	5,55,231
OPENING CASH AND CASH EQUIVALENTS	**25,66,891**	11,87,177
Cash and cash equivalents pursuant to Scheme of Amalgamation [Refer Note 21]	–	8,24,483
CLOSING CASH AND CASH EQUIVALENTS (Note 6)	**6,99,998**	25,66,891

The above Cash Flow Statement has been prepared under the “Indirect Method” as set out in Ind AS - 7 “Statement of Cash Flows”.

The accompanying notes 1 to 24 are an integral part of the Financial Statements.

In terms of our report attached
For A. F. Ferguson & CO.
Chartered Accountants

KETAN VORA
Partner
Kolkata, 3rd May, 2017

On behalf of the Board

R. TANDON *Chairman* S. DUTTA *Director*
M. SETH *Chief Financial Officer* P. KUMAR *Manager & Company Secretary*

NOTES TO THE FINANCIAL STATEMENTS

(₹)

Particulars	Gross Block								Depreciation and Amortisation								Net Book Value		
	As at 1st April, 2015	Additions	Withdrawls and adjustments	Acquisition through business combinations	As at 31st March, 2016	Additions	Withdrawls and adjustments	As at 31st March, 2017	Upto 1st April, 2015	Acquisition through business combinations	For the year	On Withdrawls and adjustments	Upto 31st March, 2016	For the year	On Withdrawls and adjustments	Upto 31st March, 2017	As at 31st March, 2017	As at 31st March, 2016	As at 1st April, 2015
1. Property, Plant and Equipment																			
Land (#)	42,28,08,227	-	28,21,78,478	-	14,06,29,749	-	–	14,06,29,749	-	-	-	-	-	-	-	-	14,06,29,749	14,06,29,749	42,28,08,227
Buildings (#)	77,23,667	-	-	-	77,23,667	-	-	77,23,667	-	-	1,72,390	-	1,72,390	1,71,919	-	3,44,309	73,79,358	75,51,277	77,23,667
Plant and Equipment	5,179	-	-	-	5,179	-	-	5,179	-	-	1,505	-	1,505	1,502	-	3,007	2,172	3,674	5,179
Furniture and Fixtures (##)	-	-	-	7,11,877	7,11,877	-	7,11,877	-	-	6,93,617	-	-	6,93,617	-	6,93,617	-	-	18,260	-
Office Equipment (##)	-	-	-	5,93,035	5,93,035	-	5,93,035	-	-	5,88,778	-	-	5,88,778	-	5,88,778	-	-	4,257	-
Total	43,05,37,073	-	28,21,78,478	13,04,912	14,96,63,507	-	13,04,912	14,83,58,595	-	12,82,395	1,73,895	-	14,56,290	1,73,421	12,82,395	3,47,316	14,80,11,279	14,82,07,217	43,05,37,073

The above includes following assets given on operating lease:

Particulars	As at 31st March, 2017			2017	As at 31st March, 2016			2016	As at 1st April, 2015		
	Gross Block	Accumulated Depreciation	Net Block	Depreciation Charge for the year	Gross Block	Accumulated Depreciation	Net Block	Depreciation Charge for the year	Gross Block	Accumulated Depreciation	Net Block
Land	–	–	–	–	–	–	–	–	28,21,78,478	–	28,21,78,478
Buildings	77,23,667	3,44,309	73,79,358	1,71,919	77,23,667	1,72,390	75,51,277	1,72,390	77,23,667	–	77,23,667
TOTAL	77,23,667	3,44,309	73,79,358	1,71,919	77,23,667	1,72,390	75,51,277	1,72,390	28,99,02,145	–	28,99,02,145

Notes:

(#) The above include assets given on operating lease, which are not non-cancellable and are usually renewable by mutual consent on mutually agreeable terms.

The lease rental of ₹ 27,60,000 (2016 - ₹ 30,28,904) is included in Lease rental income under Other income (Note 14)

(##) Taken over pursuant to Scheme of Amalgamation. These represents Gross Block and accumulated depreciation of tangible assets acquired as at 1st October, 2015. [Refer Note 21]

2. Non-current Investments	As at 31st March, 2017		As at 31st March, 2016		As at 1st April, 2015	
	(₹)		(₹)		(₹)	
	Quoted	Unquoted	Quoted	Unquoted	Quoted	Unquoted
INVESTMENT IN EQUITY INSTRUMENTS						
In Others (at fair value through other comprehensive income)						
Classic Infrastructure & Development Limited						
(2017 - Nil, 2016 - Nil, 2015 - 16,50,000 Equity Shares of ₹ 10.00 each, fully paid) - adjusted in 2015-16 pursuant to the Scheme of Amalgamation [Refer Note 21]	–	–	–	–	–	6,63,26,700
Aggregate amount of quoted and unquoted Investments	–	–	–	–	–	6,63,26,700
TOTAL		–		–		6,63,26,700

	As at 31st March, 2017 (₹)	As at 31st March, 2016 (₹)	As at 1st April, 2015 (₹)
3. Deferred tax Asset (Net)			
Deferred tax assets	7,25,069	5,79,393	5,59,936
Less: Deferred tax liabilities	42,073	1,33,897	38,238
TOTAL	6,82,996	4,45,496	5,21,698

Movement in deferred tax liabilities / assets balances

2016-17	**Opening Balance**	**Transferred pursuant to Amalgamation [Refer Note 21]**	**Recognised in profit or loss**	**Recognised in OCI**	**Closing Balance**
Deferred tax liabilities/assets in relation to:					
Other timing differences:					
On current investments - FVTPL	1,33,897	–	(91,824)	–	42,073
Total deferred tax liabilities	**1,33,897**	–	**(91,824)**	–	**42,073**
On fiscal allowances on property, plant and equipment etc.	67,804	–	(18,347)	–	49,457
On employees' separation and retirement etc.	5,11,589	–	(55,686)	2,19,709	6,75,612
Total deferred tax assets	**5,79,393**	–	**(74,033)**	**2,19,709**	**7,25,069**
Deferred tax assets (Net)	**4,45,496**	–	**17,791**	**2,19,709**	**6,82,996**

2015-16	**Opening Balance**	**Transferred pursuant to Amalgamation [Refer Note 21]**	**Recognised in profit or loss**	**Recognised in OCI**	**Closing Balance**
Deferred Tax liabilities/Assets in relation to:					
Other timing differences:					
On current investments - FVTPL	38,238	–	95,659	–	1,33,897
Total deferred tax liabilities	**38,238**	–	**95,659**	–	**1,33,897**
On fiscal allowances on property, plant and equipment, etc.	15,253	–	52,551	–	67,804
On employees' separation and retirement etc	5,44,683	55,247	65,787	(1,54,128)	5,11,589
Total deferred tax assets	**5,59,936**	**55,247**	**1,18,338**	**(1,54,128)**	**5,79,393**
Deferred tax assets (Net)	**5,21,698**	**55,247**	**22,679**	**(1,54,128)**	**4,45,496**

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

	As at 31st March, 2017 (₹)		As at 31st March, 2016 (₹)		As at 1st April, 2015 (₹)	
	Current	Non-Current	Current	Non-Current	Current	Non-Current
4. Other assets						
(A) Capital Advances	–	42,85,855	–	42,85,855	–	–
(B) Advances other than capital advances						
(i) Security Deposits	–	1,55,000	–	1,55,000	–	1,55,000
(ii) Advance tax (net of provisions)	–	16,30,725	–	13,49,429	–	1,88,554
(iii) Other Advances						
- Assignable claims [Refer Note 22]	–	2,00,00,000	–	2,00,00,000	–	–
- Payment towards land / project development (*)	–	1,23,71,911	–	1,23,71,911	–	1,23,71,911
- Project advances	–	1,27,90,278	–	1,27,90,278	–	32,90,278
- Advance towards gratuity fund	–	–	1,49,095	–	–	–
- Balances with Statutory authorities						
Service tax credit receivable	21,910	–	20,300	–	12,360	–
- Others - prepaid expenses etc.	1,06,659	–	44,639	–	1,60,887	–
TOTAL	**1,28,569**	**5,12,33,769**	**2,14,034**	**5,09,52,473**	**1,73,247**	**1,60,05,743**

*Suit for partition of land is pending. The Company does not foresee any impact of the suit.

	As at 31st March, 2017 (₹)		As at 31st March, 2016 (₹)		As at 1st April, 2015 (₹)	
5. Current Investments (at fair value through profit or loss unless stated otherwise)	Quoted	Unquoted	Quoted	Unquoted	Quoted	Unquoted
INVESTMENT IN MUTUAL FUNDS						
Birla Sun Life Floating Rate Fund - Long Term 2,01,797 (2016 - 2,01,946 ; 2015 - 2,01,946) units of ₹ 100.00 each		4,01,14,048		3,67,55,898		3,38,37,348
SBI Premier Liquid Fund 1,10,826 (2016 - Nil ; 2015 - Nil) units of ₹ 1000.00 each		28,21,28,747		–		–
Franklin India Treasury Management Account - Super Institutional Plan Nil (2016 - Nil ; 2015 - 18,996) units of ₹ 1000.00 each		–		–		3,96,53,268
HDFC Liquid Fund Nil (2016 - Nil ; 2015 - 6,27,792) units of ₹ 10.00 each		–		–		1,73,12,179
Reliance Liquid Fund - Treasury Plan Nil (2016 - 59,057 ; 2015 - Nil) units of ₹ 1000.00 each		–		21,76,55,816		-
Aggregate amount of quoted and unquoted investments	–	**32,22,42,795**	–	**25,44,11,714**	–	**9,08,02,795**
TOTAL		**32,22,42,795**		**25,44,11,714**		**9,08,02,795**

	As at 31st March, 2017 (₹)	As at 31st March, 2016 (₹)	As at 1st April, 2015 (₹)
6. Cash and cash equivalents			
Balances with Banks			
Current accounts	6,92,015	25,48,891	11,67,177
Cash on hand	7,983	18,000	20,000
TOTAL	6,99,998	25,66,891	11,87,177

	As at 31st March, 2017 (₹)	As at 31st March, 2016 (₹)	As at 1st April, 2015 (₹)
7. Other bank balances			
In deposit accounts *	–	5,29,01,043	–
TOTAL	–	**5,29,01,043**	–

* Represents deposits with original maturity of more than 3 months having remaining maturity of less than 12 months from the Balance Sheet date.

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

	As at 31st March, 2017 (₹)		As at 31st March, 2016 (₹)		As at 1st April, 2015 (₹)	
	Current	**Non-Current**	Current	Non-Current	Current	Non-Current
8. Other financial assets						
Interest accrued on bank deposits	–	–	3,14,025	–	–	–
TOTAL	–	–	**3,14,025**	–	–	–

	As at 31st March, 2017 (No. of Shares)	As at 31st March, 2017 (₹)	As at 31st March, 2016 (No. of Shares)	As at 31st March, 2016 (₹)	As at 1st April, 2015 (No. of Shares)	As at 1st April, 2015 (₹)
9. Equity Share capital						
Authorised						
Equity Shares of ₹ 10.00 each	**5,00,00,000**	**50,00,00,000**	5,00,00,000	50,00,00,000	5,00,00,000	50,00,00,000
Issued and Subscribed						
Equity Shares of ₹ 10.00 each, fully paid	**4,20,60,166**	**42,06,01,660**	4,20,60,166	42,06,01,660	4,20,60,166	42,06,01,660

A) Reconciliation of number of Equity Shares outstanding						
As at beginning and at the end of the year	**4,20,60,166**	**42,06,01,660**	4,20,60,166	42,06,01,660	4,20,60,166	42,06,01,660

B) Shareholders holding more than 5% of the Equity Shares in the Company

	As at 31st March, 2017 (No. of Shares)	As at 31st March, 2017 %	As at 31st March, 2016 (No. of Shares)	As at 31st March, 2016 %	As at 1st April, 2015 (No. of Shares)	As at 1st April, 2015 %
Russell Credit Limited - the Holding Company	**4,20,60,166**	**100.00**	4,20,60,166	100.00	4,20,60,166	100.00

C) Rights, preferences and restrictions attached to the Equity Shares

The Equity Shares of the Company, having par value of ₹ 10.00 per share, rank *pari passu* in all respects including voting rights and entitlement to dividend.

	As at 31st March, 2017 (₹)	As at 31st March, 2016 (₹)	As at 1st April, 2015 (₹)
10. Other financial liabilities			
Non-current			
Other liabilities (includes deposits from ITC Limited, the ultimate Holding Company 2017 - ₹ 24,00,000; 2016- ₹ 34,00,000; 2015: ₹ 2,24,00,000)	**80,11,000**	90,11,000	2,80,11,000
TOTAL	**80,11,000**	90,11,000	2,80,11,000
Current			
Other Payables [Refer Note - 18 (vii)]	**19,89,043**	1,51,525	1,22,358
TOTAL	**19,89,043**	1,51,525	1,22,358

	As at 31st March, 2017 (₹)		As at 31st March, 2016 (₹)		As at 1st April, 2015 (₹)	
	Current	**Non-Current**	Current	Non-Current	Current	Non-Current
11. Provisions						
Provision for employee benefits [Refer Note 18 (ii)]						
Retirement benefits	**3,16,715**	–	–	–	2,30,598	–
Other benefits	**3,34,297**	**18,01,079**	2,46,501	13,00,816	2,32,468	12,99,664
TOTAL	**6,51,012**	**18,01,079**	2,46,501	13,00,816	4,63,066	12,99,664

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

	As at 31st March, 2017 (₹)	As at 31st March, 2016 (₹)	As at 1st April, 2015 (₹)
12. Other liabilities			
Current			
Statutory liabilities	**1,20,504**	1,53,154	99,146
Progress payments and advance received against projects	**–**	1,00,00,000	1,00,00,000
TOTAL	**1,20,504**	1,01,53,154	1,00,99,146

	For the year ended 31st March, 2017 (₹)	For the year ended 31st March, 2016 (₹)
13. Revenue from operations		
Sale of Services	**2,74,56,578**	2,55,54,748
TOTAL	**2,74,56,578**	2,55,54,748
14. Other Income		
Interest income	**37,01,921**	23,12,012
Dividend income	**60,100**	–
Lease rental income	**27,60,000**	30,28,904
Other gains and losses	**2,94,63,688**	1,81,27,125
TOTAL	**3,59,85,709**	2,34,68,041
Interest income comprises interest from:		
a) Deposits with banks - carried at amortised cost	**36,73,745**	22,67,357
b) Others (from statutory authorities)	**28,176**	44,655
TOTAL	**37,01,921**	23,12,012
Dividend income comprises dividend from:		
Financial assets (current investments) measured at FVTPL	**60,100**	–
TOTAL	**60,100**	–
Other gains and losses:		
Net gain / (loss) arising on financial assets (current investments) mandatorily measured at FVTPL*	**1,94,57,104**	1,81,27,125
Others - Progress payments and advance received against projects - written back	**1,00,00,000**	–
Net gain on sale of property, plant and equipment	**6,584**	–
TOTAL	**2,94,63,688**	1,81,27,125

* Includes ₹ 1,93,04,296 (2016 - ₹ 1,77,22,149) being net gain/(loss) on sale of investments.

	For the year ended 31st March, 2017 (₹)	For the year ended 31st March, 2016 (₹)
15. Employee benefits expense		
Salaries and wages	**99,74,099**	82,88,012
Remuneration of manager's salary on deputation *	**41,88,101**	33,47,971
Contribution to Provident and other funds	**9,20,050**	8,00,427
Staff welfare expenses	**7,64,050**	6,97,607
TOTAL	**1,58,46,300**	1,31,34,017

* Includes reimbursement on account of share based payment ₹ 11,41,251 (2016 : ₹ 6,82,946) [Refer Note 18(vii)]

	For the year ended 31st March, 2017 (₹)	For the year ended 31st March, 2016 (₹)
16. Other expenses		
Rates and taxes	**1,38,126**	4,95,070
Insurance	**3,328**	3,193
Travelling and conveyance	**28,501**	50,147
Consultancy/Professional fees	**58,23,860**	26,24,517
Communication expenses	**14,829**	8,143
Miscellaneous expenses	**7,00,261**	5,95,741
TOTAL	**67,08,905**	37,76,811
Miscellaneous expenses include:		
Auditors' remuneration and expenses *		
Audit fees	**1,50,000**	1,25,000
Tax audit fees	**50,000**	50,000
Fees for other services	**25,000**	20,000

* Excluding taxes.

	For the year ended 31st March, 2017 (₹)	For the year ended 31st March, 2016 (₹)
17. Income tax expenses		
A. Amount recognised in profit and loss		
Current tax		
Income tax for the year	**1,07,00,000**	82,00,000
Adjustments/(credits) related to previous years - Net	**(2,63,362)**	–
Total current tax	**1,04,36,638**	**82,00,000**
Deferred tax		
Deferred tax for the year	**(17,791)**	(22,679)
Total deferred tax	**(17,791)**	**(22,679)**
TOTAL	**1,04,18,847**	**81,77,321**

B. Amount Recognised in other comprehensive income

The tax (charge)/credit arising on income and expenses recognised in other comprehensive income is as follows:

Deferred tax		
On items that will not be reclassified to profit or loss		
Remeasurements gains/(losses) on defined benefit plans	**2,19,709**	(1,54,128)
TOTAL	**2,19,709**	**(1,54,128)**

C. Reconciliation of effective tax rate

The Income tax expense for the year can be reconciled to the accounting profit as follows:

Profit before tax	**3,29,56,373**	2,44,61,010
Income tax expense calculated @ 31.9609% (2016 - 33.0630%)	**1,05,33,153**	80,87,544
Effect of tax relating to uncertain tax positions	**3,64,754**	2,18,276
Effects of difference in taxable income/deductible expense	**(3,04,674)**	(1,68,160)
Other differences	**88,976**	39,661
Adjustments recognised in the current year in relation to the current tax of prior years	**(2,63,362)**	–
Income tax recognised in profit or loss	**1,04,18,847**	81,77,321

The tax rate used for the year 2015-16 and 2016-17 reconciliations above is the corporate tax rate of
- 31.9609% (29% and surcharge @ 7% and education cess @ 3%) in 2016-17 and
- 33.0630% (30% and surcharge @ 7% and education cess @ 3%) in 2015-16

payable on taxable profits under the Income Tax Act, 1961.

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

18. Additional Notes to the Financial Statements

(i) Earnings per share:

		2017	2016
Earnings per share has been computed as under:			
(a)	Profit for the year (₹)	**2,25,37,526**	1,62,83,689
(b)	Weighted average number of equity shares outstanding for the purpose of basic earnings per share	**4,20,60,166**	4,20,60,166
(c)	Earnings per share on profit for the year (Face Value ₹ 10.00 per share) (in ₹) - Basic and Diluted [(a)/(b)]	**0.54**	0.39

(ii) Defined Benefit Plans/Long Term Compensated Absences:

Description of Plans

The Company makes contributions to both Defined Benefit and Defined Contribution Plans for qualifying employees, which are mainly administered through duly constituted and approved Trusts, which operates in accordance with the Trust Deed, Rules and applicable Statutes. These Trusts are governed by Trustees, who provide strategic guidance for management of investments and liabilities of such Trusts and periodically review the performance of the Trusts.

Provident Fund and Gratuity Benefits are funded and Leave Encashment Benefits are unfunded in nature.

The liabilities arising in the Defined Benefit Schemes are determined in accordance with the advice of independent, professionally qualified actuaries, using the projected unit credit method at the year end. The Company makes a monthly contribution as a percentage of eligible salary to significant Employee Benefit Contribution Plans.

Risk Management

The Defined Benefit Plans expose the Company to risk of actuarial deficit arising out of investment risk, interest rate risk and salary cost inflation risk. These plans are not exposed to any unusual, entity specific or scheme specific risks but there are general risks. Investment risks may arise from volatility in asset values and losses arising due to impairment of assets. The Scheme's accounting liabilities are calculated using a discount rate set with reference to the Government security yields. A decrease in yields will increase the fund liabilities, leading to accounting deficit in the funds. However, this may be partially offset by an increase in capital value of the Scheme assets that have similar characteristics. Increase in salary due to adverse inflationary pressures might lead to higher liabilities.

The Trustees monitor funding and investments positions and have mandated a diversified investment strategy in line with the statutory requirements. The investment strategy with respect to asset mix ensures that investment volatility risk is appropriately managed. Robust risk mitigation systems ensure that investments do not pose significant risk of impairment.

			For the year ended 31st March, 2017 (₹)		For the year ended 31st March, 2016 (₹)	
			Gratuity	Leave Encashment	Gratuity	Leave Encashment
			Funded	Unfunded	Funded	Unfunded
I	**Components of Employer Expense**					
	- Recognised in Profit or Loss					
	1	Current Service Cost	**2,35,726**	**1,16,600**	1,96,024	96,771
	2	Past Service Cost	–	–	–	–
	3	Net Interest Cost	**(26,381)**	**1,16,049**	(11,115)	1,16,139
	4	**Total expense recognised in the Statement of Profit and Loss**	**2,09,345**	**2,32,649**	1,84,909	2,12,910
	- Re-measurements recognised in Other Comprehensive Income (OCI)					
	5	Return on plan assets (excluding amounts included in Net interest cost)	**(5,198)**	–	(3,37,898)	–
	6	Effect of changes in demographic assumptions	–	–	–	–
	7	Effect of changes in financial assumptions	**1,39,966**	**1,03,309**	38,052	27,020
	8	Changes in asset ceiling (excluding interest income)	–	–	–	–
	9	Effect of experience adjustments	**3,07,240**	**2,52,101**	(35,718)	(1,57,623)
	10	**Total re-measurements included in Other Comprehensive Income**	**4,42,008**	**3,55,410**	(3,35,564)	(1,30,603)
	11	**Total defined benefit cost recognised in Profit and Loss and Other Comprehensive Income (4+10)**	**6,51,353**	**5,88,059**	(1,50,656)	82,307

The current service cost and net interest cost for the year pertaining to Gratuity expenses have been recognised in "Contribution to provident and other funds" and Leave Encashment in "Salaries and wages" under Note 15. The re-measurements of the net defined benefit liability are included in Other Comprehensive Income .

			Gratuity	Leave Encashment	Gratuity	Leave Encashment
II	**Actual Returns**		**2,32,644**	–	2,12,644	–
III	**Net Asset/(Liability) recognised in Balance Sheet**					
	1	Present Value of Defined Benefit Obligation	**33,80,087**	**21,35,376**	25,08,981	15,47,317
	2	Fair Value of Plan Assets	**30,63,372**	–	26,58,076	–
	3	Status [Surplus/(Deficit)]	**(3,16,715)**	**(21,35,376)**	1,49,095	(15,47,317)
	4	Restrictions on Asset Recognised	–	–		–

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

	5	**Net Asset/(Liability) recognised in Balance Sheet**	**As at 31st March, 2017**		As at 31st March, 2016		As at 1st April, 2015	
			Current	**Non-current**	Current	Non-current	Current	Non-current
		- Gratuity	**(3,16,715)**	**–**	1,49,095	–	(2,30,598)	–
		- Leave Encashment	**(3,34,297)**	**(18,01,079)**	(2,46,501)	(13,00,816)	(2,32,468)	(12,99,664)

			For the year ended 31st March, 2017 (₹)		For the year ended 31st March, 2016 (₹)	
			Gratuity	**Leave Encashment**	Gratuity	Leave Encashment
			Funded	**Unfunded**	Funded	Unfunded
IV	**Change in Defined Benefit Obligation (DBO)**					
	1	Present Value of DBO at the beginning of the year	**25,08,981**	**15,47,317**	22,46,244	15,32,132
	2	Current Service Cost	**2,35,726**	**1,16,600**	1,96,024	96,771
	3	Interest Cost	**1,88,174**	**1,16,049**	1,69,991	1,16,139
	4	Re-measurement gains / (losses):				
		a. Effect of changes in demographic assumptions	**–**	**–**	–	–
		b. Effect of changes in financial assumptions	**1,39,966**	**1,03,309**	38,052	27,020
		c. Changes in asset ceiling (excluding interest income)	**–**	**–**	–	–
		d. Effect of experience adjustments	**3,07,240**	**2,52,101**	(35,718)	(1,57,623)
	5	Curtailment Cost / (Credit)	–	–	–	–
	6	Settlement Cost / (Credit)	**–**	**–**	–	–
	7	Liabilities assumed in business combination	**–**	**–**	–	–
	8	Exchange difference on foreign plans	**–**	**–**	–	–
	9	Benefits Paid	**–**	**–**	(1,05,612)	(67,122)
	10	**Present Value of DBO at the end of the year**	**33,80,087**	**21,35,376**	25,08,981	15,47,317

V	**Best Estimate of Employers' Expected Contribution for the next year**		**As at 31st March, 2017**	As at 31st March, 2016	As at 1st April, 2015
	1	Gratuity	**2,56,000**	1,86,000	4,80,000
	2	Leave Encashment	**–**	–	–

			For the year ended 31st March, 2017 (₹)		For the year ended 31st March, 2016 (₹)	
			Gratuity	**Leave Encashment**	Gratuity	Leave Encashment
VI	**Change in Fair Value of Assets**					
	1	Plan Assets at the beginning of the year	**26,58,076**	**–**	20,15,646	–
	2	Asset acquired in Business Combination	**–**	**–**	–	–
	3	Expected Return on Plan Assets	**2,14,554**	**–**	1,81,107	–
	4	Re-measurement gains/(losses) on plan assets	**5,198**	**–**	3,37,898	–
	5	Actual Company Contributions	**1,85,544**	**–**	2,29,037	–
	6	Benefits Paid	**–**	**–**	(1,05,612)	–
	7	**Plan Assets at the end of the year**	**30,63,372**	**–**	26,58,076	–

VII	**Actuarial Assumptions**		**As at 31st March, 2017**		As at 31st March, 2016		As at 1st April, 2015	
			Discount Rate (%)	**Expected Return on Plan Assets (%)**	Discount Rate (%)	Expected Return on Plan Assets (%)	Discount Rate (%)	Expected Return on Plan Assets (%)
	1	Gratuity	**6.75**	**6.75**	7.50	7.50	7.75	7.75
	2	Leave Encashment	**6.75**	**–**	7.50	–	7.75	–
The estimates of 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.								

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

VIII	Major Category of Plan Assets as a % of the Total Plan Assets		As at 31st March, 2017	As at 31st March, 2016	As at 1st April, 2015
	1	Government Securities/Special Deposit with RBI	–	–	–
	2	High Quality Corporate Bonds	–	–	–
	3	Insurer Managed Funds*	**100%**	100%	100%
	4	Mutual Funds	–	–	–
	5	Cash and Cash Equivalents	–	–	–
	6	Term Deposits	–	–	–

* In the absence of detailed information regarding plan assets which is funded with Insurance Companies, the composition of each major category of plan assets, the percentage or amount for each category to the fair value of plan assets has not been disclosed.

The employee benefit plans do not hold any securities issued by the Company.

IX Basis used to determine the Expected Rate of Return on Plan Assets

The expected rate of return on plan assets is based on expectation of the average long term rate of return expected to prevail over the estimated term of the obligation on the type of the investments assumed to be held by the Life Insurance Corporation of India (LIC), since the fund is managed by LIC.

			For the year ended 31st March, 2017 (₹)		For the year ended 31st March, 2016 (₹)	
			Gratuity	Leave Encashment	Gratuity	Leave Encashment
			Funded	Unfunded	Funded	Unfunded
X	**Net Asset / (Liability) recognised in Balance Sheet (including experience adjustment impact)**					
	1	Present Value of Defined Benefit Obligation	**33,80,087**	**21,35,376**	25,08,981	15,47,317
	2	Fair Value of Plan Assets	**30,63,372**	–	26,58,076	–
	3	Status [Surplus/(Deficit)]	**(3,16,715)**	**(21,35,376)**	1,49,095	(15,47,317)
	4	Experience Adjustment of Plan Assets [Gain/ (Loss)]	**(5,198)**	–	(3,37,898)	–
	5	Experience Adjustment of obligation [(Gain)/ Loss]	**3,07,240**	**2,52,101**	(35,718)	(1,57,623)

Amount towards Defined Contribution Plans have been recognised under "Contribution to provident and other funds" in Note 15: ₹ 7,10,705 (2016 - ₹ 6,15,518).

XI. Sensitivity Analysis

The sensitivity analysis below has been determined based on reasonably possible change of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant. These sensitivities show the hypothetical impact of a change in each of the listed assumptions in isolation. While each of these sensitivities holds all other assumptions constant, in practice such assumptions rarely change in isolation and the asset value changes may offset the impact to some extent. For presenting the sensitivities, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the Defined Benefit Obligation (DBO) presented above. There was no change in the methods and assumptions used in the preparation of sensitivity analysis from previous year.

(Amount in ₹)

		DBO as at 31st March, 2017		DBO as at 31st March, 2016	
		Gratuity	Leave Encashment	Gratuity	Leave Encashment
1	Discount Rate + 100 basis points	**30,39,576**	**20,06,972**	23,67,545	14,48,325
2	Discount Rate - 100 basis points	**34,38,802**	**22,79,776**	26,66,916	16,59,473
3	Salary Increase Rate + 1%	**34,23,753**	**22,80,388**	26,68,735	16,60,797
4	Salary Increase Rate – 1%	**30,49,756**	**20,04,199**	23,63,544	14,45,532

(iii) Micro, Small and Medium scale business entities:

There are no Micro, Small and Medium Enterprises to whom the Company owes dues, which are outstanding for more than 45 days during the year and also as at 31st March, 2017. This information as required to be disclosed under the Micro, Small and Medium Enterprises Development Act, 2006 has been determined to the extent such parties have been identified on the basis of information available with the Company.

(iv) Details of Specified Bank Notes (SBNs) held and transacted during the period from 8th November, 2016 to 30th December, 2016 as provided in the table below:

(Amount in ₹)

Particulars	SBNs	Other denomination notes	Total
Closing cash in hand as on 08.11.2016	Nil	2,951	2,951
(+) Permitted receipts (withdrawn from bank)	Nil	18,996	18,996
(-) Permitted payments	Nil	8,937	8,937
(-) Amount deposited in banks	Nil	–	–
Closing cash in hand as on 30.12.2016	Nil	13,010	13,010

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

(v) Segment Reporting:

The Company operates in a single business segment namely property maintenance and in a single geographical segment in India. The entity-wide disclosures are as under:

(Amount in ₹)

	2017	2016
Non-current assets (In India)	19,92,45,048	19,90,10,595

The Company's revenue from the ultimate Holding Company is in excess of 10% of its revenue:

(Amount in ₹)

	2017	2016
ITC Limited - ultimate Holding Company	2,74,06,578	2,54,94,748

(vi) **Related Party Disclosures**

(a) RELATIONSHIP

(i) Ultimate Holding Company

- ITC Limited

(ii) Holding Company

- Russell Credit Limited

(iii) Fellow Subsidiary Company with whom the Company had transactions

- North East Nutrients Private Limited

(iv) Associate of the Holding Company with whom the Company had transactions

- International Travel House Limited

(v) Employee Trusts where there is significant influence

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

(vi) Key Management Personnel (KMP)

- Mr. R. Tandon — Chairman & Non-Executive Director
- Mr. S. Banerjee — Independent Director
- Mr. S. Dutta — Non-Executive Director
- Ms. A. Guhamallick — Independent Director
- Mr. R. K. Singhi — Non-Executive Director
- Mr. M. Seth — Chief Financial Officer
- Md. J. Alam — Manager & Company Secretary (till 23.12.2016)
- Mr. P. Kumar — Manager & Company Secretary (w.e.f. 27.12.2016)

(b) DISCLOSURE OF TRANSACTIONS BETWEEN THE COMPANY AND RELATED PARTIES AND THE STATUS OF OUTSTANDING BALANCES AS AT 31.03.2017

(Amount in ₹)

RELATED PARTY TRANSACTION SUMMARY		Ultimate Holding Company		Holding Company		Fellow Subsidiary Company		Associate of Holding Company		Employee Trusts		Key Management Personnel	
		2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
1.	Rent Received	15,60,000	19,18,904	–	–	–	–	12,00,000	11,10,000	–	–	–	–
2.	Purchase of Services	40,000	43,500	–	–	–	–	–	–	–	–	–	–
3.	Sale of Services	2,74,06,578	2,54,94,748	–	–	50,000	60,000	–	–	–	–	–	–
4.	Sale of property, plant and equipment - Land (at cost)	–	28,21,78,478	–	–	–	–	–	–	–	–	–	–
5.	Refund of Security Deposit	10,00,000	2,00,00,000	–	–	–	–	–	–	–	–	–	–
6.	Security Deposit taken over pursuant to amalgamation - [Refer Note 21]	–	10,00,000	–	–	–	–	–	–	–	–	–	–
7.	Expenses Recovered	2,95,690	2,31,684	–	–	–	–	–	–	–	–	–	–
8.	Remuneration of manager on deputation (For CFO)	30,46,850	26,65,025	–	–	–	–	–	–	–	–	–	–
9.	Contribution to Greenacre Holdings Limited Provident Fund	–	–	–	–	–	–	–	–	7,10,705	6,15,518	–	–
10.	Contribution to Greenacre Holdings Limited Gratuity Fund	–	–	–	–	–	–	–	–	1,85,544	2,29,037	–	–
11.	Remuneration to Key Management Personnel (Manager & Company Secretary) – Short term benefits - - Mr. Ravi Varma - Md. Jamshed Alam - Mr. Pretiush Kumar(#)	– – –	– – –	– – –	– – –	– – –	– – –	– – –	– – –	– – –	– – –	– 7,35,177 1,32,466	97,993 5,34,365 –
12.	Directors' Sitting Fees (Other benefits): - Mr. S. Banerjee - Ms. A. Guhamallick	– –	– –	– –	– –	– –	– –	– –	– –	– –	– –	1,50,000 1,50,000	1,50,000 1,80,000
13.	Purchase of Investments (*)	–	–	–	3,84,37,500	–	–	–	–	–	–	–	–
14.	Balances as at 31st March							–	–				
	i) Deposits Taken	24,00,000	34,00,000	–	–	–	–	56,11,000	56,11,000	–	–	–	–
	ii) Payables	18,24,197	–	–	–	–	–	–	–	–	–	–	–

* Also refer Note 21 on the Scheme of Amalgamation between Classic Infrastructure & Development Limited and the Company.

Mr. P. Kumar has been appointed as Manager & Company Secretary by the Board of Directors with effect from 27th December, 2016; the said appointment is subject to approval of the Members at the forthcoming Annual General Meeting.

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

(vii) The eligible deputed employees of ITC Limited have been granted stock options by ITC Limited, the ultimate Holding Company, under the ITC Employee Stock Option Scheme (ITC ESOS). These options vest over a period of three years from the date of grant. Such options entitle the holder thereof to apply for and be allotted ten Ordinary Shares of ITC Limited of ₹ 1.00 each upon payment of the exercise price during the exercise period, within a period of 5 years from the date of vesting.

These Options have been granted at the 'market price' as defined under the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014. The fair value of the options granted is determined, using the Black Scholes Option Pricing model, by ITC Limited for all the Optionees covered under the Scheme as a whole.

The cost of options granted has been recognised as equity settled share based payment scheme in accordance with Ind AS 102 – Share-based Payment. In terms of deputation arrangement, the Company accounts for its share of the cost of the fair value of the options granted based on the advice / on-charge by ITC Limited. Accordingly, an amount of ₹ 11,41,251 (2016: ₹ 6,82,946) [Refer Note 15] which represents the on-charge from ITC Limited, being the fair value, has been recognised as employee benefits expense.

The summary of movement of share options granted by ITC Limited to the eligible deputed employees of ITC Limited and presently outstanding is as under:

Particulars	As at 31st March, 2017	As at 31st March, 2016
	No. of Options	No. of Options
Outstanding at the beginning of the year	3,000	–
Add: Corporate Action : Bonus Issue	1,500	–
Add: Granted during the year @	2,475	3,000
Less: Lapsed during the year	–	–
Add / (Less): Movement due to transfer of employees within the group	–	–
Less: Exercised during the year	–	–
Outstanding at the end of the year	6,975	3,000
Options exercisable at the end of the year	1,350	–

Note: The weighted average exercise price of the options granted under the ITC ESOS to all the Optionees covered under the Scheme is computed by ITC Limited as a whole.

@ Represents the number of options granted to the Key Management Personnel who are on roll of the Company was 2,475 (2016: 3,000)

(viii) Ministry of Corporate Affairs (MCA) has issued the Companies (Indian Accounting Standards) (Amendment) Rules, 2017 on 17th March, 2017 notifying the amendments to Ind AS 7, 'Statement of cash flows' and Ind AS 102, 'Share-based Payment'. These amendments are applicable for annual periods beginning on or after 1st April, 2017. The Company expects that there will be no material impact on the financial statements resulting from the implementation of these standards.

19. Financial Instruments and Related Disclosures

1. Capital Management

The Company funds its operations mainly through internal accruals. The Company aims at maintaining a strong capital base so as to ensure adequate supply of funds towards future growth of its businesses as a going concern.

(Amount in ₹)

2. Categories of Financial Instruments

Particulars	Note	As at 31st March, 2017 Carrying Value	As at 31st March, 2017 Fair Value	As at 31st March, 2016 Carrying Value	As at 31st March, 2016 Fair Value	As at 1st April, 2015 Carrying Value	As at 1st April, 2015 Fair Value
A. Financial assets							
a) Measured at amortised cost							
i) Cash and cash equivalents	6	6,99,998	6,99,998	25,66,891	25,66,891	11,87,177	11,87,177
ii) Other bank balances	7	–	–	5,29,01,043	5,29,01,043	–	–
iii) Other financial assets	8	–	–	3,14,025	3,14,025	–	–
Sub - total		6,99,998	6,99,998	5,57,81,959	5,57,81,959	11,87,177	11,87,177
b) Measured at Fair value through OCI							
i) Equity shares	2	–	–	–	–	6,63,26,700	6,63,26,700
Sub - total		–	–	–	–	6,63,26,700	6,63,26,700
c) Measured at Fair value through Profit or Loss							
i) Investment In Mutual Funds	5	32,22,42,795	32,22,42,795	25,44,11,714	25,44,11,714	9,08,02,795	9,08,02,795
Sub - total		32,22,42,795	32,22,42,795	25,44,11,714	25,44,11,714	9,08,02,795	9,08,02,795
Total financial assets		32,29,42,793	32,29,42,793	31,01,93,673	31,01,93,673	15,83,16,672	15,83,16,672
B. Financial liabilities							
a) Measured at amortised cost							
i) Other financial liabilities	10	1,00,00,043	1,00,00,043	91,62,525	91,62,525	2,81,33,358	2,81,33,358
Total financial liabilities		1,00,00,043	1,00,00,043	91,62,525	91,62,525	2,81,33,358	2,81,33,358

C. Financial risk management objectives

The Company's activities expose it to a variety of financial risks, including market risk, credit risk and liquidity risk. The Company continues to focus on a system-based approach to business risk management. The Company's financial risk management process seeks to enable the early identification, evaluation and effective management of key risks facing the business. Backed by strong internal control systems, the current risk management framework rests on policies and procedures issued by appropriate authorities; process of regular reviews / audits to set appropriate risk limits and controls; monitoring of such risks and compliance confirmation for the same.

Market risk

The Company has in place appropriate risk management policies to limit the impact of these risks on its financial performance. The Company's operation does not expose it to significant market risk as the company does not undertake foreign exchange or commodity derivatives. Further, its investment activities are also limited to mutual funds.

Interest rate risk

As majority of the financial assets and liabilities of the Company are either non-interest bearing or fixed interest bearing instruments, the Company's net exposure to interest risk is negligible.

Price risk

The Company invests its surplus funds primarily in debt mutual funds. Aggregate value of such investments as at 31st March, 2017 is ₹ 32,22,42,795 (2016 - ₹ 25,44,11,714; 2015 - ₹ 15,71,29,495). Since the investments are in short dated highly liquid instruments, price risk is not expected to be material.

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

Liquidity risk

The Company's investment decisions relating to deployment of surplus liquidity are guided by the tenets of safety, liquidity and return. The Company manages its liquidity risk by ensuring that it will always have sufficient liquidity to meet its liabilities when due. Investments are made with a range of maturities, generally matching the projected cash flows and spreading across number of counterparties.

The table below provides details regarding the remaining contractual maturities of significant financial liabilities at the reporting date.

(Amount in ₹)

Other Financial liabilities other than derivatives:	Contractual Cash flows *						
	Carrying value	Less than 3 months	More than 3 months upto 6 months	More than 6 months upto 1 year	More than 1 year upto 3 years	Beyond 3 year	Total
As at 31st March, 2017							
Liability for Share-based Payments	18,24,197	18,24,197	–	–	–	–	18,24,197
Others liabilities	80,11,000	–	–	–	80,11,000	–	80,11,000
Liabilities for expenses	1,64,846	1,64,846	–	–	–	–	1,64,846
As at 31st March, 2016							
Others Liabilities	90,11,000	–	–	–	90,11,000	–	90,11,000
Liabilities for expenses	1,51,525	1,51,525	–	–	–	–	1,51,525
As at 1st April, 2015							
Others Liabilities	2,80,11,000	–	–	–	2,80,11,000	–	2,80,11,000
Liabilities for expenses	1,22,358	1,22,358	–	–	–	–	1,22,358

* The table has been drawn up based on undiscounted cash flows of financial liabilities based on the earliest due date.

Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument which may lead to a financial loss to the Company. Apart from its operating activities, the Company is also exposed to credit risk from its investing activities. The risk management framework of the Company is designed to bring robustness to the risk management processes within the Company.

Concentrations of credit risk with respect to trade receivables are limited as the Company's major customer is its ultimate Holding Company.

Investments in deposits are made with banks and institutions, which are of investment grade and are managed by the Company through active monitoring of balances and pre-determined parameters. Similarly, investment in debt mutual funds are made only with approved mutual funds and credit risk in such funds are limited because the underlying investments are diversified and the Company's investment framework considers the credit quality of the underlying investments made by the fund house. There are limits for any exposure to financial institutions.
Write offs, if any, are made with the approval of the Board.

The carrying amount of financial assets, net of loss allowance recognised, that represents the Company's maximum exposure to credit risk as at 31st March, 2017 is ₹ 32,22,42,795/- (2016 : ₹ 30,76,26,782/-; 2015 - ₹ 15,71,29,495/-) represented by investment in mutual fund measured at Fair value through Profit or Loss.

D. Fair value measurement

Fair value hierarchy

Fair value of the financial instruments is classified in various fair value hierarchies based on the following three levels:

Level 1: Quoted prices (unadjusted) in active market for identical assets or liabilities.

Level 2: Inputs other than quoted price including within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

The fair value of financial instruments that are not traded in an active market is determined using market approach and valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

Level 3: Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs)
If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case with listed instruments where market is not liquid and for unlisted instruments.

The fair value of trade receivables, trade payables and other Current financial assets and liabilities is considered to be equal to the carrying amounts of these items due to their short-term nature. Similarly, unquoted equity instruments where most recent information to measure fair value is insufficient, or if there is a wide range of possible fair value measurements, cost has been considered as the best estimate of fair value.

There has been no change in the valuation methodology for Level 3 inputs during the year. The Company has not classified any material financial instruments under Level 3 of the fair value hierarchy. There were no transfers between Level 1 and Level 2 during the year.

The following table presents the fair value hierarchy of assets and liabilities measured at fair value on a recurring basis

(Amount in ₹)

Particulars	Fair Value Hierarchy (Level)	Fair Value		
		As at 31st March, 2017	As at 31st March, 2016	As at 1st April, 2015
A. Financial assets				
a) Measured at Fair value through Profit or Loss				
i) Investment In Mutual Funds	1	**32,22,42,795**	25,44,11,714	9,08,02,795
b) Measured at Fair value through Other Comprehensive Income				
i) Non-current investment	3	–	–	6,63,26,700

20. Use of Estimates and Judgements

The key estimates and assumptions used in the preparation of Financial Statements are set out below:

As described in the significant accounting policies, the Company reviews the estimated useful lives of property, plant and equipment at the end of each reporting period.

The determination of Company's liability towards defined benefit obligation to employees is made through independent actuarial valuation including determination of amounts to be recognised in the Statement of Profit and Loss and in Other Comprehensive Income. Such valuation depend upon assumptions determined after taking into account inflation, seniority, promotion and other relevant factors such as supply and demand factors in the employment market.

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

The Company has ongoing litigations with various third parties. Where an outflow of funds is believed to be probable and a reliable estimate of the outcome of the dispute can be made based on management's assessment of specific circumstances of each dispute and relevant external advice, management provides for its best estimate of the liability. Such accruals are by nature complex and can take number of years to resolve and can involve estimation uncertainty.

21. During the year 2015-16, Amalgamation of erstwhile Classic Infrastructure & Development Limited ('CIDL'), a wholly owned subsidiary, which was engaged in the business of managing and providing maintenance services for buildings, with the Company was given effect in the Financial Statements:

a) In accordance with the Scheme of Amalgamation of CIDL under Sections 391 and 394 of the Companies Act, 1956 with the Company (as a going concern), as approved by the Board of Directors of the Company on 14th December, 2015, and subsequently sanctioned by the Hon'ble High Court at Calcutta sanctioned on 17th March, 2016, the assets and liabilities of CIDL were transferred to the Company with effect from 1st October, 2015, the Appointed Date. Accordingly, the assets, liabilities and reserves of CIDL as at 1st October, 2015 have been taken over in the books of account of the Company at their respective book values.

b) As per the Scheme of Amalgamation, 1,27,50,020 Equity Shares of ₹ 10/- each of CIDL held by the Company (including 1,11,00,020 shares acquired by the Company during the year), were cancelled.

c) Consequent to cancellation of investment, as above, excess of investment over the share capital of CIDL amounting to ₹ 5,26,01,705/- and debit balance of Reserves and Surplus of CIDL of ₹ 4,10,86,271/-, aggregating ₹ 9,36,87,976/- have been first adjusted against General Reserves- ₹ 1,37,70,978/- and the balance against the Surplus in the Statement of Profit and Loss - ₹ 7,99,16,998/-, as specified in the Scheme of Amalgamation.

22. During the year 1999-2000, erstwhile CIDL acquired assignable claims amounting to ₹ 920.59 lakhs together with any interest that may accrue on the said amount till the date of actual repayment, at an agreed consideration of ₹ 200 lakhs. This amount is included in "Other assets" under Note 4.

23. First-time Adoption of Ind AS

(i) Ind AS 101 (First-time Adoption of Indian Accounting Standards) provides a suitable starting point for accounting in accordance with Ind AS and is required to be mandatorily followed by first-time adopters. The Company has prepared the opening Balance Sheet as per Ind AS as of 1st April, 2015 (the transition date) by

a. recognising all assets and liabilities whose recognition is required by Ind AS,

b. not recognising items of assets or liabilities which are not permitted by Ind AS,

c. reclassifying items from previous Generally Accepted Accounting Principles (GAAP) to Ind AS as required under Ind AS, and

d. applying Ind AS in measurement of recognised assets and liabilities.

(ii) A. Reconciliation of Total Comprehensive Income for the year ended 31st March, 2016 is summarised as follows:

(Amount in ₹)

Particulars	Notes	For the Year ended 31/03/2016
Profit after tax as reported under previous GAAP		**1,70,85,009**
Impact of measuring investments at Fair Value through Profit or Loss (FVTPL)	(iv) (b)	2,89,324
Impact of recognising the cost of stock options at fair value	(iv) (d)	(6,82,946)
Reclassification of actuarial (gains) / losses, arising in respect of employee benefit schemes, to Other Comprehensive Income (OCI)	(iv) (c)	(4,66,167)
Tax adjustments		58,469
Profit after tax as reported under Ind AS		**1,62,83,689**
Other Comprehensive Income (net of tax)		3,12,039
Total Comprehensive Income as reported under Ind AS		**1,65,95,728**

B. Reconciliation of equity as reported under previous GAAP is summarised as follows:

Particulars	Notes	As at 01/04/2015 (Date of Transition)	As at 31/3/2016 (end of last period presented under previous GAAP)
Equity as reported under previous GAAP		**56,54,81,785**	**48,88,78,818**
Impact of measuring investments at Fair Value through Profit or Loss (FVTPL) or OCI (net of tax)	(iv) (b,c)	77,414	2,71,079
Equity as reported under Ind AS		**56,55,59,199**	**48,91,49,897**

(iii) Ind AS 101 mandates certain exceptions and allows first-time adopters exemptions from the retrospective application of certain requirements under Ind AS. The Company has applied the following exemptions in the Financial Statements:

Property, plant and equipment were carried in the Balance Sheet prepared in accordance with previous GAAP on 31st March, 2015. Under Ind AS, the Company has elected to regard such carrying values as deemed cost at the date of transition.

(iv) In addition to the above, the principal adjustments made by the Company in restating its previous GAAP financial statements, including the Balance Sheet as at 1st April, 2015 and the financial statements as at and for the year ended 31st March, 2016 are detailed below:

a. Under previous GAAP, non-current investments were stated at cost. Where applicable, provision was made to recognise a decline, other than temporary, in valuation of such investments. Under Ind AS, equity instruments have been classified as Fair Value through Other Comprehensive Income (FVTOCI) through an irrevocable election at the date of transition.

b. Under previous GAAP, current investments were stated at lower of cost and fair value. Under Ind AS, these financial assets have been classified as Fair Value through Profit or Loss (FVTPL) on the date of transition and fair value changes after the date of transition has been recognised in profit or loss.

c. Under previous GAAP, actuarial gains and losses related to the defined benefit schemes for gratuity plans and liabilities towards employee leave encashment were recognised in profit or loss. Under Ind AS, the actuarial gains and losses form part of re-measurement of the net defined benefit liability / asset which is recognised in OCI. Consequently, the tax effect of the same has also been recognised in OCI instead of profit or loss.

d. Under previous GAAP, the cost of options granted to deputed employees under the ITC Employee Stock Option Scheme (ITC ESOS) [equity - settled] was recongnised using the intrinsic value method. Under this method, no expenses were recognised in the statement of profit and loss as the fair value of the shares on the date of grant equalled the exercise price. Under Ind AS, the cost of options granted under ITC ESOS is recognised based on the fair value of the options as on the grant date. The cost of ITC ESOS has been recognised as employee benefit expenses and consequential liability, net of reimbursements, have been considered as capital contribution.

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

24. Significant Accounting Policies

Statement of Compliance

These Financial Statements have been prepared in accordance with Indian Accounting Standards (Ind AS) notified under Section 133 of the Companies Act, 2013. The Financial Statements have also been prepared in accordance with the relevant presentation requirements of the Companies Act, 2013. The Company adopted Ind AS from 1st April, 2016.

Up to the year ended 31st March, 2016, the Company prepared its Financial Statements in accordance with the requirements of previous Generally Accepted Accounting Principles (GAAP), which includes Standards notified under the Companies (Accounting Standards) Rules, 2006. These are the Company's first Ind AS financial statements. The date of transition to Ind AS is April 1, 2015. Details of the exceptions and optional exemptions availed by the Company and principal adjustments along with related reconciliations are detailed in Note 23 (First-time Adoption).

Basis of Preparation

The Financial Statements are prepared in accordance with the historical cost convention, except for certain items that are measured at fair values, as explained in the accounting policies.

Fair Value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique.

The preparation of Financial Statements in conformity with Ind AS requires management to make judgements, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the Financial Statements, and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period; they are recognised in the period of the revision and future periods, if the revision affects both current and future periods.

Operating Cycle

All assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in the Schedule III to the Companies Act, 2013 and Ind AS 1 - Presentation of Financial Statements based on the nature of products or services and the time between the acquisition of assets for processing and their realisation in cash and cash equivalents.

Property, plant and equipment – Tangible assets

Property, plant and equipment are stated at cost of acquisition or construction less accumulated depreciation and impairment, if any. For this purpose, cost includes deemed cost which represents the carrying value of property, plant and equipment recognised as at 1st April, 2015 measured as per the previous GAAP.

Cost is 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 assets capitalised. Expenses capitalised also include applicable borrowing costs for qualifying assets, if any. All upgradation / enhancements are charged off as revenue expenditure unless they bring similar significant additional benefits.

Depreciation of these assets commences when the assets are ready for their intended use which is generally on commissioning. Items of Property, plant and equipment are depreciated in a manner that amortises the cost of the assets after commissioning (or other amount substituted for cost), less its residual value, over their useful lives as specified in Schedule II of the Companies Act, 2013 on a straight line basis. Land is not depreciated.

Property, plant and equipment's residual values and useful lives are reviewed at each Balance Sheet date and changes, if any, are treated as changes in accounting estimate.

Impairment of Assets

Impairment loss is provided, if any, to the extent, the carrying amount of assets exceed their recoverable amount.

Recoverable amount is higher of an asset's net selling price and its value in use. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

Impairment losses recognised in prior years are reversed when there is an indication that the impairment losses recognised no longer exist or have decreased. Such reversals are recognised as an increase in carrying amounts of assets to the extent that it does not exceed the carrying amounts that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised in previous years.

Financial instruments, Financial assets, Financial liabilities and Equity Instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the relevant instrument and are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities measured at fair value through profit or loss) are added to or deducted from the fair value on initial recognition of financial assets or financial liabilities. Purchase or sale of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date when the Company commits to purchase or sell the asset.

Financial Assets

The financial assets are classified at initial recognition in the following measurement categories as:

- those subsequently measured at amortised cost.
- those to be subsequently measured at fair value [either through Other Comprehensive Income (OCI), or through profit or loss].

Financial assets measured at amortised cost

Financial assets which are held within the business model of collection of contractual cash flows and where those cash flows represent payments solely towards principal and interest on the principal amount outstanding are measured at amortised cost. A gain or loss on a financial asset that is measured at amortised cost and not a part of hedging relationship is recognised in profit or loss when the asset is derecognised or impaired.

Financial assets measured at fair value through Other Comprehensive Income

Financial assets that are held within a business model of collection of contractual cash flows and for selling and where the assets' cash flow represents solely payment of principal and interest on the principal amount outstanding are measured at fair value through OCI. Movements in carrying amount are taken through OCI, except for recognition of impairment gains or losses. When a financial asset, other than investment in equity instrument, as mentioned below, is de-recognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to Statement of Profit and Loss.

Classification of equity instruments, not being investments in subsidiaries, associates and joint arrangements, depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through OCI. When investment in such equity instrument is de-recognised, the cumulative gains or losses recognised in OCI is transferred within equity on such de-recognition.

Financial assets measured at fair value through profit or loss

Financial assets are measured at fair value through profit or loss unless it is measured at amortised cost or at fair value through Other Comprehensive Income on initial recognition. Movements in fair value of these instruments are taken in profit or loss.

Impairment of financial assets

The Company assesses at each date of Balance Sheet whether a financial asset or a group of financial assets is impaired. Impairment losses are recognised in the profit or loss where there is an objective evidence of impairment based on reasonable and supportable information that is available without undue cost or effort. For all financial assets, expected credit losses are measured at an amount equal to the 12 month expected credit losses or at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. The Company recognises loss allowances on trade receivables when there is objective evidence that the Company will not be able to collect all the due amounts depending on product categories and the payment mechanism prevailing in the industry.

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

Financial liabilities and Equity instruments

Financial liabilities and Equity instruments are classified according to the substance of the contractual arrangements entered into. Financial liabilities are classified at initial recognition and subsequently measured at amortised cost unless they fulfill the requirement of measurement at fair value through profit or loss. Where the financial liability has been measured at amortised cost, the difference between the initial carrying amount of the financial liabilities and their redemption value is recognised in the Statement of Profit and Loss over the contractual terms using the effective interest rate method. Financial liabilities at fair value through profit or loss are carried at fair value with changes in fair value recognised in the finance income or finance cost in the Statement of Profit and Loss.

An Equity instrument is a contract that evidences residual interest in the assets of the Company after deducting all its liabilities. Equity instruments recognised by the Company are recognised at the proceeds received net of direct issue cost.

De-recognition of Financial assets and Financial liabilities

Financial assets are de-recognised when the rights to receive benefits have expired or have been transferred, and the Company has transferred substantially all risks and rewards of ownership of such Financial asset. Financial liabilities are de-recognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expired.

Income recognition on Financial assets

Interest income is recognised in the Statement of Profit and Loss using the effective interest method. Dividend income is recognised in the Statement of Profit and Loss when the right to receive dividend is established.

Offsetting Financial instruments

Financial assets and liabilities are offset and the net amount is included in the Balance Sheet where there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

Revenue from sale of services

Revenue is recognised at fair value of amounts received and receivable from third parties for services rendered and is net of taxes recovered from customers. Revenue from services is recognised during the period in which the services are rendered.

Employee Benefits

The Company makes contributions to both defined benefit and defined contribution schemes which are mainly administered through duly constituted and approved Trusts.

Provident Fund contributions are in the nature of defined contribution scheme. In respect of employees who are members of constituted and approved trusts, the Company recognises contribution payable to such trusts as an expense including any shortfall in interest between the amount of interest realised by the investment and the interest payable to members at the rate declared by the Government of India.

The Company also makes contribution to defined benefit gratuity plan. The cost of providing benefits under the defined benefit obligation is calculated by independent actuary using the projected unit credit method. Service costs and net interest expense or income is reflected in the Statement of Profit and Loss. Gain or Loss on account of re-measurements are recognised immediately through Other Comprehensive Income in the period in which they occur.

The employees of the Company are entitled to compensated leave for which the Company records the liability based on actuarial valuation computed using projected unit credit method. These benefits are unfunded.

Employee Share Based Compensation

The cost of options granted by ITC Limited, the ultimate Holding Company, under its Employee Stock Option Schemes is measured at the fair value of the options as on the grant date. These schemes are assessed, managed and administered by the ultimate Holding Company. The fair value of awards at grant date is calculated using the Black Scholes Option Pricing model. The cost of stock options is recognised in the Statement of Profit and Loss with a corresponding increase in equity, net of reimbursements, if any.

Leases

Leases are recognised as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Company as a Lessee

Assets used under finance leases are recognised as property, plant and equipment in the Balance Sheet for an amount that corresponds to the lower of fair value and the present value of minimum lease payments determined at the inception of the lease and a liability is recognised for an equivalent amount.

The minimum lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in the Statement of Profit and Loss.

Rentals payable under operating leases are charged to the Statement of Profit and Loss on a straight-line basis over the term of the relevant lease unless the payments to the lessor are structured to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases.

Company as a Lessor

Leases in which the Company does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Where the company is a lessor under an operating lease, the asset is capitalised within property, plant and equipment and depreciated over its useful economic life. Payments received under operating leases are recognised in the Statement of Profit and Loss on a straight-line basis over the term of the lease.

Taxes on Income

Taxes on income comprises of current taxes and deferred taxes. Current tax in the Statement of Profit and Loss is provided as the amount of tax payable in respect of taxable income for the period using tax rates and tax laws enacted during the period, together with any adjustment to tax payable in respect of previous years.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities and the amounts used for taxation purposes (tax base), at the tax rates and tax laws enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are recognised for the future tax consequences to the extent it is probable that future taxable profits will be available against which the deductible temporary differences can be utilised.

Income tax, in so far as it relates to items disclosed under Other Comprehensive Income or Equity, are disclosed separately under Other Comprehensive Income or Equity, as applicable.

Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker (CODM). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors of the Company.

Provisions

Provisions are recognised when, as a result of a past event, the Company has a legal or constructive obligation; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated. The amount recognised is a best estimate of the consideration required to settle the obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation.

On behalf of the Board

S. DUTTA	*Director*	R. TANDON	*Chairman*
M. SETH	*Chief Financial Officer*	P. KUMAR	*Manager & Company Secretary*

Kolkata, 3rd May, 2017

REPORT OF THE BOARD OF DIRECTORS FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2017

Your Directors submit their Report for the financial year ended 31st March, 2017.

FINANCIAL RESULTS

Your Company's consolidated and standalone financial results for the year under review are provided below:

	Consolidated(*) ₹ (crores)		Standalone ₹ (crores)	
Year Ended March 31,	2017	2016	2017	2016
Total Income	1554.38	1550.36	936.16	956.50
Total Expenses	1491.94	1465.85	895.66	857.95
Profit before Tax	62.44	84.51	40.50	98.55
Tax Expenses	24.49	48.35	22.61	43.61
Profit after Tax	37.95	36.16	17.89	54.94

(*) including the financial results of ITC Infotech Limited, UK (I2B) and ITC Infotech (USA), Inc. (I2A), wholly owned subsidiaries of the Company, and Indivate Inc., a wholly owned subsidiary of I2A.

The financial results of the Company have been prepared in accordance with Indian Accounting Standards (Ind AS) notified under the Companies (Indian Accounting Standards) Rules, 2015 as amended by the Companies (Indian Accounting Standards) (Amendment) Rules, 2016. Consequently comparative figures for 2016 have been adjusted to conform to changes arising from adoption of Ind AS.

BUSINESS REVIEW

In 2016-17, the IT Services industry was significantly impacted by disruptions, driven by new technologies, new consumption models, new buyers and protectionist moves by several large economies by way of tightening of visa regimes. The industry is experiencing a clear shift in technology spending towards digital technologies, with 80% of incremental spends in technology forecasted to be in digital technologies. With traditional lines of business under pressure, the fragmented IT services market is gearing up to meet this challenge by accelerating investments in digital capabilities and reskilling of employees to meet the new wave.

Your Company, recognizing the need for adaptability to the new paradigms, has invested in building capabilities in its service provisioning led by Business and Technology consulting in its strategic pursuit of leveraging the focus areas of Domain, Data, Digital, Design and Differentiated Delivery. In its endeavor to be 'Future Ready', your Company's 'Innoruption Lab' has built multiple Proofs of Concept in emerging areas such as Augmented Reality, Virtual Reality, Internet of Things, Artificial Intelligence and BOTs that have been showcased to the Company's clients. The Lab has also started working on Proof of Concepts in these emerging areas with some of your Company's clients. Further, recognising the need to build differentiated and competitive institutional capabilities, the Company introduced the concept of "Digitaligence@work". Your Company defines Digitaligence@work as the use of technology in conjunction with domain, data, design, and differentiated delivery to enhance experience or efficiency, such that it becomes a clear differentiator to the client's business.

During the year, the Company's consolidated Total Income was ₹ 1554.38 crores (previous year ₹ 1550.36 crores), while Net Profit stood at ₹ 37.95 crores (previous year ₹ 36.16 crores). As stated in the previous year's Report, the Company's financial performance reflects, inter alia, the impact of restructuring a contract with a key client which set up its own captive centre in India. Excluding the impact of such restructuring, the Company posted steady growth in revenue, driven by new client additions in USA and Europe and sustained growth momentum in the India, Asia-Pacific, Middle East and Africa regions.

Your Company was featured as a 'Leader' in the archetype 'Enabling Digital' in ISG Insights Index (i3) for ADM. The Company also featured in the leader's category of 2017 Global Outsourcing 100 by the International Association of Outsourcing Professionals (IAOP) for the eleventh consecutive year. Your Company won the Aecus Innovation Awards 2016 for providing an innovative customer experience solution to a leading health retailer in the UK. Your Company also won the prestigious Asia Pacific HRM Congress Awards 2016 aimed at recognizing the best of the best Talent & HR Practices across industries. Your Company has also won the 'Best HR Tech Solution of the Year' for Café Express in Kamikaze's Disruptive Tech & Innovation Awards 2016.

Your Company will be focusing on building domain specific digital solutions across identified focus areas. The focus of the Company is to consolidate its presence in existing markets; expansion into other markets will be assessed based on client led opportunities. Diversification into adjacent avenues and exploring new Go-To-Market sub-verticals and lines of businesses in emerging areas will also be an important component of your Company's strategy. Inorganic growth will continue to be an integral part of your Company's strategy.

The outlook for the Indian IT industry remains muted with the industry body NASSCOM deferring, for the first time in 25 years, its growth projections for the next year in the wake of uncertainties due to regulatory changes in the USA and the macroeconomic outlook. With its investments in capability building, reskilling of employees, and focus on innovation, your Company is confident to attain the intended differentiated competitive positioning in a dynamic and uncertain market. Volatility in the foreign exchange markets, availability and retention of good talent to make future ready, tightening customer budgets, pricing and, consequently, margin pressures continue to be some of the key risks for the Company.

WHOLLY OWNED SUBSIDIARY COMPANIES

Consequent to subscription to the entire share capital of Indivate Inc., USA by I2A on 18th November, 2016, Indivate Inc. became a wholly owned subsidiary of I2A, and therefore of the Company. Indivate Inc. focusses on the opportunities in the areas of market research, consulting and business development services.

The audited financial statements of (i) I2B (ii) I2A, wholly owned subsidiaries of the Company and (iii) Indivate Inc., USA (Indivate), wholly owned subsidiary of I2A for the financial year 2016-17 form part of the Annual Report of the Company for the financial year 2016-17.

The Statement in Form AOC-1 containing the salient features of the financial statements of the said subsidiaries of the Company is attached to the Financial Statements of the Company.

The highlights of performance of the subsidiaries of the Company and their contribution to the overall performance of the Company during the year under review is set out below:

i. ITC Infotech Limited, UK recorded Revenues of GBP 36.99 million (previous year GBP 31.19 million) and Net Profit of GBP 1.17 million (previous year GBP 0.39 million). For the year under review, the company declared a dividend of GBP 2.50 (previous year GBP 2.20) per Ordinary Share of GBP 1 each on 685,815 shares, amounting to GBP 1,714,538 (previous year GBP 1,508,793);

ii. ITC Infotech (USA), Inc., recorded Revenue of US$ 91.36 million (previous year US$ 86.44 million) and Net Profit of US$ 1.31 million (previous year US$ (0.31) million), and

iii. Indivate Inc., recorded Revenue of US$ 78,010 and Net Profit / (Loss) of US$ (92,691).

DIRECTORS AND KEY MANAGERIAL PERSONNEL

Changes in Directors and Key Managerial Personnel during the year

There was no change in the composition of the Board of Directors ('the Board') and Key Managerial Personnel of the Company during the year.

Mr. R. G. Jacob, Independent Director, has expressed that he would be stepping down from the Board of the Company with effect from the conclusion of the 21st Annual General Meeting. Your Board has accepted Mr. Jacob's resignation and places on record its sincere appreciation for the services rendered by him during his tenure as Independent Director of the Company.

On the recommendation of the Nomination and Remuneration Committee, your Board has recommended for the approval of the Members the appointment of Mr. Shekhar Basu (DIN 07812414), as an Independent Director for a period of three years from the date of the 21st Annual General Meeting of the Company. As required under Section 149(6) of the Companies Act, 2013 (Act), declaration has been received from Mr. Basu that he meets the criteria of Independence prescribed under Section 149 of the Act and Companies (Appointment and Qualification of Directors) Rules, 2014. In the opinion of your Board, Mr. Basu fulfils the conditions specified in the Act and the Rules thereunder for his appointment as Independent Director and that he is independent of the management of the Company. Notice under Section 160 of the Act has been received for the appointment of Mr. Basu, who has filed his consent to act as Director of the Company, if appointed.

Retirement by Rotation

In accordance with the provisions of Section 152 of the Companies Act, 2013 ("the Act") and Articles 143-145 of the Articles of Association of the Company, Mr. Y. C. Deveshwar (DIN: 00044171) will retire by rotation at the ensuing Annual General Meeting of your Company and, being eligible, offers himself for re-election.

Declaration of Independence

As required under Section 149(7) of the Act, declarations have been received from the Independent Directors of your Company that they meet the criteria of Independence prescribed under Section 149(6) of the Act and Companies (Appointment and Qualification of Directors) Rules, 2014.

BOARD COMMITTEES

Audit Committee

The Audit Committee of your Company comprises Mr. R. Tandon as Chairman of the Committee and Mr. P. Chatterjee and Mr. R. G. Jacob as Members of the Committee. The Managing Director and the Chief Financial Officer are Invitees to the Committee. The Company Secretary serves as the Secretary to the Committee.

No. of meetings held during the financial year: 3;

27th April, 2016	24th August, 2016	22nd February, 2017

No. of meetings attended by each Committee Member:

Mr. R. Tandon (3)	Mr. P. Chatterjee (3)	Mr. R. G. Jacob (2)

Nomination and Remuneration Committee

The Nomination and Remuneration Committee of your Company comprises Mr. S. Sivakumar as Chairman of the Committee and Mr. P. Chatterjee and Mr. R. G. Jacob as Members of the Committee.

No. of meetings held during the financial year: 2;

26th April, 2016	23rd August, 2016

No. of meetings attended by each Committee Member:

Mr. S. Sivakumar (2)	Mr. P. Chatterjee (2)	Mr. R. G. Jacob (2)

Corporate Social Responsibility Committee

The Corporate Social Responsibility Committee of your Company comprises Mr. S. Sivakumar as Chairman of the Committee and Mr. P. Chatterjee and Mr. R. G. Jacob as Members of the Committee. The Managing Director and the Chief Financial Officer are Invitees to the Committee. The Company Secretary serves as the Secretary to the Committee.

No. of meetings held during the financial year: 2;

26th April, 2016	16th March, 2017

No. of meetings attended by each Committee Member:

Mr. S. Sivakumar (2)	Mr. P. Chatterjee (2)	Mr. R. G. Jacob (1)

ATTRIBUTES, QUALIFICATIONS AND APPOINTMENT OF DIRECTORS

As mentioned in the Report last year, the Nomination and Remuneration Committee of the Board adopted the attributes and qualifications as provided in Section 149(6) of the Act and Rule 5 of the Companies (Appointment and Qualification of Directors) Rules, 2014, in respect of Independent Directors and, to the extent applicable, in respect of the Non-Independent Directors.

All the Non-Executive Directors of the Company, other than the Independent Directors, are executives/directors of ITC Limited, the Holding Company, and fulfil the fit and proper criteria for appointment as Directors. Further, all the Non-Executive Directors of the Company, other than the Independent Directors, are liable to retire by rotation. One-third of the Directors who are liable to retire by rotation, retire every year and are eligible for re-election.

BOARD EVALUATION

For the year under review, the Board carried out an annual performance evaluation of its own performance and that of the individual Directors and functioning of the Board Committees, as required in terms of Section 134(3)(p) of the Act. The performance evaluation of the Board and the individual Directors has been done based on the criteria approved by the Nomination and Remuneration Committee. Reports of functioning of the Committees were placed by the respective Committee Chairman before the Board.

Further, the Independent Directors at their meeting held during the year reviewed the performance of the non-independent Directors, the Chairman, the Vice Chairman and the Board of Directors of the Company.

REMUNERATION POLICY

The Remuneration Policy for the Directors, Key Managerial Personnel, Senior Management and other employees of the Company is enclosed as Annexure 1 to this Report.

RISK MANAGEMENT

Your Company's risk management policy and framework is designed to bring robustness to the risk management processes within the Company and to address risks intrinsic to operations, financials and compliances arising out of the overall strategy of the Company.

Management of risks vests with the executive management responsible for the day-to-day conduct of the affairs of the Company. The Internal Audit Department of ITC Limited, the Holding Company, as the Internal Auditors, periodically carries out risk focused audits which lead to identification of areas where risk management processes need to be strengthened. Further, the Corporate Audit Department of the Company, consisting of identified Managers, continuously verify compliance with laid down policies and procedures, and help plug control gaps by assisting operating management in the formulation of control procedures for new areas of operation; their reports are provided to the Internal Auditors to enable a holistic approach to audit.

Management provides an annual update to the Audit Committee on the effectiveness of the Company's risk management systems and policies. The Audit Committee evaluates the effectiveness of risk management systems and provides reassurance to the Board.

INTERNAL FINANCIAL CONTROLS

Your Company has in place adequate internal financial controls with reference to the financial statements, commensurate with its size and scale of operations. The Internal Auditors evaluate the adequacy and efficacy of such internal financial controls. The Audit Committee provides guidance on internal controls, reviews internal audit findings and ensures that the internal audit recommendations are implemented.

During the year under review, no reportable material weakness in the design or operation of the internal financial controls in the Company was observed. Nonetheless your Company recognises that any internal financial control framework, no matter how well designed, has inherent limitations. Therefore, regular audit and review processes ensure that such systems are reinforced on an ongoing basis.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

The Annual Report on CSR activities of the Company in terms of Section 134(3)(o) read with Section 135 of the Act and the Companies (Corporate Social Responsibility Policy) Rules, 2014, is enclosed as Annexure 2 to this Report.

OTHER INFORMATION

I. CONSERVATION OF ENERGY & TECHNOLOGY ABSORPTION

In view of the nature of activities that are being carried on by your Company, particulars as required under Section 134(3)(m) of the Act read with Rule 8 of Companies (Accounts) Rules, 2014 concerning conservation of energy and technology absorption, respectively, are not applicable to your Company.

Your Company being a software solution provider requires minimal energy consumption and every endeavour has been made to ensure the optimal use of energy.

During the year under review, your Company has ensured effective recycling of waste paper resulting in saving 108 trees, 127 KL of water, 2205 units of energy and 5.4 cubic metric savings in landfill space.

Your Company continues to receive energy from the wind energy developed by ITC Limited in Karnataka, where the power so generated is banked into the State Grid.

II. FOREIGN EXCHANGE EARNINGS AND OUTGO

The foreign exchange earnings of your Company during the year were ₹ 63977 lakhs (previous year- ₹ 70508 lakhs) while the outgoings were ₹ 13536 lakhs (previous year- ₹ 13487 lakhs).

III. PARTICULARS OF EMPLOYEES

The particulars of employees in terms of Rule 5(2) of Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, are provided in Annexure 3 to this Report.

IV. EXTRACT OF ANNUAL RETURN

As required under Section 134(3)(a) read with Section 92(3) of the Act, the extract of Annual Return, in Form MGT 9, is provided in Annexure 4 to this Report.

V. BOARD MEETINGS HELD DURING THE FINANCIAL YEAR

No. of meetings held during the financial year: 4;

27th April, 2016	24th August, 2016	11th November, 2016	18th February, 2017

No. of meetings attended by each Director:

Mr. Y. C. Deveshwar (3)	Mr. S. Sivakumar (4)	Ms. S. Rajagopalan (4)	Mr. B. B. Chatterjee (4)
Mr. P. Chatterjee (4)	Mr. R. G. Jacob (2)	Mr. R.Tandon (4)	

VI. PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS

During the financial year under review, your Company has not given any loans, guarantees or made any investment under Section 186 of the Act.

VII. PARTICULARS OF CONTRACTS OR ARRANGEMENTS WITH RELATED PARTIES

During the financial year under review, your Company has not entered into any contracts or arrangements with related parties as is referred to in Section 188 of the Act i.e. contracts or arrangements which are not on arm's length basis. The details in Form AOC-2 of material transaction(s) entered into by the Company with its related party(ies) are provided in Annexure 5 to this Report. For this purpose, a transaction with a related party is considered material if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceeds 10% of the revenue from operations of the Company, as per its latest audited financial statements or ₹5000 lakhs, whichever is lower.

DIRECTORS' RESPONSIBILITY STATEMENT

As required under Section 134(3)(c) read with Section 134(5) of the Act, your Directors confirm having:

(i) followed in the preparation of the Financial Statements for the financial year ended 31st March, 2017, the applicable accounting standards along with proper explanation relating to material departures, if any;

(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 Act for safeguarding the assets of your Company and for preventing and detecting fraud and other irregularities;

(iv) prepared the Financial Statements for the financial year ended 31st March, 2017, on a going concern basis, and

(v) devised proper systems to ensure compliance with the provisions of all applicable laws and such systems were adequate and operating effectively.

ORDERS OF REGULATORS/COURTS/TRIBUNALS

There are no significant and material orders passed by the regulators or courts or tribunals impacting the going concern status and the Company's future operations.

AUDITORS

(a) Statutory Auditors

The Company's Auditors M/s. Lovelock & Lewes, Chartered Accountants, who retire at the ensuing Annual General Meeting, will be completing their tenure in terms of Section 139(2) of the Act.

Your Board of Directors, on the recommendation of the Audit Committee, has recommended for the approval of the Members the appointment of M/s. Deloitte Haskins & Sells LLP, Firm Registration Number 117366W/W-100018 (DHS), as Statutory Auditors of the Company for a period of 5 (five) years to hold office from the conclusion of the 21st Annual General Meeting until the conclusion of the 26th Annual General Meeting, subject to ratification of their appointment at every Annual General Meeting. The Board, in terms of Section 142 of the Act, on the recommendation of the Audit Committee, has also recommended for the approval of the Members the remuneration to DHS to conduct the audit of the Standalone Financial Statements and Consolidated Financial Statements for the financial year 2017-18.

Eligibility and Consent letter from DHS has been received to the effect that their appointment as Statutory Auditors of the Company, if appointed at the ensuing Annual General Meeting, would be according to the terms and conditions prescribed under Section 139 of the Companies Act, 2013 and Rules thereunder.

(b) Secretarial Auditor

Your Company appointed M/s. K. Dushyantha & Associates, Company Secretaries, to conduct the secretarial audit of the Company for the financial year ended 31st March, 2017. The report of M/s. K. Dushyantha & Associates, in terms of Section 204 of the Act is provided under Annexure 6 to this Report.

DISCLOSURE AS PER THE SEXUAL HARASSMENT OF WOMEN AT WORKPLACE (PREVENTION, PROHIBITION AND REDRESSAL) ACT, 2013:

The Company has zero tolerance towards sexual harassment at the workplace. In line with the provisions of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013, and the Rules thereunder, the Company has in place an Internal Complaints Committee for reporting and conducting inquiry in to the complaints received on harassments at the work place. During the year under review, one complaint was received by the Company and the same was investigated and appropriately dealt with.

ACKNOWLEDGEMENTS

Your Directors thank the customers and vendors for their continued support. Your Directors place on record their appreciation of the vital contribution made by employees at all levels and their unstinted support, hard work, solidarity and co-operation.

Place: New Delhi
Date: 5th May, 2017

On behalf of the Board

Registered Office:
Virginia House
37 J. L. Nehru Road
Kolkata 700 071
India.

S. Rajagopalan
Managing Director

S. Sivakumar
Vice Chairman

ANNEXURE 1 TO THE REPORT OF THE BOARD OF DIRECTORS FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2017

Remuneration Policy

It is ITC Infotech's belief that the quality of talent is a source of unique competitive advantage and hence its Remuneration Strategy is designed to attract and retain high quality talent. In an industry in which the war for talent will only intensify, it is imperative that ITC Infotech adopts a Remuneration Policy that is contemporary, innovative and unique and is an integral component of the broader Human Resource Strategy of the Company, so that it is aligned with and reinforces the employee value proposition of a superior quality of work life - an enabling work environment, an empowering and engaging work culture and opportunities to learn and grow.

Remuneration practices are designed so as to align each employee with ITC Infotech's superordinate goal of enhancing value creation and to enable a congruence between individual aspirations and the Company's vision.

ITC Infotech's remuneration practices will continue to be anchored on the principles of fairness, equity and consistency and will be free of discrimination.

POLICY

It is the Company's Policy:

1. To ensure that its Remuneration practices support and encourage meritocracy.
2. To ensure that Remuneration is market-led and takes into account the competitive context of the business.
3. To leverage Remuneration as an effective instrument to enhance performance and therefore to link remuneration to both individual and collective performance outcomes.
4. To adopt a comprehensive approach to Remuneration in order to support a superior quality of personal and work life, in a manner so as to judiciously balance short term with long term priorities.
5. To design Remuneration practices such that they reinforce the Company's values and culture and creates an organisation that is an Employer of Choice.

Remuneration of Key Managerial Personnel

1. Remuneration of Key Managerial Personnel is determined and recommended by the Nomination and Remuneration Committee and approved by the Board. Remuneration of the Managing Director / Wholetime Director / Manager is also subject to the approval of the members.
2. Remuneration is reviewed and revised periodically, when such a revision is warranted by the market.
3. Apart from fixed elements of remuneration and benefits, Key Managerial Personnel are also eligible for Variable Pay/Performance Bonus which is linked to their individual performance and the overall performance of the Company.
4. Remuneration of Key Managerial Personnel who may be on deputation from the Holding Company / subsidiaries / fellow subsidiaries / associate companies, will be in terms of the Remuneration Policy of that company.

Remuneration of Independent Directors

Independent Directors are entitled to sitting fees for attending meetings of the Board and Board Committees, the quantum of which is determined by the Board, within the limits prescribed under the Companies Act, 2013 and the Rules thereunder. The Company also bears the expenses of the Independent Directors for attending meetings of the Board and Board Committees, in terms of the Articles of Association of the Company.

Remuneration of employees other than Key Managerial Personnel

1. Remuneration of Senior Management is determined and recommended by the Nomination and Remuneration Committee and approved by the Board. Remuneration of all other personnel is approved by persons / Committee as authorised under the Corporate Governance Policy of the Company.
2. Remuneration is reviewed and revised periodically, when such a revision is warranted by the market. The quantum of revision is linked to market trends, the competitive context of the business, as well as the track record of the individual employee.
3. Variable Pay cognises for the performance rating of the individual employee and the overall performance of the Company.
4. Remuneration of employees in Specialist positions are tailor-made to suit their unique and specialized skills.
5. Remuneration of all personnel who may be on deputation from the Holding Company/subsidiaries/fellow subsidiaries/associate companies, will be in terms of the Remuneration Policy of that company.

ANNEXURE 2 TO THE REPORT OF BOARD OF DIRECTORS

Annual Report on CSR Activities of the Company for the financial year ended 31st March, 2017

[Section 135 of the Companies Act, 2013 read with the Companies (Corporate Social Responsibility Policy) Rules, 2014]

1.	A brief outline of the Company's CSR policy, including overview of projects or programs proposed to be undertaken and a reference to the web–link to the CSR policy and projects or programs	ITC Infotech India Limited (ITC Infotech) being a wholly owned subsidiary of ITC Limited (ITC) will discharge its corporate social responsibility by aligning itself with the Corporate Social Responsibility (CSR) Policy of ITC. The Company will: ✓ undertake CSR activities as listed in Schedule VII of the Companies Act, 2013 (Act); ✓ undertake CSR activities through a registered trust or a registered society or a company established under section 8 of the Act by ITC; ✓ contribute to the Corpus of a registered trust or a registered society or a company established under section 8 of the Act by ITC where (i) such trust / society / company is created exclusively for undertaking CSR activities or (ii) where the corpus is created exclusively for a purpose directly relatable to a subject covered in Schedule VII of the Act, and ✓ collaborate with ITC for undertaking CSR activities http://www.itcinfotech.com/wp-content/uploads/2016/08/corporate-social-responsibility-policy.pdf
2.	Composition of the CSR Committee	Mr. S. Sivakumar (Chairman) Mr. P. Chatterjee Mr. R. G. Jacob
3.	Average net profits of the Company for last three financial years	₹ 15,954 lakhs
4.	Prescribed CSR Expenditure (two percent of the amount stated under 3 above)	₹ 319.08 lakhs
5.	Details of CSR spent during the financial year (a) Total amount to be spent for financial year (b) Amount unspent, if any	 ₹ 320 lakhs NIL

(c) Manner in which the amount spent during the financial year is detailed below:

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Sl. No.	CSR project or activity identified	Sector in which the project is covered	Projects or programs (1) Local area or other (2) Specify the State and district where projects or programs was undertaken	Amount outlay (budget) project or programs wise	Amount spent on the projects or programs Sub heads: (1) Direct expenditure on projects or programs (2) Overheads	Cumulative expenditure upto the reporting period	Amount spent: Direct or through implementing agency
1	Contribution to the Corpus of ITC Rural Development Trust	Undertaking rural development projects [covered under Clause (x) of Schedule VII to the Companies Act, 2013]	N.A	₹ 320 lakhs	₹ 320 lakhs	₹ 320 lakhs	Implementing Agency – ITC Rural Development Trust, Kolkata

The CSR Committee of the Board has confirmed that the implementation and monitoring of the CSR Policy is in compliance with CSR objectives and Policy of the Company.

S. Sivakumar
Chairman - CSR Committee

S. Rajagopalan
Managing Director

Dated : 5th May, 2017

ANNEXURE 3 TO THE REPORT OF THE BOARD OF DIRECTORS
FOR THE FINANCIAL YEAR ENDED 31ST MARCH 2017

Information pursuant to Section 197 of the Companies Act, 2013 read with Rule 5(2) of Companies (Appointment & Remuneration of Managerial Personnel) Rules, 2014

Top ten employees in terms of remuneration drawn.

Name	Age	Designation	Gross Remuneration ₹	Net Remuneration ₹	Qualifications	Experience (Years)	Date of Commencement of Employment	Previous Employment/ Position held
1	2	3	4	5	6	7	8	9
KUMAR VISHAL #	46	Executive Vice President	17853964	17853964	B.E.	24	13-Jan-03	PSI Data Systems Ltd. Sales & Marketing Manager
PLIESKE HORST-WIHELM ##	57	Vice President - Business Development	15830444	9970475	M.B.A.	29	3-Aug-15	L&T Infotech EVP and Head Dach
RAJAGOPALAN SUSHMA	53	Managing Director and Chief Executive Officer	14479262	7682830	M.B.A.	32	1-Aug-14	LiquidHub Inc. Global Partner
SAXENA SANDEEP ##	35	General Manager - Business Development	11050352	4327931	M.B.A.	15	6-Jun-14	Hexaware Technologies New BD
PERIVIER MARC ##	48	Senior Manager - Business Development	10592798	5681869	M.Fin.	24	23-Apr-12	PTC Business Development Manager
THIBAULT NICOLAS ##	53	Lead Process Consultant	10363027	5282568	M.B.A.	26	25-Aug-15	Intersport France Business Unit Manager
GHARPURE RAVINDRA ##	43	General Manager - Business Development	10030936	5776588	M.E.	18	1-Dec-14	NIIT technologies BV Director BD
PLEIJSIER EDWARD ##	53	General Manager - Business Development	9626739	4908320	BS-HTS	26	1-Oct-15	L&T Infotech Netherlands Area Director
GHOSH ANIRBAN #	34	Account Manager	9547781	5601380	M.B.A.	11	30-Jan-12	ABOVE Solutions India Pvt. Ltd. Senior Sales
BATRA RAKESH ###	53	Chief Financial Officer	9436312	4172080	B.COM(H), FCA	35	1-Sep-06	-

Other employees employed throughout the year and in receipt of remuneration aggregating ₹ 1,02,00,000/-or more per annum - NIL

Other employees employed for a part of the year and in receipt of remuneration aggregating ₹ 8,50,000/- or more per month

Name	Age	Designation / Nature of Duties	Gross Remuneration ₹	Net Remuneration ₹	Qualifications	Experience (Years)	Date of Commencement of Employment	Previous Employment/ Position held
1	2	3	4	5	6	7	8	9
YERRUMREDDY BINDU ####	41	Vice President - Business Development	6276655	3946587	PGDCA	20	17-Jan-07	GE Healthcare Project Manager

Notes :

1. # On secondment to a foreign branch; foreign salary converted into Indian rupees at the average of the month end inter bank exchange rate.
2. ## Employed directly by a foreign branch; M/s. Plieske Horst-Wihelm, Thibault Nicolas, Gharpure Ravindra and Pleijsier Edward separated from the Company during the year.
3. ### On deputation from ITC Ltd, the holding company; remuneration borne by the Company as per the terms of deputation of his services.
4. Remuneration includes salary, performance effectiveness pay,allowances,incentives,severance pay,other benefits/applicable perquisites except contribution to the approved Pension under the defined benefit scheme and Gratutity Funds and provisions for leave encashment which are actuarially determined on an overall Company basis. The term 'remuneration' has the meaning assigned to it under the Companies Act, 2013.
5. Net Remuneration comprises cash income less (a) income tax, surcharge (as applicable) & education cess deducted at source and (b) managers own contribution to provident fund.
6. #### Separated from the Company during the year.
7. Some of the employees listed above have been granted Stock Options by ITC Ltd., the holding company, under its Employee Stock Option Schemes, at 'market price' [within the meaning of the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014]. Since such options are not tradeable, no perquisite or benefit is immediately conferred upon the employee by such grant of Options, and accordingly the said grant has not been considered as remuneration.
8. All appointments are / were contractual in accordance with terms & conditions as per Company's rules.
9. None of the above employees is a relative of any Director of the Company.

On behalf of the Board

New Delhi, 5th May, 2017

S. Rajagopalan
Managing Director

S. Sivakumar
Vice Chairman

ANNEXURE 4 TO THE REPORT OF BOARD OF DIRECTORS

FORM MGT–9
EXTRACT OF ANNUAL RETURN
as on the financial year ended on 31st March, 2017

[Pursuant to section 92(3) of the Companies Act, 2013 and Rule 12(1) of the Companies (Management and Administration) Rules, 2014]

I. REGISTRATION AND OTHER DETAILS:

i) CIN	:	U65991WB1996PLC077341
ii) Registration Date	:	16th February, 1996
iii) Name of the Company	:	ITC Infotech India Limited
iv) Category / Sub–Category of the Company	:	Public Company / Limited by shares
v) Address of the Registered office and contact details	:	Virginia House 37 Jawahar Lal Nehru Road, Kolkata 700 071, West Bengal, India Phone: +91–33–2288 9900 E–mail: secretarial.i3l@itcinfotech.com
vi) Whether listed company Yes / No	:	No
vii) Name, Address and Contact details of Registrar and Transfer Agent, if any	:	N.A

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

All the business activities contributing 10% or more of the total turnover of the company:–

Sl. No.	Name and Description of main products / services	NIC Code of the Product / service	% to total turnover of the company
1.	Computer programming, consultancy and related activities	620	100%

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES

Sl. No	NAME AND ADDRESS OF THE COMPANY	CIN/GLN	HOLDING/ SUBSIDIARY/ ASSOCIATE	% of shares held	Applicable Section
1.	ITC Limited Virginia House 37 J. L. Nehru Road, Kolkata – 700071	L16005WB-1910PLC001985	Holding	100.00	2(46)
2.	ITC Infotech (USA), Inc. 12 Route, 17 North, Suite 303, Paramus, New Jersey 07652, United States of America	NA	Subsidiary	100.00	2(87)(ii)
3.	ITC Infotech Limited, UK Norfolk House, 118 Saxon Gate West, Milton Keynes, MK9 2 DN, United Kingdom	NA	Subsidiary	100.00	2(87)(ii)
4.	Indivate Inc., USA 820, Bear Tavern Road, West Trenton, New Jersey 08628, United States of America	NA	Subsidiary	*100.00* *ITC Infotech (USA), Inc. holds the entire Share Capital*	2(87)(ii)(a)

IV. SHAREHOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity)

(i) Category–wise Share holding

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
A. Promoters									
(1) **Indian**									
a) Individual/HUF	–	–	–		–	–	–	–	N.A
b) Central Govt	–	–	–		–	–	–	–	N.A
c) State Govt (s)	–	–	–		–	–	–	–	N.A
d) Bodies Corp.	–	8,52,00,000	8,52,00,000	100.00	–	8,52,00,000	8,52,00,000	100.00	Nil
e) Banks / FI	–	–	–		–	–	–	N.A	N.A
f) Any Other….	–	–	–		–	–	–	N.A	N.A
Sub–total (A)(1):–	–	8,52,00,000	8,52,00,000	100.00	–	8,52,00,000	8,52,00,000	100.00	Nil
(2) **Foreign**									
a) NRIs – Individuals	–	–	–	–	–	–	–	–	N.A
b) Other – Individuals	–	–	–	–	–	–	–	–	N.A
c) Bodies Corp.	–	–	–	–	–	–	–	–	N.A
d) Banks / FI	–	–	–	–	–	–	–	–	N.A
e) Any Other….	–	–	–	–	–	–	–	–	N.A
Sub–total (A)(2):–	–	–	–	–	–	–	–	–	N.A
Total shareholding of Promoter (A) = (A)(1)+(A)(2)	–	**8,52,00,000**	**8,52,00,000**	**100.00**	–	**8,52,00,000**	**8,52,00,000**	**100.00**	**Nil**

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
B. Public Shareholding									
1. Institutions									
a) Mutual Funds	–	–	–	–	–	–	–	–	N.A
b) Banks / FI	–	–	–	–	–	–	–	–	N.A
c) Central Govt	–	–	–	–	–	–	–	–	N.A
d) State Govt(s)	–	–	–	–	–	–	–	–	N.A
e) Venture Capital Funds	–	–	–	–	–	–	–	–	N.A
f) Insurance Companies	–	–	–	–	–	–	–	–	N.A
g) FIIs	–	–	–	–	–	–	–	–	N.A
h) Foreign Venture Capital Funds	–	–	–	–	–	–	–	–	N.A
i) Others (specify)	–	–	–	–	–	–	–	–	N.A
Sub–total (B)(1):–	–	–	–	–	–	–	–	–	N.A
2. Non–Institutions	NOT APPLICABLE								
a) Bodies Corp									
i) Indian	–	–	–	–	–	–	–	–	N.A
ii) Overseas	–	–	–	–	–	–	–	–	N.A
b) Individuals									
i) Individual shareholders holding nominal share capital upto ₹ 1 lakh	–	–	–	–	–	–	–	–	N.A
ii) Individual shareholders holding nominal share capital in excess of ₹ 1 lakh	–	–	–	–	–	–	–	–	N.A.
c) Others (specify)	–	–	–	–	–	–	–	–	N.A
Sub–total (B)(2):–	–	–	–	–	–	–	–	–	N.A
Total Public Shareholding (B)=(B)(1)+(B)(2)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**N.A**
C. Shares held by Custodian for GDRs & ADRs	–	–	–	–	–	–	–	–	N.A
Grand Total (A+B+C)	**–**	**8,52,00,000**	**8,52,00,000**	**100.00**	**–**	**8,52,00,000**	**8,52,00,000**	**100.00**	**Nil**

(ii) Shareholding of Promoters

Sl. No.	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in shareholding during the year
		No. of Shares	% of total Shares of the company	% of Shares Pledged / encumbered to total shares	No. of Shares	% of total Shares of the company	%of Shares Pledged / encumbered to total shares	
1	ITC Limited	8,52,00,000	100.00	Nil	8,52,00,000	100.00	Nil	Nil

(iii) Change in Promoters' Shareholding

Sl. No.		Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
	At the beginning of the year	No change during the year			
	Date wise Increase / Decrease in Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus / sweat equity etc.				
	At the end of the year				

(iv) **Shareholding Pattern of top ten Shareholders (other than Directors, Promoters and Holders of GDRs and ADRs):** Not applicable

(v) **Shareholding of Directors and Key Managerial Personnel:** None of the Directors and Key Managerial Personnel hold any share in the Company.

V. INDEBTEDNESS

Indebtedness of the Company including interest outstanding/accrued but not due for payment – NIL

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

A. Remuneration to Managing Director, Whole–time Directors and/or Manager: Amount in (₹ lakhs)

Sl. No.	Particulars of Remuneration	Sushma Rajagopalan – Managing Director & CEO (Refer Note)
1.	Gross salary (a) Salary as per provisions contained in section 17(1) of the Income–tax Act, 1961 (b) Value of perquisites u/s 17(2) Income–tax Act, 1961 (c) Profits in lieu of salary under section 17(3) Income–tax Act, 1961	 127.00 12.03 –
2.	Stock Option	–
3.	Sweat Equity	–
4.	Commission – as % of profit – others, specify…	–
5.	Others, please specify	–
	Total (A)	**139.03**
	Ceiling as per the Act (5% of the net profits of the Company computed in accordance with Section 198 of the Companies Act, 2013)	200.09

Note:

Has been granted Stock Options by ITC Limited, the holding company, at 'market price' [within the meaning of the SEBI (Share Based Employee Benefits) Regulations, 2014] under the ITC Employee Stock Option Schemes.

B. Remuneration to other directors: Amount in (₹ lakhs)

Sl. no.	Particulars of Remuneration	Name of Director		Total Amount
		Partho Chatterjee	Ranjit G Jacob	
1.	Independent Directors • Fee for attending board / committee meetings • Commission • Others, please specify	 2.35 NIL NIL	 1.45 NIL NIL	 3.80 NIL NIL
	Total (1)	**2.35**	**1.45**	**3.80**
2.	Other Non–Executive Directors • Fee for attending board / committee meetings • Commission • Others, please specify	NIL	NIL	NIL
	Total (2)	**NIL**	**NIL**	**NIL**
	Total (B)=(1+2)	2.35	1.45	3.80
	Total Managerial Remuneration (A+B)			**142.83**
	Overall Ceiling as per the Act (11% of the net profits of the Company computed in accordance with Section 198 of the Companies Act, 2013)			440.21

C. Remuneration to Key Managerial Personnel other than MD/Manager/WTD Amount in (₹ lakhs)

Sl. No.	Particulars of Remuneration	Key Managerial Personnel		
		Rakesh Batra (Chief Financial Officer)**	Sanjay V Shah (Company Secretary)**	Total
1.	Gross salary (a) Salary as per provisions contained in section 17(1) of the Income–tax Act, 1961	76.77	64.62	141.39
	(b) Value of perquisites u/s 17(2) Income–tax Act, 1961	16.85	8.15	25.00
	(c) Profits in lieu of salary under section 17(3) Income–tax Act, 1961	–	–	–
2.	Stock Option	–	–	–
3.	Sweat Equity	–	–	–
4.	Commission – as % of profit – others, specify…	–	–	–
5.	Others, please specify	–	–	–
	Total	**93.62**	**72.77**	**166.39**

** Notes:

1. On deputation from ITC Ltd, the holding company; remuneration borne by the Company as per the terms of deputation of services.
2. Have been granted Stock Options by ITC Limited, the holding company, at 'market price' [within the meaning of the SEBI (Share Based Employee Benefits) Regulations, 2014] under the ITC Employee Stock Option Schemes.

VII. PENALTIES / PUNISHMENT/ COMPOUNDING OF OFFENCES: Company / Directors / Other Officers in Default under the Companies Act, 2013 – None

On behalf of the Board

Dated : 5th May, 2017

S. Rajagopalan
Managing Director

S. Sivakumar
Vice Chairman

ANNEXURE 5 TO THE REPORT OF BOARD OF DIRECTORS

FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2017

FORM AOC–2

[Pursuant to Section 134(3)(h) of the Companies Act, 2013 and Rule 8(2) of the Companies (Accounts) Rules, 2014]

Form for disclosure of particulars of contracts / arrangements entered into by the Company with related parties referred to in sub–section (1) of Section 188 of the Companies Act, 2013 including certain arm's length transactions under third proviso thereto

1. Details of contracts or arrangements or transactions not at arm's length basis: **None**
2. Details of material contracts or arrangement or transactions at arm's length basis

a)	Name(s) of the related party and nature of relationship	ITC Limited (Holding Company)
b)	Nature of contracts / arrangements / transactions	Sale of IT Services
c)	Duration of the contracts / arrangements / transactions	Continuing
d)	Salient terms of the contracts or arrangements or transactions including the value, if any	– Provision of IT Services – Pricing based on arm's length margin – Monthly invoicing; payment upon receipt of invoice – Value of transactions during the year – ₹ 13,002 Lakhs
e)	Date(s) of approval by the Board, if any	N.A
f)	Amount paid as advances, if any	Nil

a)	Name(s) of the related party and nature of relationship	ITC Infotech Limited, UK (Subsidiary)
b)	Nature of contracts / arrangements / transactions	Sale of IT Services
c)	Duration of the contracts / arrangements / transactions	Continuing
d)	Salient terms of the contracts or arrangements or transactions including the value, if any	– Subcontracting of execution and management of customer contracts – Pricing based on arm's length margin – Periodic invoicing; payment within 90 days – Value of transactions during the year – ₹ 11,545 Lakhs
e)	Date(s) of approval by the Board, if any	N.A
f)	Amount paid as advances, if any	Nil

a)	Name(s) of the related party and nature of relationship	ITC Infotech (USA), Inc. (Subsidiary)
b)	Nature of contracts / arrangements / transactions	Sale of IT Services
c)	Duration of the contracts / arrangements / transactions	Continuing
d)	Salient terms of the contracts or arrangements or transactions including the value, if any	– Subcontracting of execution and management of customer contracts – Pricing based on arm's length margin – Periodic invoicing; payment within 90 days – Value of transactions during the year – ₹ 18,777 Lakhs
e)	Date(s) of approval by the Board, if any	N.A
f)	Amount paid as advances, if any	Nil

a)	Name(s) of the related party and nature of relationship	Russell Credit Limited (Russell), Fellow Subsidiary
b)	Nature of contracts / arrangements / transactions	Unsecured Inter–Corporate Loan of ₹ 10,000 lakhs from Russell
c)	Duration of the contracts / arrangements / transactions	Not exceeding one year commencing from the date of first disbursement of the loan.
d)	Salient terms of the contracts or arrangements or transactions including the value, if any	– Simple Interest payable at 9.5% per annum – The Company may from time to time repay the loan in part or in full and may again borrow depending on business requirements provided that the total amount of loan outstanding at any point of time shall not exceed ₹ 10,000 lakhs
e)	Date(s) of approval by the Board, if any	7th December, 2015 (Audit Committee)
f)	Amount paid as advances, if any	Nil

On behalf of the Board

	S. Rajagopalan	**S. Sivakumar**
Dated : 5th May, 2017	Managing Director	Vice Chairman

ANNEXURE 6 TO THE REPORT OF BOARD OF DIRECTORS

Form No. MR-3

SECRETARIAL AUDIT REPORT

FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2017

[Pursuant to section 204(1) of the Companies Act, 2013 and Rule No.9 of the Companies (Appointment and Remuneration Personnel) Rules, 2014]

To,
The Members,
ITC Infotech India Limited
Virginia House, 37, J L Nehru Road
Kolkata-700071, West Bengal
India

We have conducted the Secretarial Audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by **ITC Infotech India Limited** ('the Company') for the financial year ended 31st March, 2017. Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing our opinion thereon.

Based on our verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company and its officers during the conduct of secretarial audit, we hereby report that in our opinion and to the best of our understanding, the Company has, during the audit period covering the financial year ended 31st March, 2017, complied with the statutory provisions listed hereunder and also that the Company has adequate Board-processes and compliance-mechanisms in place to the extent, in the manner and subject to the reporting made hereinafter.

We have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended 31st March, 2017, according to the applicable provisions of:

a. The Companies Act, 2013 and the Rules made thereunder, and
b. Foreign Exchange Management Act, 1999 and the Rules and Regulations made thereunder.

We have also examined forms and returns filed and other records maintained by the Company for the financial year ended 31st March, 2017 according to the applicable provisions of:

a. Software Technology Park of India (STPI) and the Rules made thereunder;
b. Employees' Provident Fund and Miscellaneous Provisions Act, 1952;
c. Income Tax Act, 1961;
d. Payment of Bonus Act, 1965;
e. Service Tax Rules, 1994;
f. Provisions of State National and Festival Holidays Act;
g. Payment of Gratuity Act, 1972;
h. Payment of Wages Act, 1936;
i. Maternity Benefit Act, 1961;
j. Child Labour (Prohibition and Regulation) Act, 1986;
k. The Minimum Wages Act, 1948;
l. The Contract Labour (Regulation & Abolition) Act, 1970;
m. Shops & Establishment Act, 1961, and
n. Employee's State Insurance Act, 1948.

We have also examined compliance with the applicable clauses of Secretarial Standards issued by The Institute of Company Secretaries of India.

On the basis of the audit as referred above and to the best of our knowledge, understanding and belief, we are of the view that during the period under review the Company has complied with the provisions of the Acts, Rules, Regulations, Standards, etc. mentioned above.

We further report that:

The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. There has been no change in the composition of the Board of Directors of the Company during the period under review.

Notices were given to all the directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent in compliance with the provisions of the Companies Act, 2013, the Rules made thereunder and the Secretarial Standards and an appropriate system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

We further report that based on review of compliance mechanism established by the Company and on the basis of the Compliance Certificate(s) issued by the Company Secretary and taken on record by the Board of Directors at their meeting(s), we are of the opinion that there are adequate systems and processes in the Company commensurate with the size and operations of the Company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

This Report is to be read with our letter of even date which is annexed as Annexure A and forms an integral part of this Report.

For K Dushyantha & Associates
Company Secretaries in Practice
K. Dushyantha Kumar
CP No.: 6003
FCS No.: 6662

Date: 5th May, 2017
Place: Bengaluru

Annexure A

To,
The Members,
ITC Infotech India Limited
Virginia House, 37, J L Nehru Road
Kolkata-700071, West Bengal India

Our Secretarial Audit Report for the financial year ended 31st March, 2017, of even date is to be read along with this letter.

1. Maintenance of secretarial record is the responsibility of the management of the Company. Our responsibility is to express an opinion on these secretarial records based on our audit.

2. We have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the secretarial records. The verification was done on test basis to ensure that correct facts are reflected in secretarial records. We believe that the processes and practices we followed provide a reasonable basis for our opinion.

3. We have not verified the correctness and appropriateness of financial records and Books of Accounts of the Company.

4. Wherever required, we have obtained the Management representation about the compliance of laws, rules and regulations and happening of events etc.

5. The compliance of the provisions of corporate and other applicable laws, rules, regulations, standards is the responsibility of management. Our examination was limited to the verification of procedures on test basis.

6. The Secretarial Audit Report is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.

For K Dushyantha & Associates
Company Secretaries in Practice
K. Dushyantha Kumar
C.P.No.: 6003

FCS No.:6662

Date: 5th May, 2017
Place: Bengaluru

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF ITC INFOTECH INDIA LIMITED

Report on the Indian Accounting Standards (Ind AS) Financial Statements

1. We have audited the accompanying Ind AS financial statements of **ITC Infotech India Limited** ("the Company"), which comprise the Balance Sheet as at March 31, 2017, the Statement of Profit and Loss (including Other Comprehensive Income), the Cash Flow Statement, the Statement of Changes in Equity for the year then ended and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Ind AS Financial Statements

2. The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these Ind AS financial statements to give a true and fair view of the financial position, financial performance (including other comprehensive income), cash flows and changes in equity of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards specified in the Companies (Indian Accounting Standards) Rules, 2015 (as amended) under Section 133 of the Act. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

3. Our responsibility is to express an opinion on these Ind AS financial statements based on our audit.

4. We have taken into account the provisions of the Act and the Rules made thereunder including the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

5. We conducted our audit of the Ind AS financial statements in accordance with the Standards on Auditing specified under Section 143(10) of the Act and other applicable authoritative pronouncements issued by the Institute of Chartered Accountants of India. Those Standards and pronouncements require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Ind AS financial statements are free from material misstatement.

6. An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the Ind AS financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the Ind AS financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the Ind AS financial statements that give a true and fair view, in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the Ind AS financial statements.

7. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Ind AS financial statements.

Opinion

8. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid Ind AS financial statements 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, of the state of affairs of the Company as at March 31, 2017, its profit (including other comprehensive income), its cash flows and the changes in equity for the year ended on that date.

Other Matter

9. The financial information of the Company for the year ended March 31, 2016 and the transition date opening balance sheet as at April 1, 2015 included in these Ind AS financial statements, are based on the previously issued statutory financial statements for the years ended March 31, 2016 and March 31, 2015 prepared in accordance with the Companies (Accounting Standards) Rules, 2006 (as amended) which were audited by us, on which we expressed an unqualified opinion dated April 27, 2016 and April 30, 2015 respectively. The adjustments to those financial statements arising on transition to Ind AS have been audited by us.

   Our opinion is not qualified in respect of this matter.

Report on Other Legal and Regulatory Requirements

10. As required by the Companies (Auditor's Report) Order, 2016, issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act ("the Order"), 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 B a statement on the matters specified in paragraphs 3 and 4 of the Order.

11. As required by Section 143 (3) of the Act, we report that:

    (a) We have sought and 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 it appears from our examination of those books.

    (c) The Balance Sheet, the Statement of Profit and Loss (including other comprehensive income), the Cash Flow Statement and the Statement of Changes in Equity dealt with by this Report are in agreement with the books of account.

    (d) In our opinion, the aforesaid Ind AS financial statements comply with the Indian Accounting Standards specified under Section 133 of the Act.

    (e) On the basis of the written representations received from the directors as on March 31, 2017 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2017 from being appointed as a director in terms of Section 164 (2) of the Act.

    (f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in Annexure A.

    (g) With respect to the other matters to be included in the Auditors' Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014 (as amended), in our opinion and to the best of our knowledge and belief and according to the information and explanations given to us:

    i. The Company has disclosed the impact of pending litigations as at March 31, 2017 on its financial position in its Ind AS financial statements – Refer Note 20 (b).

    ii. The Company has long-term contracts as at March 31, 2017 for which there were no material foreseeable losses. The Company did not have any long-term derivative contracts as at March 31, 2017.

    iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company during the year ended March 31, 2017.

    iv. The disclosure requirement as envisaged in Notification G.S.R 308(E) dated March 30, 2017 is not applicable to the Company - Refer Note 29.

For Lovelock & Lewes
Firm Registration Number: 301056E
Chartered Accountants

Avijit Mukerji
Partner
Membership Number: 056155

Place: New Delhi
Date: May 05, 2017

Annexure A to Independent Auditors' Report

Referred to in paragraph 11(f) of the Independent Auditors' Report of even date to the members of ITC Infotech India Limited on the Ind AS financial statements for the year ended March 31, 2017.

Report on the Internal Financial Controls under Clause (i) of Sub–section 3 of Section 143 of the Act

1. We have audited the internal financial controls over financial reporting of ITC Infotech India Limited ("the Company") as of March 31, 2017 in conjunction with our audit of the Ind AS financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

2. The Company's management is responsible for establishing and maintaining internal financial controls over financial reporting based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India (ICAI). These responsibilities include the design, implementation and maintenance of adequate internal financial controls over financial reporting that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

Auditors' Responsibility

3. Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing deemed to be prescribed under section 143(10) of the Act to the extent applicable to an audit of internal financial controls over financial reporting, both issued by the ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

4. Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the Ind AS financial statements, whether due to fraud or error.

5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

Meaning of Internal Financial Controls Over Financial Reporting

6. A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of Ind AS financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of Ind AS financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the Ind AS financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

7. Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

8. In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2017, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For Lovelock & Lewes
Firm Registration Number: 301056E
Chartered Accountants

Avijit Mukerji
Partner
Membership Number: 056155

Place: New Delhi
Date: May 05, 2017

Annexure B to Independent Auditors' Report

Referred to in paragraph 10 of the Independent Auditors' Report of even date to the members of ITC Infotech India Limited on the Ind AS financial statements as of and for the year ended March 31, 2017

i. (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 have been noticed on such verification.

(c) The Company does not own any immovable properties as disclosed in Note 2 on Property, Plant and Equipment to the Ind AS financial statements. Therefore, the provisions of Clause 3(i)(c) of the said Order are not applicable to the Company.

ii. The Company is in the business of rendering services, and consequently, does not hold any inventory. Therefore, the provisions of Clause 3(ii) of the said Order are not applicable to the Company.

iii. The Company has not granted any loans, secured or unsecured, to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under Section 189 of the Act. Therefore, the provisions of Clause 3(iii), (iii)(a), (iii)(b) and (iii)(c) of the said Order are not applicable to the Company.

iv. The Company has not granted any loans or made any investments, or provided any guarantees or security to the parties covered under Section 185 and 186 of the Act. Therefore, the provisions of Clause 3(iv) of the said Order are not applicable to the Company.

v. The Company has not accepted any deposits from the public within the meaning of Sections 73, 74, 75 and 76 of the Act and the Rules framed there under to the extent notified.

vi. The Central Government of India has not specified the maintenance of cost records under sub-section (1) of Section 148 of the Act for any of the products of the Company.

vii. (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, service tax, duty of customs, duty of excise, value added tax, cess and other material statutory dues, as applicable, with the appropriate authorities.

(b) According to the information and explanations given to us and the records of the Company examined by us, there are no dues of sales-tax, duty of customs, duty of excise and value added tax which have not been deposited on account of any dispute. The particulars of dues of income tax and service tax as at March 31, 2017 which have not been deposited on account of a dispute, are as follows:

Name of the statute	Nature of dues	Amount (₹ in lakhs)	Period to which the amount relates	Forum where the dispute is pending
Finance Act, 1994	Service tax including interest and penalty.	96*	April 01, 2007 to June 30, 2011	The Commissioner (Appeals), Bangalore
Income tax Act, 1961	Income tax including interest.	483**	Assessment Year 2012 –13	The Commissioner of Income Tax (Appeals) I, Kolkata

* Net of amount deposited under protest ₹ 15 lakhs.

** Net of amount adjusted against advance tax / tax deducted at source - ₹287 lakhs.

viii. As the Company does not have any loans or borrowings from any financial institution or bank or Government, nor has it issued any debentures as at the balance sheet date, the provisions of Clause 3(viii) of the Order are not applicable to the Company.

ix. The Company has not raised any moneys by way of initial public offer, further public offer (including debt instruments) and term loans. Accordingly, the provisions of Clause 3(ix) of the Order are not applicable to the Company.

x. 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 material fraud by the Company or on the Company by its officers or employees, noticed or reported during the year, nor have we been informed of any such case by the Management.

xi. The Company has paid/ provided for managerial remuneration in accordance with the requisite approvals mandated by the provisions of Section 197 read with Schedule V to the Act.

xii. As the Company is not a Nidhi Company and the Nidhi Rules, 2014 are not applicable to it, the provisions of Clause 3(xii) of the Order are not applicable to the Company.

xiii. The Company has entered into transactions with related parties in compliance with the provisions of Sections 177 and 188 of the Act. The details of such related party transactions have been disclosed in the Ind AS financial statements as required under Indian Accounting Standard (Ind AS) 24, Related Party Disclosures specified in the Companies (Indian Accounting Standards) Rules, 2015 (as amended) under Section 133 of the Act.

xiv. The Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review. Accordingly, the provisions of Clause 3(xiv) of the Order are not applicable to the Company.

xv. The Company has not entered into any non cash transactions with its directors or persons connected with them. Accordingly, the provisions of Clause 3(xv) of the Order are not applicable to the Company.

xvi. The Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934. Accordingly, the provisions of Clause 3(xvi) of the Order are not applicable to the Company.

For Lovelock & Lewes
Firm Registration Number: 301056E
Chartered Accountants

Avijit Mukerji
Partner
Membership Number: 056155

Place: New Delhi
Date: 5th May, 2017

BALANCE SHEET AS AT 31ST MARCH, 2017

	Note	As at 31st March, 2017 (₹ in lakhs)	As at 31st March, 2016 (₹ in lakhs)	As at 1st April, 2015 (₹ in lakhs)
I ASSETS				
1 Non-current Assets				
(a) Property, Plant and Equipment	2	4,651	5,475	7,126
(b) Other Intangible Assets	2	1,121	1,599	972
(c) Financial Assets				
(i) Investments	3 (a)	8,704	9,485	8,704
(ii) Loans	4 (a)	26	47	69
(iii) Others	5 (a)	1	7	71
(d) Deferred Tax Assets (Net)	8	1,848	1,942	1,429
(e) Other Non-Current Assets	9 (a)	3,001	1,736	1,270
2 Current Assets				
(a) Financial Assets				
(i) Investments	3 (b)	10,016	3,362	2,002
(ii) Trade Receivables	6	16,165	17,448	22,857
(iii) Cash and Cash Equivalents	7	1,358	1,639	1,131
(iv) Loans	4 (b)	6	55	28
(v) Others	5 (b)	4,472	4,805	5,700
(b) Other Current Assets	9 (b)	772	481	601
TOTAL		52,141	48,081	51,960
II EQUITY AND LIABILITIES				
1 Equity				
(a) Equity Share Capital	10	8,520	8,520	8,520
(b) Other Equity		34,999	29,666	29,302
2 Non-current Liabilities				
(a) Provisions	11 (a)	1,169	1,100	1,113
3 Current Liabilities				
(a) Financial Liabilities				
(i) Trade Payables		2,208	2,688	6,991
(ii) Others	12	2,946	4,603	3,970
(b) Other Current Liabilities	13	1,527	1,275	1,512
(c) Provisions	11 (b)	772	229	552
TOTAL		52,141	48,081	51,960

The accompanying notes 1 to 39 are an integral part of the Financial Statements

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

For Lovelock & Lewes
Firm Registration Number : 301056E
Chartered Accountants

On behalf of the Board

Avijit Mukerji
Partner
Membership Number : 056155

S. Rajagopalan
Managing Director

S. Sivakumar
Vice Chairman

Place : New Delhi
Date : 5th May, 2017

R. Batra
Chief Financial Officer

S. V. Shah
Company Secretary

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31st MARCH, 2017

		Note	For the year ended 31st March, 2017 (₹ in Lakhs)	For the year ended 31st March, 2016 (₹ in Lakhs)
I	**Revenue from Operations**	14	**91,199**	93,244
II	**Other Income**	15	**2,417**	2,406
III	**Total Income**		**93,616**	**95,650**
IV	**Expenses**			
	Employee Benefits Expense	16	**65,658**	61,054
	Depreciation and Amortisation Expense	2	**2,088**	2,133
	Other Expenses	17	**21,820**	22,608
	Total Expenses		**89,566**	**85,795**
V	**Profit Before Tax (III-IV)**		**4,050**	9,855
VI	**Tax Expenses**	18 (a)		
	Current Tax		**2,203**	5,056
	Deferred Tax Charge / (Credit)		**58**	(695)
			2,261	4,361
VII	**Profit for the Period (V-VI)**		**1,789**	5,494
VIII	**Other Comprehensive Income**			
	Items that will not be Reclassified Subsequently to Profit or Loss			
	- Remeasurement of Net Defined Benefit Liability		**105**	527
	- Less: Tax Relating to Items that will not be Reclassified Subsequently to Profit or Loss	18 (b)	**36**	182
	Total Other Comprehensive Income		**69**	**345**
IX	**Total Comprehensive Income for the Period (VII+VIII)**		**1,858**	**5,839**
X	**Earnings Per Share (in ₹) (Face value ₹ 10 each)** (Basic and Diluted)	24	**2.10**	6.45

The accompanying notes 1 to 39 are an integral part of the Financial Statements

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

For Lovelock & Lewes
Firm Registration Number : 301056E
Chartered Accountants
Avijit Mukerji
Partner
Membership Number : 056155
Place : New Delhi
Date : 5th May, 2017

On behalf of the Board

S. Rajagopalan Managing Director

S. Sivakumar Vice Chairman

R. Batra Chief Financial Officer

S. V. Shah Company Secretary

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31ST MARCH, 2017

(₹ in Lakhs)

A. Equity Share Capital

Balance at 1st April, 2015	Changes in Equity Share Capital during the year	Balance at 31st March, 2016	Changes in Equity Share Capital during the year	Balance at 31st March, 2017
8,520	-	8,520	-	8,520

B. Other Equity

(₹ in Lakhs)

	Retained Earning	Capital Contribution for Share Based Payments	Total
Balance as at 1st April, 2015	29,302	-	29,302
-Profit for the Period	5,494	-	5,494
-Remeasurement of Net Defined Benefit Liability (Net of Tax)	345	-	345
Total Comprehensive Income	**5,839**	-	**5,839**
-Interim Dividend on Equity Shares	(7,668)	-	(7,668)
-Income tax on Interim Dividend	(1,252)	-	(1,252)
-Recognition of Share Based Payment	-	3,445	3,445
Balance as at 31st March, 2016	**26,221**	**3,445**	**29,666**
-Profit for the Period	1,789	-	1,789
-Remeasurement of Net Defined Benefit Liability (Net of Tax)	69	-	69
Total Comprehensive Income	**1,858**	-	**1,858**
-Recognition of Share Based Payment (refer note 26)	-	3,475	3,475
-Options Lapsed during the Year	41	(41)	-
Balance as at 31st March, 2017	**28,120**	**6,879**	**34,999**

The accompanying notes 1 to 39 are an integral part of the Financial Statements

This is the Statement of Changes in Equity referred to in our Report of even date.

For Lovelock & Lewes
Firm Registration Number : 301056E
Chartered Accountants

Avijit Mukerji
Partner
Membership Number : 056155
Place : New Delhi
Date : 5th May, 2017

On behalf of the Board

S. Rajagopalan Managing Director

S. Sivakumar Vice Chairman

R. Batra Chief Financial Officer

S. V. Shah Company Secretary

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2017

			For the year ended 31st March, 2017 (₹ in Lakhs)		For the year ended 31st March, 2016 (₹ in Lakhs)
A	PROFIT BEFORE TAX		4,050		9,855
	ADJUSTMENTS FOR :				
	Depreciation and Amortisation Expense	2,088		2,133	
	Dividend Income from Subsidiary Company	(1,426)		(1,519)	
	Net Gain on Sale of Investments	(379)		(316)	
	Property, Plant and Equipment - (Gain) / Loss on Sale / Discarded (net)	(17)		1,082	
	Unrealised (Gain) / Loss on Exchange (net)	49		508	
	Share based Payments to Employees	2,629		2,665	
	Provision for Doubtful Receivables	36		164	
	Interest Received	-		(1)	
	Liabilities no Longer Required Written Back (included in Other Operating Revenues)	(19)	2,961	-	4,716
	OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES		7,011		14,571
	ADJUSTMENTS FOR :				
	Trade Receivables, Loans and Advances and Other Assets	1,221		2,148	
	Trade Payables, Other Liabilities and Provisions	40	1,261	(1,135)	1,013
	CASH FROM OPERATIONS		8,272		15,584
	Income Tax Paid		(3,380)		(5,522)
	NET CASH FROM OPERATING ACTIVITIES		4,892		10,062
B	**CASH FLOW FROM INVESTING ACTIVITIES :**				
	Purchase of Property, Plant and Equipment	(2,036)		(1,138)	
	Purchase of Current Investments	(1,58,850)		(1,03,300)	
	Sale / Redemption of Current Investments	1,52,574		1,02,256	
	Sale of Property, Plant and Equipment	79		-	
	Interest Received	-		1	
	Dividend Income from Subsidiary Company	1,426		1,519	
	Reimbursement of Value of Share Based Payments	1,626		-	
	NET CASH FROM / (USED) IN INVESTING ACTIVITIES		(5,181)		(662)
C	**CASH FLOW FROM FINANCING ACTIVITIES :**				
	Interim Dividend on Equity Shares	-		(7,668)	
	Income Tax on Interim Dividend	-		(1,252)	
	NET CASH USED IN FINANCING ACTIVITIES		-		(8,920)
	NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		(289)		480
	OPENING CASH AND CASH EQUIVALENTS		1,638		1,158
	CLOSING CASH AND CASH EQUIVALENTS		1,349		1,638
	CASH AND CASH EQUIVALENTS COMPRISE :				
	Cash and Cash Equivalents as above	1,349		1,638	
	Unrealised (Loss) / Gain on Foreign Currency Cash and Cash Equivalents	9		1	
	Cash and Cash Equivalents (Note 7)		1,358		1,639

The above Cash Flow Statement has been prepared under the "Indirect Method" as set out in Indian Accounting Standard 7 "Statement of Cash Flows".

The accompanying notes 1 to 39 are an integral part of the Financial Statements

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

For Lovelock & Lewes
Firm Registration Number : 301056E
Chartered Accountants

Avijit Mukerji
Partner
Membership Number : 056155

Place : New Delhi
Date : May 05, 2017

On behalf of the Board

S. Rajagopalan
Managing Director

S. Sivakumar
Vice Chairman

R. Batra
Chief Financial Officer

S. V. Shah
Company Secretary

NOTES TO THE FINANCIAL STATEMENTS

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. The Company is incorporated and domiciled in India and has its registered office at Kolkata, West Bengal, India.

1 SIGNIFICANT ACCOUNTING POLICIES

a) Statement of Compliance

These financial statements are separate financial statements prepared in accordance with Indian Accounting Standards (Ind AS) notified under section 133 of the Companies Act, 2013 (the "Act") and other relevant provisions of the Act.

Up to the year ended 31st March, 2016, the Company prepared its financial statements in accordance with the accounting standards notified under the Companies (Accounting Standard) Rules, 2006, and other relevant provisions of the Act.

The Company adopted Ind AS from 1st April, 2016 and these are the first Ind AS financial statements of the Company. Details of the exceptions and optional exemptions availed by the Company and principal adjustments along with related reconciliations are detailed in Note 39 (First Time Adoption).

b) Basis of Preparation

These financial statements are prepared in accordance with the historical cost convention, except for certain items that are measured at fair value, as explained in the accounting policies below. The functional currency of the Company is the Indian rupee (INR). These financial statements are presented in INR (rounded off to Lakhs).

Fair Value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of Ind AS 102, leasing transactions that are within the scope of Ind AS 17, and measurements that have some similarities to fair value but are not fair value, such as value in use for impairment testing in Ind AS 36.

The preparation of financial statements in conformity with Ind AS requires management to make judgements, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period; they are recognised in the period of the revision and future periods if the revision affects both current and future periods.

c) Operating Cycle

All assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in Schedule III to the Companies Act, 2013 based on the nature of services rendered and their realisation in cash and cash equivalents.

d) Property, Plant and Equipment – Tangible Assets

Property, Plant and Equipment are stated at cost of acquisition or construction less accumulated depreciation and impairment, if any.

Cost is inclusive of inward freight, duties and taxes and incidental expenses related to acquisition. Expenses capitalised also include applicable borrowing costs for qualifying assets, if any. Subsequent costs are included in the asset's carrying amount only when it is probable that future economic benefits associated with the item will be realized. The carrying amount of a replaced part is derecognized. All other repairs and maintenance are charged to the Statement of Profit and Loss.

The Company has elected to continue with the carrying value of its property, plant and equipment recognised as at 1st April, 2015 measured as per the previous GAAP and use that carrying value as the deemed cost of the property, plant and equipment.

Depreciation of these assets commences when the assets are ready for their intended use which is generally on commissioning. Items of Property, Plant and Equipment are depreciated in a manner that amortises the cost of the assets after commissioning (or other amount substituted for cost), less its residual value, over their useful lives as specified in Schedule II of the Companies Act, 2013 on a straight line basis.

The estimated useful lives of Property, Plant and Equipment are as follows:

Leasehold Properties - Building Improvement	Shorter of lease period or estimated useful lives
Plant and Equipment	5 - 15 Years
Furniture and Fixtures	10 Years
Motor Vehicles	8 Years
Office Equipment	5 Years
Computers, Servers and Networks	3 - 6 Years
Electrical Installations and Equipment	10 Years

Property, plant and equipment's residual values and useful lives are reviewed and adjusted if appropriate, at each balance sheet date.

Cost of assets not ready for use before the year-end is treated as capital work-in-progress.

e) Intangible Assets

Intangible assets represent software. Software is capitalised where it is expected to provide future enduring economic benefits. Capitalisation costs include licence fees and costs of implementation/ system integration services. The costs are capitalised in the year in which the relevant software is implemented for use and is amortised on the straight-line method over a period not exceeding 5 years. Intangible assets' residual values and useful lives are reviewed and adjusted if appropriate, at each balance sheet date.

The Company has elected to continue with the carrying value of its intangible assets recognised as at 1st April, 2015 measured as per the previous GAAP and use that carrying value as the deemed cost of the property, plant and equipment.

f) Impairment of Assets

Impairment loss, if any, is provided to the extent that the carrying amount of assets exceed their recoverable amount.

Recoverable amount is higher of an asset's fair value less costs to sell and its value in use. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

Impairment losses recognised in prior years are reversed when there is an indication that the impairment losses recognised no longer exist or have decreased. Such reversals are recognised as an increase in carrying amounts of assets to the extent that it does not exceed the carrying amounts that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised in previous years.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

g) Foreign Currency Transactions

The Company accounts for transactions in foreign currency at the exchange rate prevailing on the date of a transaction. Gains/Losses arising on settlement of such transactions and also the translation of monetary items at period ends due to fluctuations in the exchange rates are recognized in the Statement of Profit and Loss. Non-monetary assets denominated in a foreign currency and measured at historical cost are translated at the exchange rate prevalent at the date of the transaction.

h) Derivatives

The Company uses derivative financial instruments, such as forward exchange contracts to hedge its foreign currency risks. Derivatives are initially recognised at fair value and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gains/losses are recognised in Statement of Profit and Loss immediately.

i) Financial instruments, Financial assets, Financial liabilities and equity Instruments

Financial Instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the relevant instrument and are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities measured at fair value through profit or loss) are added to or deducted from the fair value on initial recognition of financial assets or financial liabilities. Purchase or sale of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date when the Company commits to purchase or sell the asset.

Financial Assets

The financial assets are classified at initial recognition in the following measurement categories as:

- those subsequently measured at amortised cost.
- those to be subsequently measured at fair value [either through other comprehensive income (OCI), or through profit or loss]

Financial assets measured at amortised cost

Financial assets which are held within the business model of collection of contractual cash flows and where those cash flows represent payments solely towards principal and interest on the principal amount outstanding are measured at amortised cost. A gain or loss on a financial asset that is measured at amortised cost and is not a part of hedging relationship is

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

recognised in Statement of Profit and Loss when the asset is derecognized or impaired.

Financial assets measured at fair value through other comprehensive income

Financial assets that are held within a business model of collection of contractual cash flows and for selling and where the assets' cash flow represents payment solely towards principal and interest on the principal amount outstanding are measured at fair value through OCI. Movements in carrying amount are taken through OCI, except for recognition of impairment gains or losses. When a financial asset, other than investment in equity instrument, is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to Statement of Profit and Loss.

Classification of equity instruments, not being investments in subsidiaries, associates and joint arrangements, depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through OCI. When investment in such equity instrument is derecognized, the cumulative gains or losses recognized in OCI is transferred within equity on such derecognition.

Financial assets measured at fair value through profit or loss

Financial assets are measured at fair value through profit or loss unless it is measured at amortised cost or at fair value through other comprehensive income on initial recognition. Movements in fair value of these instruments are taken in Statement of Profit and Loss.

Impairment of Financial Assets

The Company assesses at each balance sheet date whether a financial asset or a group of financial assets is impaired. Impairment losses are recognized in the Statement of Profit and Loss where there is an objective evidence of impairment based on reasonable and supportable information that is available without undue cost or effort. For financial assets measured at amortised cost, expected credit losses are measured at an amount equal to the 12 month expected credit losses or at an amount equal to the life time expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. The Company recognizes loss allowances on trade receivables when there is objective evidence that the Company will not be able to collect all the due amounts depending on product categories and the payment mechanism prevailing in the industry.

Financial Liability and Equity Instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. Financial liabilities are classified, at initial recognition, as subsequently measured at amortised cost unless they fulfill the requirement of measurement at fair value through profit or loss. Where the financial liability has been measured at amortised cost, the difference between the initial carrying amount of the financial liabilities and their redemption value is recognized in the Statement of Profit and Loss over the contractual terms using the effective interest rate method. Financial liabilities at fair value through profit or loss are carried at fair value with changes in fair value recognized in the finance income or finance cost in the Statement of Profit and Loss. An equity instrument is a contract that evidences residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments recognised by the Company are recognised at the proceeds received net off direct issue cost.

Investment in Subsidiaries

Investment in subsidiaries is carried at cost in the separate financial statements.

Derecognition of Financial Assets and Financial Liabilities

Financial assets are derecognized when the rights to receive benefits have expired or been transferred, and the Company has transferred substantially all risks and rewards of ownership of such financial asset. Financial liabilities are derecognized when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

Income Recognition on Financial Assets

Dividend income is recognized in Statement of Profit and Loss as other income only when the Company's right to receive payments is established, it is probable that the economic benefits associated with the dividend will flow to the entity and the amount of dividend can be measured reliably.

Offsetting Financial Instruments

Financial assets and liabilities are offset and the net amount is reported in the balance sheet where there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

j) Revenue from Sale of Products and Services

To recognise revenue at fair value of amounts received or receivable for goods supplied and services rendered and is net of returns and discounts, and excludes amounts collected on behalf of third parties, such as service tax, sales tax and value added tax. The group recognises revenue when the amount of revenue and the corresponding costs can be reliably measured, and it is probable that future economic benefits will flow to the Company.

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 / hardware upon delivery to customer.

To treat amounts received or billed in advance of services performed as unearned revenue. Unbilled revenue represents amounts recognised based on services performed in advance of billing in accordance with contract terms.

k) Employee Benefits

The Company makes regular monthly contributions to Provident Fund administered by the Government of India which is in the nature of defined contribution scheme and such amounts are recognised as expense in the Statement of Profit and Loss.

The Company also makes contribution to defined benefit pension and gratuity plans. The cost of providing benefits under the defined benefit obligation is calculated by an independent actuary using the projected unit credit method. Service costs and net interest expense or income is reflected in the Statement of Profit and Loss. Gain or Loss on account of remeasurements are recognised immediately through Other Comprehensive Income in the period in which they occur.

The employees of the Company are entitled to compensated leave for which the Company records the liability based on actuarial valuation computed under projected unit credit method. This benefit is unfunded.

l) Employee Share Based Compensation

Certain employees of the Company / the Holding Company on deputation are covered under the stock option plans of the Holding Company. These plans are assessed, managed and administered by the Holding Company. Fair value of such stock options is calculated using the Black Scholes pricing model at the grant date. Cost of stock options is recognised in the Statement of Profit and Loss on a straight line basis over vesting / service period with a corresponding increase in equity, net of reimbursements, if any.

The cost of options granted under the ITC Employee Stock Option Scheme applicable to employees of subsidiaries is considered as an investment in the subsidiaries, net of reimbursements, if any.

m) Leases

Rentals payable under operating leases are charged to the Statement of Profit and Loss on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases.

n) Taxes on Income

Taxes on income comprise current taxes and deferred taxes. Current tax in the Statement of Profit and Loss is provided as the amount of tax payable in respect of taxable income for the period using tax rates enacted or substantively enacted during the period, together with any adjustment to tax payable in respect of previous years. Income tax, in so far as it relates to items disclosed under Other Comprehensive Income or Equity, is disclosed separately under Other Comprehensive Income or Equity, as applicable.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes using tax rates enacted or substantively enacted during the period.

Deferred tax assets are recognized for deductible temporary difference to the extent it is probable that future taxable profits will be available against which the deductible temporary differences can be utilised.

Tax assets and tax liabilities are offset when there is a legally enforceable right to offset tax assets and liabilities and these relate to the same taxation authority.

o) Dividend Distribution

To recognise dividend paid (including income tax thereon) in the financial statements in the period in which the related dividends are actually paid or, in respect of the Company's final dividend for the year, when the same is approved by shareholders.

p) Operating Segments

To report operating segments in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Global Leadership Council (GLC).

q) Borrowing Cost

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as a part of cost of that asset. All other borrowing costs are charged to the Statement of Profit and Loss.

r) Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision at the end of the reporting period is the best estimate of the consideration required to settle the present obligation, taking into account the risks and uncertainties surrounding the obligation.

In respect of claims against the Company not acknowledged as debts, a careful evaluation of the facts and legal aspects of the matter involved is undertaken and appropriately disclosed.

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

Note No. 2 : PROPERTY, PLANT AND EQUIPMENT AND OTHER INTANGIBLE ASSETS - 2016-17 (₹ in Lakhs)

	DESCRIPTION	GROSS BLOCK				DEPRECIATION AND AMORTISATION				NET BLOCK	
		As at 1st April, 2016	Additions / Adjustments	Withdrawals	As at 31st March, 2017	As at 1st April, 2016	Charge for the Year	On With-drawals/ Adjustments	As at 31st March, 2017	As at 31st March, 2017	As at 31st March, 2016
(i)	**TANGIBLE ASSETS**										
	Leasehold Properties - Building Improvement	820	9	-	829	192	215	-	407	422	628
	Plant and Equipment	397	-	-	397	24	27	-	51	346	373
	Furniture and Fixtures	973	12	2	983	99	107	-	206	777	874
	Motor Vehicles	11	-	-	11	2	1	-	3	8	9
	Office Equipment	668	78	1	745	169	171	-	340	405	499
	Computers, Servers and Networks	2,762	568	148	3,182	844	787	89	1,542	1,640	1,918
	Electrical Installations and Equipment	1,298	28	-	1,326	124	149	-	273	1,053	1,174
	SUB TOTAL	**6,929**	**695**	**151**	**7,473**	**1,454**	**1,457**	**89**	**2,822**	**4,651**	**5,475**
(ii)	**INTANGIBLE ASSETS**										
	Capitalised Software	2,051	153	-	2,204	452	631	-	1,083	1,121	1,599
	SUB TOTAL	**2,051**	**153**	**-**	**2,204**	**452**	**631**	**-**	**1,083**	**1,121**	**1,599**
	GRAND TOTAL	**8,980**	**848**	**151**	**9,677**	**1,906**	**2,088**	**89**	**3,905**	**5,772**	**7,074**

Note : The aggregate depreciation and amortisation charge for the year has been included under depreciation and amortisation expense in the Statement of Profit and Loss.

Note No. 2 : PROPERTY, PLANT AND EQUIPMENT AND OTHER INTANGIBLE ASSETS - 2015-16 (Contd.) (₹ in Lakhs)

	DESCRIPTION	GROSS BLOCK				DEPRECIATION AND AMORTISATION				NET BLOCK	
		As at 1st April, 2015*	Additions / Adjustments	Withdrawals	As at 31st March, 2016	As at 1st April, 2015	Charge for the Year	On With-drawals/ Adjustments	As at 31st March, 2016	As at 31st March, 2016	As at 1st April, 2015
(i)	**TANGIBLE ASSETS**										
	Leasehold Properties - Building Improvement	1,145	76	401	820	-	292	100	192	628	1,145
	Plant and Equipment	466	55	124	397	-	32	8	24	373	466
	Furniture and Fixtures	882	137	46	973	-	104	5	99	874	882
	Motor Vehicles	11	-	-	11	-	2	-	2	9	11
	Office Equipment	710	81	123	668	-	201	32	169	499	710
	Computers, Servers and Networks	2,397	486	121	2,762	-	874	30	844	1,918	2,397
	Electrical Installations and Equipment	1,515	277	494	1,298	-	176	52	124	1,174	1,515
	SUB TOTAL	**7,126**	**1,112**	**1,309**	**6,929**	**-**	**1,681**	**227**	**1,454**	**5,475**	**7,126**
(ii)	**INTANGIBLE ASSETS**										
	Capitalised Software	972	1,079	-	2,051	-	452	-	452	1,599	972
	SUB TOTAL	**972**	**1,079**	**-**	**2,051**	**-**	**452**	**-**	**452**	**1,599**	**972**
	GRAND TOTAL	**8,098**	**2,191**	**1,309**	**8,980**	**-**	**2,133**	**227**	**1,906**	**7,074**	**8,098**

* Represents deemed cost as on 1st April, 2015. Refer Note 39 on First Time Adoption of Ind AS.
Note : The aggregate depreciation and amortisation charge for the year has been included under depreciation and amortisation expense in the Statement of Profit and Loss.

(₹ in Lakhs)

		As at 31st March, 2017	As at 31st March, 2016	As at 1st April, 2015
3.	**Investments**			
3 (a)	**Non-Current**			
	In Subsidiaries			
	Investments in Equity Instruments- (At Cost) Unquoted			
	ITC Infotech Limited (UK) 6,85,815 (2016 - 6,85,815, 2015 - 6,85,815) Equity Shares of GBP 1 each, fully paid	687	963	687
	ITC Infotech (USA), Inc. 1,82,000 (2016 - 1,82,000, 2015 - 1,82,000) Ordinary Shares without par value, fully paid	8,017	8,522	8,017
	Total	8,704	9,485	8,704

Note- Increase as at 31st March, 2016 represents capital contribution for share based payments which has been recovered during the year ended 31st March, 2017.

		As at 31st March, 2017	As at 31st March, 2016	As at 1st April, 2015
3(b)	**Current**			
	Investment in Mutual Funds - Quoted			
	HDFC Liquid Fund - Growth Option Nil Units (2016 - Nil Units, 2015 - 72,61,469 Units) of ₹ 10 Each	-	-	2,002
		-	-	2,002
	Investment in Mutual Funds - Unquoted			
	Reliance Liquid Fund-Treasury Plan- Growth Option Nil Units (2016 - 91, 211 Units, 2015 - Nil Units) of ₹ 1,000 Each	-	3,362	-
	SBI Premier Liquid Fund - Regular Plan- Growth 1,53,484 Units (2016 - Nil, 2015 - Nil) of ₹ 1,000 Each	3,907	-	-
	UTI Money Market Fund - Institutional Plan - Growth 2,15,064 Units (2016 - Nil, 2015 - Nil) of ₹ 1,000 Each	3,907	-	-
	Tata Money Market Fund - Regular Plan - Growth 86,223 Units (2016 - Nil, 2015 - Nil) of ₹ 1,000 Each	2,202	-	-
		10,016	3,362	-
	Total	10,016	3,362	2,002

Market Value of Quoted Investments ₹ Nil (2016 - ₹ Nil, 2015 - ₹ 2,002 Lakhs)
Aggregate Amount of Impairment in Value of Investments ₹ Nil (2016 - ₹ Nil, 2015 - ₹ Nil)

(₹ in Lakhs)

		As at 31st March, 2017	As at 31st March, 2016	As at 1st April, 2015
4	**LOANS**			
4 (a)	**Non-Current**			
	Loans to Employees			
	-Unsecured, Considered Good	26	47	69
	Total	26	47	69
4(b)	**Current**			
	Loans to Employees			
	-Unsecured, Considered Good	6	55	28
	-Unsecured, Considered Doubtful	22	22	22
		28	77	50
	Less : Allowance for Doubtful Loans	(22)	(22)	(22)
	Total	6	55	28

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

(₹ in Lakhs)

		As at 31st March, 2017	As at 31st March, 2016	As at 1st April, 2015
5	OTHER FINANCIAL ASSETS			
5(a)	Non-Current			
	Security Deposits (includes deposits for Company accommodations, offices etc.)	1	7	71
	Total	1	7	71
5(b)	Current			
	Unbilled Revenue	3,922	4,313	4,697
	Security Deposits (includes deposits for Company accommodations, offices etc.)	189	219	208
	Foreign Currency Forward Contracts	165	90	548
	Others	63	83	-
	Advances (includes advance to employees)			
	-Considered Good	133	100	247
	-Considered Doubtful	15	15	15
		148	115	262
	Less : Allowance for Doubtful Advances	(15)	(15)	(15)
	Total	4,472	4,805	5,700
6	TRADE RECEIVABLES			
	Unsecured, Considered Good	16,165	17,448	22,857
	Unsecured, Considered Doubtful	533	641	477
		16,698	18,089	23,334
	Less: Allowance for Doubtful Receivables	(533)	(641)	(477)
	Total	16,165	17,448	22,857
7	CASH AND CASH EQUIVALENTS *			
	Cheques, Drafts on Hand	-	477	-
	Balances with Banks :			
	Current Accounts	1,358	1,162	1,131
	Total	1,358	1,639	1,131

* Cash and cash equivalents include cash on hand, cheques, drafts on hand and cash at bank with original maturity of 3 months or less

		As at 31st March, 2017	As at 31st March, 2016	As at 1st April, 2015
8	DEFERRED TAX ASSETS (NET)			
	Deferred Tax Assets	1,852	1,942	1,597
	Deferred Tax Liabilities	4	-	168
	Deferred Tax Assets (Net)	1,848	1,942	1,429

Movement in Deferred Tax

FY 2016-17	Opening Balance	Recognized in profit or loss	Recognized in OCI	Closing Balance
Deferred Tax Assets :				
On provision for employees' separation and retirement etc.	889	(5)	(36)	848
On provision for doubtful receivables and advances	235	(38)	-	197
On fiscal allowances on property, plant and equipment	566	-	-	566
Other timing differences	252	(11)	-	241
Total Deferred Tax Assets	1,942	(54)	(36)	1,852
Deferred Tax Liabilities :				
Other timing differences	-	4	-	4
Total Deferred Tax Liabilities	-	4	-	4
Deferred Tax Assets (Net)	1,942	(58)	(36)	1,848

FY 2015-16	Opening Balance	Recognized in profit or loss	Recognized in OCI	Closing Balance
Deferred Tax Assets :				
On provision for employees' separation and retirement etc.	1,055	16	(182)	889
On provision for doubtful receivables and advances	175	60	-	235
On fiscal allowances on property, plant and equipment	294	272	-	566
Other timing differences	73	179	-	252
Total Deferred Tax Assets	1,597	527	(182)	1,942
Deferred Tax Liabilities :				
Other timing differences	168	(168)	-	-
Total Deferred Tax Liabilities	168	(168)	-	-
Deferred Tax Assets (Net)	1,429	695	(182)	1,942

(₹ in Lakhs)

		As at 31st March, 2017	As at 31st March, 2016	As at 1st April, 2015
9	OTHER ASSETS			
9(a)	Non-Current			
	Advances other than Capital Advances			
	Advances with Statutory Authorities	41	41	41
	Other Advances (Unexpired Expenses)	113	25	25
	Advance Tax (Net of Provision for Income Tax)	2,847	1,670	1,204
	Total	3,001	1,736	1,270
9 (b)	Current			
	Advances other than Capital Advances			
	Advances with Statutory Authorities	297	170	428
	Other Advances (includes unexpired expenses)	475	311	173
	Total	772	481	601
10	EQUITY SHARE CAPITAL			
	Authorised:			
	8,60,00,000 (2016 - 8,60,00,000, 2015 - 8,60,00,000) Equity Shares of ₹ 10 each	8,600	8,600	8,600
	Issued and subscribed :			
	8,52,00,000 (2016 - 8,52,00,000, 2015 - 8,52,00,000) Equity Shares of ₹ 10 each, fully paid	8,520	8,520	8,520
	(All Equity Shares are held by ITC Limited, the Holding Company. The Equity Shares of the Company, having par value of ₹ 10 per share, rank pari passu in all respects including entitlement to dividend.)			
	Total	8,520	8,520	8,520
11	PROVISIONS			
11(a)	Non- Current			
	Provision for Employee Benefits*			
	Retirement Benefits	237	191	211
	Compensated Absences	932	909	902
	Total	1,169	1,100	1,113
11(b)	Current			
	Provision for Employee Benefits*			
	Retirement Benefits	463	-	319
	Compensated Absences	309	229	233
	Total	772	229	552

*Includes provision for pension, gratuity and compensated absences. For details refer note 23.

		As at 31st March, 2017	As at 31st March, 2016	As at 1st April, 2015
12	OTHER FINANCIAL LIABILITIES			
	Current			
	Employee Payable	2,874	3,316	3,747
	Foreign Currency Forward Contracts	17	90	63
	Other Liabilities [includes payables for property, plant and equipment ₹ 9 Lakhs (2016 - ₹ 1,197 Lakhs, 2015 - ₹ 144 Lakhs)]	55	1,197	160
	Total	2,946	4,603	3,970
13	OTHER CURRENT LIABILITES			
	Statutory Dues	1,328	1,120	1,335
	Unearned Revenue	147	155	177
	Advances from Customers	52	-	-
	Total	1,527	1,275	1,512

(₹ in lakhs)

		For the year ended 31st March, 2017	For the year ended 31st March, 2016
14	**REVENUE FROM OPERATIONS**		
	Sale of Services		
	Exports	62,532	65,751
	Domestic	27,686	23,898
	Resale of Software and Hardware (including Support Charges)		
	Exports	-	1
	Domestic	962	357
	Other Operating Revenues [includes Solicitation Fee ₹ Nil (2016 - ₹ 3,237 Lakhs)]	19	3,237
	Total	91,199	93,244

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

(₹ in lakhs)

		For the year ended 31st March, 2017	For the year ended 31st March, 2016
15	**OTHER INCOME**		
	Dividend Income	1,426	1,519
	Other Gains	893	865
	Miscellaneous Income	98	22
	Total	2,417	2,406
	Dividend income comprises dividend from:		
	Investment in Subsidiary Company	1,426	1,519
		1,426	1,519
	Other Gains		
	Net Foreign Exchange Gains	365	549
	Net Gain on Sale of Investments (includes unrealised gain of ₹ 15 Lakhs (2016 - ₹ 4 Lakhs))	379	316
	Unrealised Gain on Foreign Currency Forward Contracts	149	-
		893	865
16	**EMPLOYEE BENEFITS EXPENSE**		
	Salaries and Bonus	59,051	55,014
	Contribution to Provident and Other Funds (Refer Note 23)	2,650	2,257
	Share based Payments to Employees (Refer Note 26)	2,629	2,665
	Staff Welfare Expenses	995	838
	Reimbursement of Contractual Remuneration	333	280
	Total	65,658	61,054
17	**OTHER EXPENSES**		
	Rent (Refer Note 22)	1,697	1,920
	Rates and Taxes	13	51
	Insurance	611	471
	Travelling and Conveyance	7,050	7,538
	Recruitment Expenses	576	434
	Communication	628	640
	Power and Fuel	728	778
	Outsourcing Charges	5,154	4,571
	Software and Related Expenses	1,356	1,240
	Purchase of Hardware and Software for Resale (including Support Charges)	710	288
	Business Development Expenses	685	734
	Repairs and Maintenance		
	- Buildings	119	219
	- Machinery	220	139
	- Others	58	155
	Legal, Professional and Consultancy Expenses	811	1,037
	Doubtful and Bad Receivables	36	164
	Property, Plant and Equipment Discarded	62	1,082
	Auditors' Remuneration and Expenses (Refer Note 25)	27	22
	Expenditure on Corporate Social Responsibility (Refer Note 19)	320	283
	Training and Development	331	307
	Bank Charges	40	29
	Printing and Stationery	28	36
	Miscellaneous Expenses	560	470
	Total	21,820	22,608
18	**TAX EXPENSES**		
18(a)	**Tax Expense Recognised in Statement of Profit and Loss**		
	Current Tax [including tax on foreign branches ₹ 79 Lakhs (2016 - ₹ 196 Lakhs)]	2,206	5,061
	Credits related to previous years	(3)	(5)
		2,203	5,056
	Deferred Tax Charge / (Credit)	58	(695)
	Total	2,261	4,361
18(b)	**Tax Expense Recognised in Other Comprehensive Income**		
	Deferred Tax Charge / (Credit)		
	Arising on Remeasurement of Net Defined Benefit Liability	36	182
	Total	36	182
18(c)	**The reconciliation between the income tax expenses and amounts computed by applying the standard rate of income tax to profit before taxes is as follows:**		
	Profit before tax	4,050	9,855
	Income tax expense calculated at 34.61% (2016- 34.61%)	1,402	3,411
	Effects of:		
	-Difference in taxable income/deductible expense	1,036	1,111
	-Different tax rate on certain items	(247)	(263)
	-Other permanent differences	73	107
	-Adjustments recognised in the current year in relation to the current tax of prior years	(3)	(5)
	Income Tax expenses recognised in Statement of Profit and Loss	2,261	4,361

19 Expenditure on Corporate Social Responsibility

a) Gross amount required to be spent by the Company during the year ₹ 320 Lakhs (2016 - ₹ 283 Lakhs).

b) Amount spent during the year in cash for purpose other than construction / acquisition of an asset ₹320 Lakhs (2016 - ₹283 Lakhs).

20 Commitments and Contingencies

a) There is no contract remaining to be executed on capital account and not provided (2016 - ₹ Nil, 2015 - ₹ Nil).

b) Claims against the Company not acknowledged as debts ₹ 3,593 Lakhs (2016 - ₹ 2,296 Lakhs, 2015 - ₹ 1,996 Lakhs). These comprise:

i) Service tax claims disputed by the Company relating to issues of applicability aggregating ₹ 111 Lakhs (2016 - ₹ 108 Lakhs, 2015 - ₹ 98 Lakhs).

ii) Income tax claims disputed by the Company relating to issues of applicability and determination aggregating ₹ 3,482 Lakhs (2016 - ₹ 2,188 Lakhs, 2015 - ₹ 1,898 Lakhs).

It is not practicable for the Company to estimate the closure of these issues and the consequential timing of cash flow, if any, in respect of the above. An amount of ₹ 15 Lakhs (2016 - ₹ 15 Lakhs, 2015 - ₹ 15 Lakhs) has been deposited under protest and is included under Other Non-Current Assets. (Refer Note 9(a))

21 Micro and Small Enterprises

The following details relating to Micro and Small Enterprises has been determined to the extent such parties have been identified on the basis of information available with the Company.

(₹ in Lakhs)

		31st March 2017	31st March 2016	1st April 2015
(a)	The principal amount and the interest due thereon remaining unpaid to any supplier at the end of each accounting year.			
	Principal amount due	110	42	11
	Interest amount due thereon	-	-	-
(b)	The amount of interest paid by the buyer in terms of Section 16 of the Micro, Small and Medium Enterprises Development Act, 2006, along with the amount of the payment made to the supplier beyond the appointed day during each accounting year.	-	-	-
(c)	The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under the Micro, Small and Medium Enterprises Development Act, 2006.	-	-	-
(d)	The amount of interest accrued and remaining unpaid at the end of each accounting year; and	-	-	-
(e)	The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues above are actually paid to the small enterprise, for the purpose of disallowance of a deductible expenditure under Section 23 of the Micro, Small and Medium Enterprises Development Act, 2006.	-	-	-

22 The lease rental charged during the period is ₹ 1,697 Lakhs (2016 -₹ 1,920 Lakhs) (Refer Note 17).

The Company's significant leasing arrangements are in respect of operating leases for premises (residential, office, etc.). These leasing arrangements range between 11 months and 5 years generally, and are usually renewable by mutual consent on mutually agreeable terms.

The Company has few non-cancellable leasing arrangements, with lock-in period upto 1 year. The obligation on non-cancellable operating leases payable as per the rentals stated in the respective agreements are as follows:

(₹ in Lakhs)

	31st March 2017	31st March 2016	1st April 2015
Not later than one year	8	80	186
Later than one year and not later than five years	-	6	66

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

23 Employee Benefits

Description of Plans

(a) Defined Contribution Plan

The Company makes regular monthly contributions to Provident Fund administered by the Government of India which is in the nature of defined contribution scheme and such amounts are recognised as expense in the Statement of Profit and Loss.

Amounts towards Defined Contribution Plans have been recognised under "Contribution to Provident and Other Funds" in Note 16 ₹ 1,397 Lakhs (2016 ₹ 1,238 Lakhs).

(b) Defined Benefit Plan

The Company also makes contribution to defined benefit pension and gratuity plans. The cost of providing benefits under the defined benefit obligation is calculated by an independent actuary using the projected unit credit method. Service costs and net interest expense or income is reflected in the Statement of Profit and Loss. Gain or Loss on account of remeasurements are recognised immediately through Other Comprehensive Income in the period in which they occur. The gratuity plan is funded and the pension plan is partly funded.

The employees of the Company are entitled to compensated leave for which the Company records the liability based on actuarial valuation computed under projected unit credit method. This benefit is unfunded.

Risk Management

The defined benefit plans expose the Company to actuarial deficit arising out of investment risk, interest rate risk, salary cost inflation risk. These plans are not exposed to any unusual, entity specific or scheme specific risks but there are general risks. Investment risks may arise from volatility in asset values and losses arising due to impairment of assets. The Scheme's accounting liabilities are calculated using a discount rate set with reference to the Government security yields. A decrease in yields will increase the fund liabilities, leading to accounting deficit in the funds. However, this may be partially offset by an increase in capital value of the scheme assets that have similar characteristics. Increase in salary due to adverse inflationary pressures might lead to higher liabilities.

The Trustees monitor funding and investments positions and have mandated a diversified investment strategy in line with the statutory requirements. The investment strategy with respect to asset mix ensures that investment volatility risk is appropriately managed. Robust risk mitigation systems ensure that investments do not pose significant risk of impairment.

The following table sets out the Defined Benefit Plans / Long-Term Compensated Absences as per Actuarial Valuation as on 31st March, 2017 and recognised in the financial statements in respect of Employee Benefit Schemes:

(₹ in Lakhs)

			For the year ended 31st March, 2017			For the year ended 31st March, 2016		
			Pension	Gratuity	Compensated absences	Pension	Gratuity	Compensated absences
			Partly Funded	Funded	Unfunded	Partly Funded	Funded	Unfunded
I	**Components of Employer Expense**							
	-	**Recognised in Profit or Loss**						
	1	Current Service Cost	163	493	314	228	222	214
	2	Net Interest Cost	4	(8)	77	6	6	80
	3	**Total expense recognised in the Statement of Profit and Loss**	167	485	391	234	228	294
		Re-measurements recognised in Other Comprehensive Income						
	4	(Return) on plan assets (excluding amounts included in Net interest cost)	13	5	-	8	1	-
	5	Effect of changes in demographic assumptions	-	(23)	(1)	-	-	-
	6	Effect of changes in financial assumptions	(62)	(9)	(4)	41	21	10
	7	Effect of experience adjustments	160	(125)	(59)	(238)	(279)	(91)
	8	Total re-measurements included in OCI	111	(152)	(64)	(189)	(256)	(81)
	9	**Total defined benefit cost recognised in Profit and Loss and Other Comprehensive Income (3+8)**	278	333	327	45	(28)	213
The current service cost and net interest expense for the year pertaining to Pension and Gratuity expenses have been recognised in "Contribution to Provident and other funds" and Compensated absences in "Salaries and Bonus". The remeasurements of the net defined benefit liability are included in Other Comprehensive Income.								
II	**Actual Returns**		199	166	-	199	169	-
III	**Net (Asset)/Liability recognised in Balance Sheet**							
	1	Present Value of Defined Benefit Obligation	3,326	2,560	1,242	2,917	2,270	1,138
	2	Fair Value of Plan Assets	(2,929)	(2,256)	-	(2,726)	(2,298)	-
	3	Status [(Surplus)/Deficit]	397	304	1,242	191	(28)	1,138
	4	Restrictions on Asset Recognised	-	-	-	-	-	-
	5	**Net (Asset)/Liability recognised in Balance Sheet**	As at 31st March, 2017		As at 31st March , 2016		As at 1st April, 2015	
			Current	Non-Current	Current	Non-Current	Current	Non-Current
		- Pension	159	238	-	191	5	211
		- Gratuity	304	-	(28)	-	314	-
		- Compensated Absences	309	933	229	909	233	902
IV	**Change in Defined Benefit Obligation (DBO)**							
	1	Present Value of DBO at the beginning of the year	2,917	2,270	1,138	2,830	2,411	1,135
	2	Current Service Cost	163	493	314	228	222	214
	3	Interest Cost	216	162	77	213	176	80
	4	Remeasurement gains / (losses):						
		Effect of changes in demographic assumptions	-	(23)	(1)	-	-	-
		Effect of changes in financial assumptions	(62)	(9)	(4)	41	21	10
		Effect of experience adjustments	160	(125)	(59)	(238)	(279)	(92)
	5	Benefits Paid	(68)	(208)	(223)	(157)	(281)	(209)
	6	**Present Value of DBO at the end of the year**	3,326	2,560	1,242	2,917	2,270	1,138
		Best Estimate of Employers' Expected Contribution for the next year	As at 31st March, 2017		As at 31st March, 2016		As at 1st April, 2015	
		- Pension	283		232		149	
		- Gratuity	904		384		188	
		- Compensated Absences	623		443		449	

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

(₹ in Lakhs)

			For the year ended 31st March, 2017			For the year ended 31st March, 2016		
			Pension	Gratuity	Compensated absences	Pension	Gratuity	Compensated absences
			Partly Funded	Funded	Unfunded	Partly Funded	Funded	Unfunded
V	**Change in Fair Value of Assets**							
	1	Plan Assets at the beginning of the year	2,726	2,298	-	2,614	2,097	-
	2	Expected Return on Plan Assets	212	171	-	207	170	-
	3	Remeasurement Gains/(Losses) on plan assets	(13)	(5)	-	(8)	(1)	-
	4	Actual Company Contributions	73	-	-	70	314	-
	5	Benefits Paid	(69)	(208)	-	(157)	(282)	-
	6	**Plan Assets at the end of the year**	2,929	2,256	-	2,726	2,298	-

			As at 31st March, 2017	As at 31st March, 2016	As at 1st April, 2015
VI	**Actuarial Assumptions**		As at 31st March, 2017	As at 31st March, 2016	As at 1st April, 2015
	1	Discount Rate (%)	6.75%	7.50%	7.75%
	2	Expected Return on Plan Assets (%)	6.75%	7.75%	7.75%
	3	Long term rate of compensation increase	7%	8%	8%
	The estimates of 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.				
VII	**The net liability disclosed in Pension relates to funded and unfunded plans as follows:**				
			As at 31st March, 2017	As at 31st March, 2016	As at 1st April, 2015
	1	Present Value of Funded Obligation	3,005	2,684	2,619
	2	Fair Value of Plan Assets	2,929	2,726	2,614
	3	Deficit / (Surplus) of Funded Plan	76	(42)	5
	4	Unfunded Plan	321	233	211
	5	Net Deficit	397	191	216
VIII	**Major Category of Plan Assets as a % of the Total Plan Assets**		As at 31st March, 2017	As at 31st March, 2016	As at 1st April, 2015
	1	Government Securities/Special Deposit with RBI	31%	37%	39%
	2	High Quality Corporate Bonds	23%	29%	34%
	3	Insurer Managed Funds*	35%	23%	16%
	4	Mutual Funds	3%	3%	3%
	5	Cash and Cash Equivalents	5%	5%	5%
	6	Term Deposits	3%	3%	3%

* In the absence of detailed information regarding plan assets which is funded with Insurance Companies, the composition of each major category of plan assets, the percentage or amount for each category to the fair value of plan assets has not been disclosed.

The fair value of Government Securities, Corporate Bonds, Mutual Funds are determined based on quoted market prices in active markets. The employee benefit plans do not hold any securities issued by the Company.

IX **Basis used to determine the Expected Rate of Return on Plan Assets**

The expected rate of return on plan assets is based on the current portfolio of assets, investment strategy and market scenario. In order to protect the capital and optimize returns within acceptable risk parameters, the plan assets are well diversified.

			For the year ended 31st March, 2017			For the year ended 31st March, 2016			For the year ended 31st March, 2015		
			Pension	Gratuity	Compensated absences	Pension	Gratuity	Compensated absences	Pension	Gratuity	Compensated absences
X.	Net Asset / (Liability) recognised in Balance Sheet (including experience adjustment impact)		Partly Funded	Funded	Unfunded	Partly Funded	Funded	Unfunded	Partly Funded	Funded	Unfunded
	1	Present Value of Defined Benefit Obligation	3,326	2,560	1,242	2,917	2,270	1,138	2,830	2,411	1,135
	2	Fair Value of Plan Assets	2,929	2,256	-	2,726	2,298	-	2,614	2,097	-
	3	Status [(Surplus)/Deficit]	397	304	1,242	191	(28)	1,138	216	314	1,135
	4	Experience Adjustment of Plan Assets [Gain/ (Loss)]	(13)	(5)	-	(8)	(1)	-	120	64	-
	5	Experience Adjustment of obligation [(Gain)/ Loss]	160	(125)	(59)	(238)	(279)	(91)	(160)	282	(59)

XI **Sensitivity Analysis**

The sensitivity analysis below has been determined based on reasonably possible change of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant. These sensitivities show the hypothetical impact of a change in each of the listed assumptions in isolation. While each of these sensitivities holds all other assumptions constant, in practice such assumptions rarely change in isolation and the asset value changes may offset the impact to some extent. For presenting the sensitivities, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the Defined Benefit Obligation presented above. There was no change in the methods and assumptions used in the preparation of sensitivity analysis from previous year.

XII	Sl. No.	Particulars	DBO as at 31st March, 2017	DBO as at 31st March, 2016	DBO as at 1st April, 2015
	1	Discount Rate + 100 basis points	6,779	5,994	6,019
	2	Discount Rate - 100 basis points	7,507	6,692	6,773
	3	Long term Compensation Increase Rate + 1%	7,467	6,656	6,739
	4	Long term Compensation Increase Rate – 1%	6,808	6,021	6,044

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

			For the year ended 31st March, 2017 (₹ in Lakhs)	For the year ended 31st March, 2016 (₹ in Lakhs)
24	**Earnings per share**			
(a)	Profit after Tax	₹ in Lakhs	1,789	5,494
(b)	Weighted average number of Equity Shares	No.	85,200,000	85,200,000
(c)	Earnings Per Share (Face value of ₹ 10 per share) (Basic and Diluted)	₹	2.10	6.45

		For the year ended 31st March, 2017 (₹ in Lakhs)	For the year ended 31st March, 2016 (₹ in Lakhs)
25	**Auditors' Remuneration and Expenses** (Net of service tax credit)		
	Audit Fees	18	15
	Tax Audit Fees	3	2
	Fees for Auditors' Certifications and Reports	4	4
	Reimbursement of Expenses	2	1
	Total	27	22

26 The eligible employees of the Company, including employees deputed from ITC Limited (ITC), have been granted stock options by ITC under the ITC Employee Stock Option Schemes (ITC ESOS). These options vest over a period of three years from the date of grant and are exercisable within a period of five years from the date of vesting. Each option entitles the holder thereof to apply for and be allotted ten Ordinary Shares of ITC of ₹ 1.00 each upon payment of exercise price.

These options have been granted at 'market price' within the meaning of the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014. The fair value of the options granted is determined by ITC, using the Black Scholes Option Pricing Model, for all the Optionees covered under the ITC ESOS as a whole.

The Company has recognized the cost of options granted, as stated above, as equity settled share based payment scheme in accordance with Ind AS 102 – Share Based Payment, and the Company's share of the cost of fair value of such options has been accounted for based on the advice / on-charge by ITC. Accordingly, an amount of ₹ 2,629 Lakhs (2016 – ₹ 2,665 Lakhs) (Refer Note 16) which represents the on-charge from ITC has been recognized as employee benefits expense and has been considered as capital contribution, net of reimbursements, if any.

The summary of movement of such options granted by ITC and status of the outstanding options is as under:

Particulars	As at 31st March, 2017 No. of Options	As at 31st March, 2016 No. of Options
Outstanding at the beginning of the year	1,735,153	1,768,751
Add: Corporate Action - Bonus Issue by ITC	902,812	-
Add: Granted during the year@	398,930	333,925
Less: Lapsed during the year	(70,667)	(22,452)
Add / (Less): Movement due to transfer of employees within the group	75,147	(75,344)
Less: Exercised during the year	(558,814)	(269,727)
Outstanding at the end of the year	2,482,561	1,735,153
Options exercisable at the end of the year	1,498,544	1,026,464

Note: The weighted average exercise price of the options granted to all Optionees under the ITC ESOS is computed by ITC as a whole.

@ Includes 94,230 (2016- 95,770) options granted to the Key Management Personnel of the Company.

The cost of options granted under the ITC Employee Stock Option Scheme applicable to employees of subsidiaries is considered as an investment in the subsidiaries, net of reimbursements, if any.

27 Pursuant to the approval of the Board of Directors of ITC Infotech (USA), Inc., a wholly owned subsidiary of the Company, on 26th February, 2016, Pyxis Solutions, LLC, merged with ITC Infotech (USA), Inc. with effect from 1st April, 2016.

28 Indivate Inc, a wholly owned subsidiary of ITC Infotech (USA), Inc. was formed as a New Jersey corporation in November 2016. Indivate Inc. is principally engaged in providing business consulting services to its customers.

29 The disclosure requirement as envisaged in notification no. G.S.R. 308 (E) dated 30th March, 2017 is not applicable to the Company as the Company did not hold or transact in Specified Bank Notes during the period from 8th November, 2016 to 30th December, 2016.

30 Capital Management

The Company's financial strategy aims to foster its strategic priorities and provide adequate capital to its businesses to grow and invest for generating sustained stakeholder value. The Company funds its operations mainly through internal accruals. The Company aims at maintaining a strong capital base so as to maintain adequate supply of funds towards future growth of its businesses as a going concern.

The capital structure of the Company comprises only of equity as detailed in the Statement of Changes in Equity. The Company does not have any long-term debt obligation.

The Company is not exposed to any externally imposed capital requirements.

31 Categories of Financial Instruments

(₹ in Lakhs)

	As at 31st March, 2017		As at 31st March, 2016		As at 1st April, 2015	
	Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets						
Measured at amortised cost	1,358	1,358	1,639	1,639	1,131	1,131
Cash and Cash Equivalents	16,165	16,165	17,448	17,448	22,857	22,857
Trade Receivables	32	21	102	84	97	73
Loans	4,308	4,308	4,722	4,722	5,223	5,217
Other Financial Assets	21,863	21,852	23,911	23,893	29,308	29,278
Mandatorily measured at fair value through profit and loss (FVTPL)						
Investments in Mutual Funds	10,016	10,016	3,362	3,362	2,002	2,002
Foreign Currency Forward Contracts	165	165	90	90	548	548
	10,181	10,181	3,452	3,452	2,550	2,550
Total	32,044	32,033	27,363	27,345	31,858	31,828
Financial Liabilities						
Measured at amortized cost	2,208	2,208	2,688	2,688	6,991	6,991
Trade Payables	2,929	2,929	4,513	4,513	3,907	3,907
Other Financial Liabilities	5,137	5,137	7,201	7,201	10,898	10,898
Measured at fair value through profit and loss (FVTPL)						
Foreign Currency Forward Contracts	17	17	90	90	63	63
	17	17	90	90	63	63
Total	5,154	5,154	7,291	7,291	10,961	10,961

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

32 Financial Risk Management Objectives

The Company's activities expose it to a variety of financial risks, including market risk, credit risk and liquidity risk. The Company continues to focus on a system-based approach to business risk management. The Company's financial risk management process seeks to enable the early identification, evaluation and effective management of key risks facing the business. Backed by strong internal control systems, the current Risk Management Framework rests on policies and procedures issued by appropriate authorities; process of regular reviews / audits to set appropriate risk limits and controls; monitoring of such risks and compliance confirmation for the same.

a) **Market Risk**

The Company's various business operations expose it to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.Such market risk may arise out of volatility in currency rates, interest rates and prices. The Company has in place appropriate risk management policies to limit the impact of these risks on its financial performance.

The Company ensures optimisation of cash through fund planning, robust cash management practices and manages interest rate risk and foreign exchange risk.

i) **Foreign Currency Risk**

The Company undertakes transactions denominated in foreign currency which results in exchange rate fluctuations. Such exchange rate risk primarily arises from transactions made in foreign exchange and reinstatement risks arising from recognised assets and liabilities, including net investments in foreign operations which are not in the Company's functional currency (INR). A significant portion of these transactions are in US Dollar (USD), Pound Sterling (GBP) and EURO.

The carrying amounts of the Company's foreign currency denominated financial assets and financial liabilities at the end of the reporting period are as follows:

(₹ in Lakhs)

As at 31st March, 2017	USD	GBP	EURO	Others	Total
Financial Assets	8,276	3,194	1,794	1,700	14,964
Financial Liabilities	126	4	56	68	254
As at 31st March, 2016	USD	GBP	EURO	Others	Total
Financial Assets	9,784	2,857	2,913	1,113	16,667
Financial Liabilities	884	-	144	76	1,104
As at 1st April, 2015	USD	GBP	EURO	Others	Total
Financial Assets	11,609	5,051	6,235	606	23,501
Financial Liabilities	562	3,508	285	90	4,445

The Company uses Forward Exchange Contracts to hedge its exposures in foreign currency related to underlying transactions and firm commitments. The Information on Derivative Instruments is as follows:

Forward exchange Contracts outstanding as at year end which are not designated under hedge accounting:

(₹ in Lakhs)

Currency	Cross Currency	31st March, 2017		31st March, 2016		1st April, 2015	
		Buy	Sell	Buy	Sell	Buy	Sell
GBP	USD	-	26	-	8	-	18
EUR	USD	-	24	-	27	-	137
USD	INR	-	172	15	150	-	288
AUD	USD	-	3	-	4	-	5
DKK	USD	4	-	-	-	125	-
ZAR	USD	-	68	-	81	-	19
SEK	USD	-	9	-	-	-	-
NOK	USD	6	-	9	-	28	-

Hedges of Foreign Currency Risk and Derivative Financial Instruments

The Company follows established risk management policies, including the use of derivatives to hedge against the volatility associated with the aforesaid exchange rate risk. The Company uses forward exchange contracts to hedge its transactional currency exposures in foreign currency related to underlying transactions and firm commitments and measures them at fair value. The counter party in these derivative instruments are generally highly rated counter parties such as banks and the Company considers the risk of non-performance by such counterparty as not material. The Company has not designated hedges under Hedge Accounting. These derivative instruments are carried at fair value with changes being recognised in the Statement of Profit and Loss. Although, such derivative instruments are not designated in a hedge relationship, they act as an economic hedge and will offset the gain / loss in the underlying transactions when they occur.

Foreign Currency Sensitivity

The sensitivity analysis arises on account of outstanding foreign currency denominated assets and liabilities, including derivative contracts. The Company considers a sensitivity of 10% (2016 - 10%) in applicable foreign currency rates, holding all other variables constant. In the event the exchange rate fluctuates by +10%, the profit before tax for the year ended 31st March, 2017 and pre-tax total equity as at 31st March, 2017 will be higher by ₹ 1,471 Lakhs (2016 - ₹ 1,556 Lakhs). If the change in rates decline by a similar percentage, there will be opposite impact of similar amount on profit before tax and pre-tax total equity.

ii) **Interest Rate Risk**

Interest rate risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As majority of the financial assets and liabilities of the Company are non-interest bearing, the Company's net exposure to interest risk is negligible.

iii) **Price Risk**

The Company invests its surplus funds primarily for short tenor in debt mutual funds measured at fair value through profit or loss. Aggregate value of such investments as at 31st March, 2017 is ₹ 10,016 Lakhs (2016 - ₹ 3,362 Lakhs; 2015 - ₹ 2,002 Lakhs). Accordingly, these do not pose any significant price risk.

b) **Liquidity Risk**

Liquidity risk is defined as the risk that the Company will not be able to settle or meet its obligations as they become due. The Company's investment decisions relating to deployment of surplus liquidity are guided by the tenets of safety, liquidity and return. The Company manages its liquidity risk by ensuring that it will always have sufficient liquidity to meet its liabilities when due. Considering the dynamic nature of the underlying businesses, the Company also maintains adequate committed credit lines.

The table below provides details regarding the remaining contractual maturities of significant financial liabilities at the reporting date.

(₹ in Lakhs)

As at 31st March, 2017 Contractual Cash flows*							
	Carrying value	Less than 3 months	More than 3 months upto 6 months	More than 6 months upto 1 year	More than 1 year upto 3 years	Beyond 3 year	Total
Trade Payables	2,208	2,150	58	-	-	-	2,208
Other Financial Liabilities	2,946	2,946	-	-	-	-	2,946
Total	5,154	5,096	58	-	-	-	5,154

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

As at 31st March, 2016 Contractual Cash flows*							
	Carrying value	Less than 3 months	More than 3 months upto 6 months	More than 6 months upto 1 year	More than 1 year upto 3 years	Beyond 3 years	Total
Trade Payables	2,688	2,226	101	361	-	-	2,688
Other Financial Liabilities	4,603	4,603	-	-	-	-	4,603
Total	7,291	6,829	101	361	-	-	7,291
As at 1st April, 2015 Contractual Cash flows*							
	Carrying value	Less than 3 months	More than 3 months upto 6 months	More than 6 months upto 1 year	More than 1 year upto 3 years	Beyond 3 years	Total
Trade Payables	6,991	6,951	40	-	-	-	6,991
Other Financial Liabilities	3,970	3,970	-	-	-	-	3,970
Total	10,961	10,921	40	-	-	-	10,961

* The table has been drawn up based on the earliest date on which the Company would be required to pay.

c) **Credit Risk**

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument which may lead to a financial loss to the Company. Apart from its operating activities, wherein the Company deals with a large number of customers, the Company is also exposed to credit risk from its investing activities.

Financial instruments that are subject to concentration of credit risk principally consist of trade receivables.

Credit is extended to Customers after evaluating them against key parameters such as financial position, credit ratings, market intelligence, past experience etc., as may be appropriate. Trade receivables are monitored regularly. Concentration of credit risk, with respect to trade receivables, is limited, due to the Company's customer base being large and internationally dispersed. Some of the Company's key Customers have been transacting for many years and the incidence of bad debts is negligible. The Company recognise provision for expected credit loss on an individual customer basis, based on internal reviews, which are conducted regularly and considers all aspects with respect to debts.

The movement of the expected loss provision made by the Company with respect to trade receivables are as under:

(₹ in Lakhs)

	As at 31st March, 2017	As at 31st March, 2016
Opening Balance	**641**	477
Add: Provisions Made	**36**	164
Less: Utilisation for Impairment / De-recognition	**(144)**	-
Closing Balance	**533**	641

The age wise break-up of trade receivables, net of allowance is given below:

(₹ in Lakhs)

	As at 31st March, 2017	As at 31st March, 2016	As at 1st April, 2015
Overdue Period			
Less than 1 month	**2,122**	2,497	4,864
1 to 3 months	**894**	1,714	1,642
3 to 6 months	**474**	610	701
6 to 12 months	**651**	916	264
1 year to 2 years	**538**	223	161
2 years to 3 years	**26**	25	45
More than 3 years	**27**	27	21
Balances not yet due	**11,433**	11,436	15,159
Total	**16,165**	17,448	22,857

Investment in debt mutual funds are made only with approved mutual funds and credit risk in such funds are limited because the underlying investments are diversified and the Company's investment framework considers the credit quality of the underlying investments made by the fund house. There are limits for any exposure to financial institutions.

The carrying amount of financial assets, net of loss allowance recognized in accordance with Ind AS 109 and any amounts offset in accordance with Ind AS 32, that represents the Company's maximum exposure to credit risk as at 31st March, 2017 is ₹ 30,686 Lakhs (2016 - ₹ 25,724 Lakhs; 2015 - ₹ 30,727 Lakhs) represented by carrying amounts of Investments (except investments in subsidiaries), Trade Receivables, Unbilled Revenue, Loans, Other financial assets measured at amortised cost and Other financial assets measured at Fair Value.

33 Fair Value Measurement

Fair value hierarchy

Fair value of the financial instruments is classified in various fair value hierarchies based on the following three levels:

Level 1: Quoted prices (unadjusted) in active market for identical assets or liabilities

Level 2: Inputs other than quoted price including within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximize the use of observable market data and rely as little as possible on entity-specific estimates. If significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

Level 3: Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs)

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case with listed instruments where market is not liquid and for unlisted instruments.

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

The fair value of trade receivables and payables is considered to be equal to the carrying amounts of these items due to their short – term nature.

There has been no change in the valuation methodology for Level 3 inputs during the year. There were no transfers between Level 1 and Level 2 during the year.

The following table presents the fair value hierarchy of assets and liabilities measured at fair value on a recurring basis

(₹ in Lakhs)

	Fair Value Hierarchy	Fair Value as at		
		31st March 2017	31st March 2016	1st April 2015
Financial Assets				
Measured at amortized cost				
Loans	3	21	84	73
Other Financial Assets	3	4,308	4,722	5,217
		4,329	4,806	5,290
Mandatorily Measured at fair value through profit and loss (FVTPL)				
Investments in Mutual Funds	1	10,016	3,362	2,002
		10,016	3,362	2,002
Derivatives measured at fair value				
Foreign Currency Forward Contracts	2	165	90	548
		165	90	548
Total		14,510	8,258	7,840
Financial Liabilities				
Measured at amortized cost	3	2,929	4,513	3,907
Other Financial Liabilities		2,929	4,513	3,907
Derivatives measured at fair value				
Foreign Currency Forward Contracts	2	17	90	63
		17	90	63
Total		2,946	4,603	3,970

34 Approval of Financial Statements

The financial statements were approved for issue by the board of directors on 5th May, 2017.

35 Comparatives

As required by Ind AS, comparative figures have been adjusted to confirm to changes in presentation for the current financial year.

36 SEGMENT REPORTING

The Company operates in a single business segment - information technology, basis which the Chief Operating Decision Maker (CODM) evaluates the Company's performance and allocates resources. Geographical Information is given below :

	For the year ended 31st March, 2017	For the year ended 31st March, 2016
	(₹ in Lakhs)	(₹ in Lakhs)
Segment Revenue		
India	28,667	27,010
North America	19,099	16,878
Europe	26,821	32,764
Middle East and Africa	13,965	12,693
Rest of the World	2,647	3,899
Total	91,199	93,244

	As at 31st March, 2017	As at 31st March, 2016	As at 1st April, 2015
	(₹ in Lakhs)	(₹ in Lakhs)	(₹ in Lakhs)
Non-Current Assets*			
India	8,718	8,803	9,363
Middle East and Africa	55	7	5
Total	8,773	8,810	9,368

* Non- Current Assets have been considered on the basis of physical location.

37 RELATED PARTY DISCLOSURES

(i) HOLDING COMPANY:

ITC Limited

(ii) ENTERPRISES WHERE CONTROL EXISTS:

Wholly Owned Subsidiaries:

ITC Infotech Limited (UK)

ITC Infotech (USA), Inc. and its wholly owned subsidiaries Indivate Inc. (from 18th November, 2016) and Pyxis Solutions, LLC (till 31st March, 2016)

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

(iii) OTHER RELATED PARTIES WITH WHOM THE COMPANY HAD TRANSACTIONS, etc.

Fellow Subsidiary Companies
Surya Nepal Private Limited
Technico Agri Sciences Limited
North East Nutrients Private Limited
Fortune Park Hotels Limited

Associates of the Holding Company
International Travel House Limited
ATC Limited

Employee Trusts
ITC Management Staff Gratuity Fund
ITC Pension Fund

(iv) KEY MANAGEMENT PERSONNEL

Non-Executive Directors
Mr. Y.C. Deveshwar - Chairman
Mr. S. Sivakumar - Vice Chairman
Mr. B. B. Chatterjee
Mr. R. Tandon
Mr. P. Chatterjee
Mr. R.G. Jacob
Mr. A. Nayak (till 31st December, 2015)

Others
Ms. S. Rajagopalan , Managing Director
Mr. R. Batra, Chief Financial Officer
Mr. S. V. Shah, Company Secretary
Mr. A. Talwar
Mr. V. Sreenivasan
Mr. H.S. Garewal
Mr. L.N. Balaji

(v) DISCLOSURE OF TRANSACTIONS BETWEEN THE COMPANY AND RELATED PARTIES (₹ in Lakhs)

Sl. No.	Description	Holding Company		Wholly Owned Subsidiaries						Fellow Subsidiaries	
				2017			2016				
		2017	2016	ITC Infotech Limited (UK)	ITC Infotech (USA), Inc.	Indivate Inc.	ITC Infotech Limited (UK)	ITC Infotech (USA), Inc.	Pyxis Solutions, LLC	2017	2016
1	Sale of Goods / Services	13,002	12,232	11,545	18,777	-	9,963	16,507	164	472	570
2	Purchase of Goods / Services	111	100	-	-	-	-	-	-	-	-
3	Rent Paid	1,143	1,374	-	-	-	-	-	-	-	-
4	Reimbursement of Contractual Remuneration [includes remuneration to KMP ₹ 158 Lakhs (2016 ₹ 125 Lakhs)]	333	280	-	-	-	-	-	-	-	-
5	Expenses Recovered	19	25	293	219	-	334	429	-	-	-
6	Expenses Reimbursed	742*	793*	75	-	-	80	-	-	-	-
7	Capital Contribution for Share Based Payments	6,920	-	-	-	-	276**	505**	-	-	-
8	Reimbursement of Capital Contribution for Share Based Payments	-	-	317	529	-	-	-	-	-	-
9	Interim Dividend	-	7,668	-	-	-	-	-	-	-	-
10	Dividend Income	-	-	1,426	-	-	1,519	-	-	-	-

* Includes expenses reimbursed for KMP ₹ 12 Lakhs (2016- ₹ 5 Lakhs)

** Recovered during the year ended 31st March, 2017 (Refer Note 26)

(₹ in Lakhs)

Sl. No.	Description	Associates of the Holding Company		Employee Trusts		Key Management Personnel	
		2017	2016	2017	2016	2017	2016
1	Sale of Goods / Services	233	179	-	-	-	-
2	Purchase of Goods / Services	2,892	2,931	-	-	-	-
3	Remuneration to Key Management Personnel (KMP)						
	(i) Directors	-	-	-	-	134	139
	(ii) Others	-	-	-	-	121	132
4	Contribution to Employees' Benefit Plans	-	-	73	384	-	-

(vi) DISCLOSURE OF OUTSTANDING BALANCES (₹ in Lakhs)

Description	Holding Company			Wholly Owned Subsidiaries								
				2017			2016			2015		
	2017	2016	2015	ITC Infotech Limited (UK)	ITC Infotech (USA), Inc.	Indivate Inc.	ITC Infotech Limited (UK)	ITC Infotech (USA), Inc.	Pyxis Solutions, LLC	ITC Infotech Limited (UK)	ITC Infotech (USA), Inc.	Pyxis Solutions, LLC
Balances as at 31st March,												
i) Trade Receivables	8	44	-	2,238	2,902	-	1,961	3,293	-	4,570	6,255	-
ii) Trade Payables	-	2	3	39	-	-	28	-	-	3,652	324	-

Description	Fellow Subsidiaries			Associates of the Holding Company		
Balances as at 31st March,	2017	2016	2015	2017	2016	2015
i) Trade Receivables	218	588	400	-	-	-
ii) Trade Payables	-	-	-	345	369	532

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

(vii) INFORMATION REGARDING SIGNIFICANT TRANSACTIONS

(Generally in excess of 10% of the total transaction value of the same type) (₹ in Lakhs)

Related Party Transactions	2017	2016	Related Party Transactions	2017	2016
Purchase of Goods / Services			**Remuneration to Key Management Personnel (KMP)**		
International Travel House Limited	2,892	2,931	Ms. S. Rajagopalan	130	133
			Mr. R. Batra	92	74
Contribution to Employees' Benefit Plans			Mr. A. Talwar	59	60
ITC Management Staff Gratuity Fund	-	314	Mr. V.Sreenivasan	62	72
ITC Pension Fund	73	70	Mr. S. Shah	78	56

(viii) INFORMATION REGARDING SIGNIFICANT BALANCES

(Generally in excess of 10% of the total balance of the same type) (₹ in Lakhs)

Related Party Balances	2017	2016	2015
Trade Payables			
International Travel House Limited	345	369	532

(ix) COMPENSATION OF KEY MANAGEMENT PERSONNEL*

The remuneration of directors and other members of key management personnel during the year is as follows: (₹ in Lakhs)

	2017	2016
Short-Term Employee Benefits	421	395
Others	4	6

*Post employment benefits are actuarially determined on overall basis, hence not separately available and not included above. Further, value of employee share based payments is not included above, refer note 26 for details.

(x) SIGNIFICANT TERMS AND CONDITIONS OF OUTSTANDING BALANCES

All outstanding balance are unsecured and are repayable in cash.

38 Use of Estimates and Judgements

The key estimates and assumptions used in the preparation of financial statements are set out below:

- The Company has ongoing litigations with income tax and service tax authorities. Where an outflow of funds is believed to be probable and a reliable estimate of the outcome of the dispute can be made based on management's assessment of specific circumstances of each dispute and relevant external advice, management provides for its best estimate of the liability. Such accruals are by nature complex and can take number of years to resolve and can involve estimation uncertainty.
- The Company evaluates the need for impairment of its assets. For such estimation / evaluation, the Company uses appropriate valuation techniques, including assumptions / estimates about future cash flows and appropriate discount rates, which involve estimation uncertainty.
- The determination of Company's liability towards defined benefit obligation to employees is made through independent actuarial valuation including determination of amounts to be recognized in the Statement of Profit and Loss and in other comprehensive income. Such valuation depend upon assumptions determined after taking into account inflation, seniority, promotion and other relevant factors such as supply and demand factors in the employment market.

39 First Time Adoption of Ind AS

i) The Company has prepared the opening balance sheet as per Ind AS as at 1st April, 2015 (the transition date) by recognising all assets and liabilities whose recognition is required by Ind AS, not recognising items of assets or liabilities which are not permitted by Ind AS, by reclassifying items from previous Generally Accepted Accounting Principles (GAAP) to Ind AS as required under Ind AS, and applying Ind AS in measurement of recognised assets and liabilities.

ii) Reconciliations

Reconciliation of the standalone financial results of those reported under previous GAAP are summarized below:

	Notes	For the year ended 31st March, 2016
		(₹ in Lakhs)
Profit After Tax as reported under previous GAAP		8,818
Effect of Transition to Ind AS		
Impact of recognising the cost of the employee stock option scheme at fair value	39 (iv) (a)	(2,665)
Impact of measuring investments at Fair Value through Profit or Loss	39 (iv) (b)	3
Impact of measuring derivative financial instruments, other than those designated as hedges, at fair value	39 (iv) (c)	(485)
Reclassification of actuarial gains / losses, arising in respect of employee benefit schemes, to Other Comprehensive Income (OCI)	39 (iv) (d)	(527)
Tax Adjustments	39 (iv) (c) & (d)	350
Profit After Tax as reported under Ind AS		**5,494**
Other Comprehensive Income (net of tax)		345
Total Comprehensive Income as reported under Ind AS		**5,839**

The reconciliation of total equity as previously reported under Indian GAAP to Ind AS is summarized as follows:

	Notes	As at 31st March, 2016	As at 1st April, 2015
		(₹ in Lakhs)	(₹ in Lakhs)
Equity as reported under previous GAAP		37,402	37,504
Effect of Transition to Ind AS			
Impact of measuring investments at Fair Value through Profit or Loss	39 (iv) (b)	4	1
Impact of recognising the cost of the employee stock option scheme at fair value	39 (iv) (a)	(2,665)	-
Impact of recognising the cost of the employee stock option scheme as contribution from parent	39 (iv) (a)	3,445	-
Impact of measuring derivative financial instruments, other than those designated as hedges, at fair value	39 (iv) (c)	-	317
Equity as reported under Ind AS		**38,186**	**37,822**

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

iii) Ind AS 101 allows first-time adopters exemptions from the retrospective application of certain requirements under Ind AS. The Company has applied the following exemptions and exceptions in standalone financial statements:

a) Ind AS 103 (Business Combinations) has not been applied retrospectively to business combinations that took place prior to 1st April, 2015. Use of this exemption means that in the opening balance sheet, goodwill and other assets and liabilities acquired in previous business combinations remain at the previous GAAP carrying values.

b) The Company has elected to continue with the carrying value of its property, plant and equipment and intangible assets recognised as at 1st April, 2015 measured as per the previous GAAP and use that carrying value as the deemed cost of the property, plant and equipment.

c) Under previous GAAP, investment in subsidiaries were stated at cost and provisions made to recognise the decline, other than temporary. Under Ind AS, the Company has considered their previous GAAP carrying amount of ₹ 8,704 Lakhs as their deemed cost.

iv) In addition to the above, the principal adjustments made by the Company in restating its previous GAAP financial statements, including the balance sheet as at 1st April, 2015 and the financial statements as at and for the year ended 31st March, 2016 are detailed below:

a) Certain employees of the Company / the Holding Company on deputation are covered under stock option plans of the Holding Company. These plans are assessed, managed and administered by the Holding Company. Under previous GAAP, the cost of options granted was recognised using the intrinsic value method. Under this method, no expenses were recognised in the Statement of Profit and Loss as the market price of the shares on the date of grant equaled the exercise price. Under Ind AS, fair value of such stock options is calculated using the Black Scholes Option Pricing model at the grant date. Such cost is recognised in the Statement of Profit and Loss on a straight line basis over vesting / service period with a corresponding increase in equity, net of reimbursements, if any. Further, the cost of options granted under the ITC Employee Stock Option Scheme applicable to employees of subsidiaries is considered as an investment in the subsidiaries, net of reimbursements, if any.

b) Under previous GAAP, current investments were stated at lower of cost and fair value. Under Ind AS, these financial assets have been classified as Fair Value through Profit or Loss (FVTPL) on the date of transition and fair value changes after the date of transition has been recognized in profit or loss.

c) The Company uses derivative financial instruments, such as forward exchange contracts to hedge its foreign currency risks. Under previous GAAP, the net mark to market losses on the outstanding portfolios of such instruments were recognized in the Statement of Profit and Loss, and the net gain, if any, were ignored.

Under Ind AS, Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in the Statement of Profit and Loss.

d) Under previous GAAP, actuarial gains and losses related to the defined benefit schemes for Gratuity and Pension Plans and liabilities towards employee compensated absences were recognised in Statement of Profit and Loss. Under Ind AS, the actuarial gains and losses form part of remeasurement of the net defined benefit liability / asset which is recognised in other comprehensive income. Consequently, the tax effect of the same has also been recognised in other comprehensive income instead of Statement of Profit and Loss.

For Lovelock & Lewes
Firm Registration Number : 301056E
Chartered Accountants

Avijit Mukerji
Partner
Membership Number : 056155

Place : New Delhi
Date : 5th May, 2017

On behalf of the Board

S. Rajagopalan — Managing Director
S. Sivakumar — Vice Chairman

R. Batra — Chief Financial Officer
S. V. Shah — Company Secretary

FORM AOC–1
(PURSUANT TO FIRST PROVISO TO SUB–SECTION (3) OF SECTION 129 READ WITH RULE 5 OF COMPANIES (ACCOUNTS) RULES, 2014)
STATEMENT CONTAINING SALIENT FEATURES OF THE FINANCIAL STATEMENT OF SUBSIDIARIES / ASSOCIATE COMPANIES / JOINT VENTURES
PART A: SUBSIDIARIES

₹ in Lakhs

1	Sl. No.	1	2	3
2	Name of the Subsidiary	ITC Infotech Limited (UK)	ITC Infotech (USA), Inc.	Indivate Inc. (Note 2)
3	The date since when subsidiary was acquired	19th June, 2001	24th May, 2001	18th November, 2016
4	Reporting period for the subsidiary concerned, if different from the holding company's reporting period	Not Applicable	Not Applicable	Not Applicable
5	Reporting currency and exchange rate as on the last date of the relevant financial year in the case of foreign subsidiaries	Reporting currency - GBP	Reporting currency - USD	Reporting currency - USD
		Exchange rate GBP 1 = ₹ 80.90	Exchange rate USD 1 = ₹ 64.85	Exchange rate USD 1 = ₹ 64.85
6	Share Capital	555	11,803	65
7	Reserves and Surplus	1,515	1,052	(60)
8	Total Assets	6,801	20,562	48
9	Total Liabilities	6,801	20,562	48
10	Investments	-	-	-
11	Turnover (Note 1)	29,932	59,248	51
12	Profit before Taxation	914	1,067	(60)
13	Provision for Taxation	(35)	220	-
14	Profit after Taxation	949	847	(60)
15	Proposed Dividend	1,221	-	-
16	Extent of Shareholding (%)	100%	100%	100%

Note 1: Turnover includes other income and other operating revenue.
Note 2: ITC Infotech (USA), Inc. holds 100% shareholding of Indivate Inc.

PART B: ASSOCIATES AND JOINT VENTURES – NOT APPLICABLE

On behalf of the Board

S. Rajagopalan — Managing Director
S. Sivakumar — Vice Chairman

Place : New Delhi
Date : 5th May, 2017

R. Batra — Chief Financial Officer
S. V. Shah — Company Secretary

Strategic Report

The Directors present their Strategic Report for the year ended 31st March 2017.

Key Performance Indicators

	GBP (million)	
Year Ended March 31,	**2017**	**2016**
Total Income	**36.99**	31.19
Cost of Sales	**29.78**	25.31
Gross Profit	**7.22**	5.88
Profit before Tax	**1.13**	0.65
Profit after Tax	**1.17**	0.39

Total Income and Profit before Tax grew at 18.62% and 72.68% over the previous year.

Business review

In 2016-17 your Company achieved Total Income of GBP 37 million while the Profit after Tax was GBP 1.17 million. The Company's growth was impacted by UK's decision to exit from the European Union (Brexit). However, while the macroeconomic uncertainties, post Brexit, had an impact on the Company's new business acquisition, strong growth was seen in some of the existing accounts. The Company added 14 new clients in the European region during the year with good wins seen in the Banking, Consumer Goods, Travel and Hospitality sectors.

The Company will continue to focus on taking well defined set of solution offerings to targeted Industry verticals and sub-verticals in identified markets in the European region to ramp up new business development. The Company will also focus on further scaling up some of the existing accounts through focused account mining and cross selling. On the back of the traction seen in areas like Data, the Company will also focus on winning large digital transformation deals in verticals like Banking, CPG, Retail and Manufacturing. Focus will also be to drive joint Go-to-market pursuits in alliance with global Independent Software vendors.

Principal Risks and Uncertainties

The GBP and Euro volatility and macroeconomic uncertainty in the UK post Brexit are the principal risks for the Company. However, your Company would continue to follow the stated strategy which has started driving traction in the European markets.

Approved by the Board on 5th May, 2017 and signed on behalf of the Board by

ITC Infotech Limited	**S. Rajagopalan**	**S. Sivakumar**
Norfolk House	Director	Vice Chairman
118 Saxon Gate West		
Milton Keynes, MK9 2DN		

Directors' Report

Your Directors present their Report together with the Audited Financial Statements for the year ended 31st March, 2017.

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

Principal activities

The Company is engaged in marketing, sales and delivery of IT services.

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 currency risk, credit risk and liquidity risk.

a) **Market risk - currency risk**

The Company is exposed to translation and transaction foreign exchange risks. While the Company makes payments, mostly in GBP, to its major supplier(s), 3% (2016: 2%) of its sales in the year under review were in US dollars and 16% (2016: 18%) in Euro. The Company has bank accounts in multiple currencies and during the year under review it did not hold any hedging instruments. Foreign exchange management is, however, kept under regular review.

b) **Credit risk**

The Company's principal financial assets are cash and trade debtors. The Company has robust processes to assess customer credit worthiness and consequently there are no significant risks on this count.

c) **Liquidity risk**

The Company seeks to manage financial risk by ensuring that sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably.

Dividend

Your Directors are pleased to recommend the interim dividend of GBP 2.50 (2016: GBP 2.20) per Ordinary share of GBP 1 each on 685,815 shares, aggregating GBP 1,714,538, declared by the Board of Directors on 18th February, 2017 (2016 : GBP 1,508,793) and paid on 28th February, 2017, as the final dividend for the year ended 31st March, 2017.

Directors

The Directors of the Company who were in office during the year and as on the date of signing the financial statements are listed below. The Directors did not have any interest in the shares of the Company as at 31st March, 2017 and 1st April, 2016 as indicated below:

	2017 and 2016 Ordinary Shares
Y. C. Deveshwar	–
S. Sivakumar	–
B. B. Chatterjee	–
S. Rajagopalan	–
R. Tandon	–

Mr. Y. C. Deveshwar, Director & Chairman and Ms. S. Rajagopalan, Director, will retire by rotation at the Annual General Meeting and, being eligible, offer themselves for re-election.

Statement of directors' responsibilities

The directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable law and regulations.

Company Law requires the directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Financial Statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under Company Law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable International Financial Reporting Standards (IFRSs) as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

Based on a careful consideration of various facts and circumstances including, inter alia, orders in hand and cash reserves, the Directors are of the opinion that there are no material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of disclosure of information to auditors

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.

Approved by the Board on 5th May, 2017 and signed on behalf of the Board by

ITC Infotech Limited	**S. Rajagopalan**	**S. Sivakumar**
Norfolk House	Director	Vice Chairman
118 Saxon Gate West		
Milton Keynes		
MK9 2DN		

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ITC INFOTECH LIMITED

Report on the financial statements

Our opinion

In our opinion, ITC Infotech Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 March 2017 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements, included within the Annual Report, comprise:

- the statement of financial position as at 31 March 2017;
- the statement of other comprehensive income for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is IFRSs as adopted by the European Union, and applicable law.

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of directors' responsibilities set out in the report, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the parent company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic Report and Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.

Jonathan Gilpin (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Milton Keynes
9 May 2017

INCOME STATEMENT

	Note	Year ended March 31, 2017 £	2017 ₹ Unaudited	2016 £ Restated	2016 ₹ Unaudited
Revenue	14	**36,996,275**	**2,992,998,648**	31,186,296	2,977,433,644
Cost of sales	15	**29,779,889**	**2,409,193,023**	25,306,730	2,416,096,783
Gross profit		**7,216,386**	**583,805,625**	5,879,566	561,336,861
Selling, general and administrative expenses	15	**6,295,975**	**509,344,383**	5,366,273	512,331,498
Operating Profit		**920,411**	**74,461,242**	513,293	49,005,363
Foreign exchange gain		**207,070**	**16,751,963**	136,623	13,043,740
Finance and other income	17	**2,315**	**187,283**	4,541	433,541
Profit before income tax		**1,129,796**	**91,400,488**	654,457	62,482,644
Income tax expense	12	**(43,140)**	**(3,490,026)**	268,237	25,609,257
Profit for the year		**1,172,936**	**94,890,514**	386,220	36,873,387

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

STATEMENT OF COMPREHENSIVE INCOME

	Year ended March 31, 2017 £	2017 ₹ Unaudited	2016 £ Restated	2016 ₹ Unaudited
Profit for the year	**1,172,936**	**94,890,514**	386,220	36,873,387
Translation reserve	**(120,588)**	**(9,755,560)**	(120,488)	(11,503,291)
Total other comprehensive expense, net of tax	**(120,588)**	**(9,755,560)**	(120,488)	(11,503,291)
Total comprehensive income for the year	**1,052,348**	**85,134,954**	265,732	25,370,096
Attributable to:				
Owners of the Company	**1,052,348**	**85,134,954**	265,732	25,370,096
Non-controlling interests	–	–	–	–
	1,052,348	**85,134,954**	265,732	25,370,096

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

STATEMENT OF FINANCIAL POSITION

		As at 31 March 2017 £	As at 31 March 2017 ₹ Unaudited	As at 31 March 2016 £ Restated	As at 31 March 2016 ₹ Unaudited
Assets					
Property, plant and equipment	5	**13,533**	**1,094,820**	23,396	2,233,675
Other non-current assets	8	**6,983**	**564,925**	4,198	400,794
Total non-current assets		**20,516**	**1,659,745**	27,594	2,634,469
Trade receivables	6	**3,523,048**	**285,014,583**	4,011,823	383,018,771
Unbilled revenue		**2,977,172**	**240,853,215**	3,495,086	333,684,598
Other current assets	8	**6,541**	**529,166**	75,354	7,194,235
Cash and cash equivalents	7	**1,879,388**	**152,042,490**	1,110,147	105,988,509
Total current assets		**8,386,149**	**678,439,454**	8,692,410	829,886,113
Total assets		**8,406,665**	**680,099,199**	8,720,004	832,520,582
Equity					
Share Capital		**685,815**	**55,482,434**	685,815	65,476,473
Retained earnings		**1,872,650**	**151,497,386**	2,534,840	242,007,509
Equity attributable to owners of the company		**2,558,465**	**206,979,820**	3,220,655	307,483,982
Non-controlling interests		–	–	–	–
Total equity		**2,558,465**	**206,979,820**	3,220,655	307,483,982
Liabilities					
Deferred income tax liabilities	12	**(572)**	**(46,275)**	667	63,680
Total non-current liabilities		**(572)**	**(46,275)**	667	63,680
Trade payables and accrued expenses	9	**3,854,143**	**311,800,168**	3,524,063	336,451,104
Unearned revenue		**412,828**	**33,397,785**	430,366	41,088,118
Current tax (Assets)/Liabilities		**(251,974)**	**(20,384,697)**	11,375	1,086,000
Other current liabilities	10	**1,833,775**	**148,352,398**	1,532,878	146,347,698
Total current liabilities		**5,848,772**	**473,165,654**	5,498,682	524,972,920
Total liabilities		**5,848,200**	**473,119,379**	5,499,349	525,036,600
Total equity and liabilities		**8,406,665**	**680,099,199**	8,720,004	832,520,582

These financial statements were approved by the directors on 5th May, 2017 and are signed on their behalf by:

H. S. Garewal	**Karan Shukla**	**S. Rajagopalan**	**S. Sivakumar**
President	Financial Controller	Director	Vice Chairman

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

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31ST MARCH 2017

	No. of Shares	Share Capital		Retained Earnings		Total equity	
		£	₹	£	₹	£	₹
			Unaudited		Unaudited		Unaudited
Balance as at April 1, 2015	685,815	685,815	65,476,473	3,777,901	360,685,653	4,463,716	426,162,126
Profit for the year	–	–	–	386,220	36,873,387	386,220	36,873,387
Other comprehensive income	–	–	–	(120,488)	(11,503,291)	(120,488)	(11,503,291)
Total comprehensive income for the year	–	–	–	265,732	25,370,096	265,732	25,370,096
Transactions with owners in their capacity as owners:							
Contribution by Parent for ESOP's	–	–	–	341,795	32,632,023	341,795	32,632,023
Adjustment to Reserves for ESOP Cost	–	–	–	(341,795)	(32,632,023)	(341,795)	(32,632,023)
Cash dividend paid	–	–	–	(1,508,793)	(144,048,240)	(1,508,793)	(144,048,240)
	–	–	–	(1,508,793)	(144,048,240)	(1,508,793)	(144,048,240)
Balance restated as at March 31, 2016	685,815	685,815	65,476,473	2,534,840	242,007,509	3,220,655	307,483,982
Balance as at April 1, 2016	685,815	685,815	55,482,434	2,534,840	205,068,556	3,220,655	260,550,990
Profit for the year	–	–	–	1,172,936	94,890,514	1,172,936	94,890,514
Other comprehensive income	–	–	–	(120,588)	(9,755,560)	(120,588)	(9,755,560)
Total comprehensive income for the year	–	–	–	1,052,348	85,134,954	1,052,348	85,134,954
Transactions with owners in their capacity as owners:							
Cash dividend paid	–	–	–	(1,714,538)	(138,706,124)	(1,714,538)	(138,706,124)
	–	–	–	(1,714,538)	(138,706,124)	(1,714,538)	(138,706,124)
Balance as at March 31, 2017	685,815	685,815	55,482,434	1,872,650	151,497,386	2,558,465	206,979,820

For simplicity, the brought forward Rupee amounts as at 1st April have been translated using the exchange rate as at 31st March of the respective financial year.
The accompanying accounting policies and notes form an integral part of these financial statements.

STATEMENT OF CASH FLOWS

	Year ended March 31,			
	2017	**2017**	2016	2016
	£	₹	£	₹
		Unaudited	Restated	Unaudited
Cash flows from operating activities				
Profit for the year	**1,172,936**	**94,890,514**	386,220	36,873,387
Adjustment for:				
Depreciation	**13,466**	**1,089,400**	15,945	1,522,309
Interest income	**(837)**	**(67,713)**	(4,541)	(433,541)
Income tax expense	**(43,140)**	**(3,490,026)**	268,237	25,609,257
Effect of exchange differences on translation	**(120,588)**	**(9,755,560)**	(120,488)	(11,503,291)
Effect of exchange differences on translation of foreign currency cash and cash equivalents	**(123,940)**	**(10,026,746)**	13,555	1,294,130
Changes in operating assets and liabilities				
Trade receivables	**488,775**	**39,541,898**	32,485	3,101,424
Unbilled revenues	**517,914**	**41,899,243**	(155,161)	(14,813,609)
Other assets	**66,028**	**5,341,665**	19,531	1,864,673
Trade payables and accrued expenses	**330,080**	**26,703,472**	1,003,523	95,808,849
Unearned revenues	**(17,538)**	**(1,418,824)**	426,907	40,757,879
Other liabilities	**300,897**	**24,342,567**	(300,026)	(28,644,232)
Net cash provided by operating activities before taxes	**2,584,053**	**209,049,890**	1,586,187	151,437,235
Income tax paid	**(221,273)**	**(17,900,987)**	(260,323)	(24,853,685)
Net cash generated from operating activities	**2,362,780**	**191,148,903**	1,325,864	126,583,550
Cash flows from investing activities				
Purchases of property, plant and equipment	**(3,778)**	**(305,640)**	(5,224)	(498,748)
Interest received	**837**	**67,713**	4,541	433,541
Net cash used in investing activities	**(2,941)**	**(237,927)**	(683)	(65,207)
Cash flows from financing activities				
Dividends paid to owners of the parent	**(1,714,538)**	**(138,706,124)**	(1,508,793)	(144,048,240)
Net cash used in financing activities	**(1,714,538)**	**(138,706,124)**	(1,508,793)	(144,048,240)
Effect of exchange differences on translation of foreign currency cash and cash equivalents	**123,940**	**10,026,746**	(13,555)	(1,294,130)
Net decrease in cash and cash equivalents	**645,301**	**52,204,852**	(183,612)	(17,529,897)
Cash and cash equivalents at beginning of the year	**1,110,147**	**89,810,892**	1,307,314	124,812,536
Cash and cash equivalents at end of the year	**1,879,388**	**152,042,490**	1,110,147	105,988,509

For simplicity, the brought forward Rupee amounts as at 1st April have been translated using the exchange rate as at the 31st March of the respective financial year.

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

NOTES TO THE FINANCIAL STATEMENTS

Supplementary information - Indian Rupee amounts

The financial statements of ITC Infotech Limited are prepared in accordance with International Financial Reporting Standards and are presented in GBP. The supplementary information (comprising the pro-forma financial information disclosed in Indian Rupees) requested by the parent company has been arrived at by applying the year end interbank exchange rate of GBP 1 = ₹ 80.90 (2016: GBP 1 = ₹ 95.47) as provided by the parent company. The supplementary information has not been audited.

1. Company overview

The Company is engaged in marketing and sales activities and delivery of IT services.

The Company is a private limited company incorporated and domiciled in United Kingdom and has its registered office at Norfolk House, 118 Saxon Gate West, Milton Keynes, Buckinghamshire, MK9 2DN.

2. Basis of preparation of financial statements

(a) Statement of compliance

These financial statements as at and for the year ended March 31, 2017 have been prepared in accordance with the European Union adopted International Financial Reporting Standards ("IFRS") and interpretations issued by the IFRS Interpretations Committee (IFRS IC). The previous year financials have been restated to ensure like for like comparison.

(b) Basis of measurement

These financial statements are prepared on the going concern basis, under the historical cost convention, and in accordance with the Companies Act 2006 and applicable IFRS. The principal accounting policies, which have been applied consistently throughout the year, are set out below.

(c) Functional and presentation currency

The financial statements are presented in British pound, which is the functional currency of the company which is the currency of the primary economic environment in which the entity operates.

(d) Use of estimates and judgement

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on a periodic basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. In particular, information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is included in the following notes:

i) *Revenue recognition:* The Company uses the percentage of completion method using the input (cost expended) method to measure progress towards completion in respect of fixed price contracts. Percentage of completion method accounting relies on estimates of total expected contract revenue and costs. This method is followed when reasonably dependable estimates of the revenues and costs applicable to various elements of the contract can be made. Key factors that are reviewed in estimating the future costs to complete include estimates of future labour costs and productivity efficiencies. Because the financial reporting of these contracts depends on estimates that are assessed continually during the term of these contracts, recognized revenue and profit are subject to revisions as the contract progresses to completion. When estimates indicate that a loss will be incurred, the loss is provided for in the year in which the loss becomes probable.

ii) *Other estimates:* The preparation of financial statements involves estimates and assumptions that affect the reported amount of assets, liabilities and the reported amount of revenues and expenses for the reporting period.

3. Significant accounting policies

Financial instruments

Non derivative financial instruments of the Company comprise of loans and receivables and trade and other liabilities. There is no derivative financial instrument.

The classification of financial instruments depends on the purpose for which those were acquired. Management determines the classification of its financial instruments at initial recognition.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those maturing later than 12 months after the reporting date which are presented as non-current assets. Loans and receivables are measured initially at fair value plus transaction costs and subsequently carried at amortized cost using the effective interest method, less any impairment loss.

Loans and receivables are represented by trade receivables, unbilled revenue, employee loans and other advances.

(ii) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and in banks and demand deposits with banks which are unrestricted for withdrawal and usage.

For the purposes of the cash flow statement, cash and cash equivalents include cash on hand, in banks and demand deposits with banks, net of outstanding bank overdrafts that are repayable on demand and are considered part of the Company's cash management system.

(iii) Trade and other payables

Trade and other payables are presented as current liabilities, except for those maturing later than 12 months after the reporting date which are presented as non-current liabilities. Trade and other payables are initially recognized at fair value, and subsequently carried at amortized cost using the effective interest method.

Revenue

The Company derives revenue primarily from delivery of IT services. The Company recognizes revenue when the significant terms of the arrangement are enforceable, services have been delivered and the collectability is reasonably assured. The method for recognizing revenues and costs depends on the nature of the services rendered:

a) Time and materials contracts

Revenues and costs relating to time and materials contracts are recognized as the related services are rendered.

b) Fixed-price contracts

Revenues from fixed-price contracts are recognized using the "percentage-of-completion" method. Percentage of completion is determined based on project costs incurred to date as a percentage of total estimated project costs required to complete the project. The cost expended (or input) method has been used to measure progress towards completion as there is a direct relationship between input and productivity.

'Unbilled revenues' represent cost and earnings in excess of billings as at the end of the reporting period.

'Unearned revenues' represent billing in excess of revenue recognized. Advance payments received from customers for which no services are rendered are presented as 'Advance from customers'.

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

Turnover from trading in software packages / licenses / hardware is recognized as income upon delivery to the customer.

The Company accounts for volume discounts and pricing incentives to customers by reducing the amount of revenue recognized at the time of sale.

Revenues are shown net of value added tax, applicable discounts and allowances.

Property, plant and equipment

All fixed assets are measured at cost less accumulated depreciation and impairment losses, if any. Cost includes expenditures directly attributable to the acquisition of the asset. Deposits and advances paid towards the acquisition of fixed assets outstanding as of each reporting date and the cost of fixed assets not available for use before such date are disclosed under capital work- in-progress.

Depreciation

The Company depreciates fixed assets over the estimated useful life on a straight-line basis from the date the assets are available for use. Assets acquired under finance lease and leasehold improvements are amortized over the shorter of estimated useful life or the related lease term. The estimated useful lives of assets for the current and comparative period of significant items of fixed assets are as follows:

Category	Useful life
Leasehold improvements	4 years
Fixtures & fittings	4 years
Computer equipment	4 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

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.

Income tax

Income tax comprises current and deferred tax. Income tax expense is recognized in the statement of income except to the extent it relates to items directly recognized in equity or in other comprehensive income.

a) **Current income tax**

Current income tax for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the taxable income for the period. The tax rates and tax laws used to compute the current tax amount are those that are enacted or substantively enacted by the reporting date and applicable for the period.

b) **Deferred income tax**

Deferred income tax is recognized using the balance sheet approach. Deferred income tax assets and liabilities are recognized for deductible and taxable temporary differences arising between the tax base of assets and liabilities and their carrying amount in financial statements.

Deferred income tax asset are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized.

Deferred income tax liabilities are recognized for all taxable temporary differences.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting 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 except that gains and losses arising from the retranslation of the opening retained earnings in overseas branches are adjusted against the reserves.

Employee Benefit

The employer and employees each make periodic contributions to the pension fund equal to a specified percentage of the covered employee's salary. It is a defined contribution plan. The expenditure for defined contribution plans is recognized as expense during the period when the employee provides service.

New standards and interpretations not yet adopted

a) **IFRS 9 Financial Instruments:** In November 2009, the IASB issued IFRS 9, Financial Instruments: Recognition and Measurement, to reduce the complexity of the current rules on financial instruments as mandated in IAS 39.

IFRS 9 has fewer classification and measurement categories as compared to IAS 39 and has eliminated the categories of held to maturity, available for sale and loans and receivables. Further, it eliminates the rule-based requirement of segregating embedded derivatives and tainting rules pertaining to held-to maturity investments. For an investment in an equity instrument which is not held for trading, IFRS 9 permits an irrevocable election, on initial recognition, on an individual share-by-share basis, to present all fair value changes from the investment in other comprehensive income. No amount recognized in other comprehensive income would ever be reclassified to profit or loss. IFRS 9, was further amended in October 2010, and such amendment introduced requirements on accounting for financial liabilities. This amendment addresses the issue of volatility in the profit or loss due to changes in the fair value of an entity's own debt. It requires the entity, which chooses to measure a liability at fair value, to present the portion of the fair value change attributable to the entity's own credit risk in the other comprehensive income.

The effective date for adoption of IFRS 9 is annual periods beginning on or after 1 January 2018, though early adoption is permitted. The Company has evaluated the requirements of IFRS 9 and the company does not believe that the adoption of IFRS 9 will have a material impact on the financial statements.

b) **IFRS 15 Revenue from Contracts with Customers:** In May 2014, the IASB issued IFRS 15, Revenue from Contracts with Customers. The standard replaces IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfer of Assets from Customers and SIC-31 Revenue - Barter Transactions Involving Advertising Services.

The new standard applies to contracts with customers. The core principle of the new standard is that an entity should recognize revenue to depict transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Further, the new standard requires enhanced disclosures about the nature, timing and uncertainty of revenues and cash flows arising from the entity's contracts with customers. The new standard offers a range of transition options. An entity can choose to apply the new standard to its historical transactions - and retrospectively adjust each comparative period. Alternatively, an entity can recognize the cumulative effect of applying the new standard at the date of initial application - and make no adjustments to its comparative information. The chosen transition option can have a significant effect on revenue trends in the financial statements. A change in the timing of revenue recognition may require a corresponding change in the timing of recognition of related costs.

The standard is effective for annual periods beginning on or after 1 January 2017, with early adoption permitted under IFRS. The company is currently evaluating the requirements of IFRS 15, and has not yet determined the impact on the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

4. Property, plant and equipment

	Leasehold improvements		Computer equipment		Fixtures & fittings		Total	
	£	₹ Unaudited	£	₹ Unaudited	£	₹ Unaudited	£	₹ Unaudited
Gross carrying value:								
As at 1 April 2015	52,300	4,993,212	96,620	9,224,553	38,296	3,656,215	187,216	17,873,980
Additions	–	–	4,848	462,850	376	35,898	5,224	498,748
Disposal / adjustments	–	–	–		–	–	–	–
Restated as at March 31, 2016	52,300	4,993,212	101,468	9,687,403	38,672	3,692,113	192,440	18,372,728
Accumulated depreciation:								
As at 1 April 2015	51,883	4,953,400	63,996	6,109,858	37,220	3,553,486	153,099	14,616,744
Depreciation	334	31,888	15,426	1,472,759	185	17,662	15,945	1,522,309
Disposal / adjustments	–	–	–		–	–	–	–
Restated as at March 31, 2016	52,217	4,985,288	79,422	7,582,617	37,405	3,571,148	1,69,044	16,139,053
Restated net carrying value as at March 31, 2016	83	7,924	22,046	2,104,786	1,267	120,965	23,396	2,233,675
Gross carrying value:								
As at 1 April 2016	52,300	4,231,070	101,468	8,208,760	38,672	3,128,565	192,440	15,568,395
Additions	–	–	2,502	202,412	1,276	103,228	3,778	305,640
Disposal / adjustments	–	–	(468)	(37,859)	–		(468)	(37,859)
As at March 31, 2017	52,300	4,231,070	103,502	8,373,313	39,948	3,231,793	195,750	15,836,176
Accumulated depreciation:								
As at 1 April 2016	52,217	4,224,355	79,422	6,425,240	37,405	3,026,065	169,044	13,675,660
Depreciation	83	6,715	11,969	968,292	1,414	114,393	13,466	1,089,400
Disposal / adjustments	–	–	(293)	(23,704)	–	–	(293)	(23,704)
As at March 31, 2017	**52,300**	**4,231,070**	**91,098**	**7,369,828**	**38,819**	**3,140,458**	**182,217**	**14,741,356**
Net carrying value as at March 31, 2017	**–**	**–**	**12,404**	**1,003,485**	**1,129**	**91,335**	**13,533**	**1,094,820**

For simplicity, the brought forward Rupee amounts as at 1st April have been translated using the exchange rate as at the 31st March of the respective financial year.

5. Trade receivables

	As at 31 March 2017 £	As at 31 March 2017 ₹ Unaudited	As at 31 March 2016 £ Restated	As at 31 March 2016 ₹ Unaudited
Trade receivables	**4,270,629**	**345,493,886**	4,679,348	446,749,052
Allowance for doubtful accounts receivable	**(747,581)**	**(60,479,303)**	(667,525)	(63,730,281)
Total	**3,523,048**	**285,014,583**	4,011,823	383,018,771

6. Cash and cash equivalents

Cash and Cash equivalents consists of the following:

	As at 31 March 2017 £	As at 31 March 2017 ₹ Unaudited	As at 31 March 2016 £ Restated	As at 31 March 2016 ₹ **Unaudited**
Cash balances	–	–	60	5,728
Cash at bank	**1,879,388**	**152,042,490**	1,110,087	105,982,781
Total	**1,879,388**	**152,042,490**	1,110,147	105,988,509

7. Other Assets

	As at 31 March 2017 £	As at 31 March 2017 ₹ Unaudited	As at 31 March 2016 £ Restated	As at 31 March 2016 ₹ **Unaudited**
Non-current				
Security deposits	**198**	**16,018**	198	18,904
Loans and Advance to employees	**6,785**	**548,907**	4,000	381,890
	6,983	**564,925**	4,198	400,794
Current				
Security deposits	**1,433**	**115,930**	292	27,878
Prepaid Expenses	**31,148**	**2,519,873**	41,742	3,985,213
Loans and Advance to Employees	**(27,516)**	**(2,226,045)**	31,844	3,040,227
Others	**1,476**	**119,408**	1,476	140,917
	6,541	**529,166**	75,354	7,194,235
Total	**13,524**	**1,094,091**	79,552	7,595,029

8. Trade payables and accrued expenses

	As at 31 March 2017 £	As at 31 March 2017 ₹ Unaudited	As at 31 March 2016 £ Restated	As at 31 March 2016 ₹ Unaudited
Trade payables	**3,295,134**	**266,576,340**	2,983,274	284,820,626
Accrued expenses	**559,009**	**45,223,828**	540,789	51,630,478
Total	**3,854,143**	**311,800,168**	3,524,063	336,451,104

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

9. Other liabilities and provisions

	As at 31 March 2017 £	As at 31 March 2017 ₹ Unaudited	As at 31 March 2016 £ Restated	As at 31 March 2016 ₹ Unaudited
Non-current	–	–	–	–
Current				
Employee and other liabilities	1,212,366	98,080,409	929,698	88,760,596
Statutory dues payable	621,409	50,271,989	603,180	57,587,102
Total	1,833,775	148,352,398	1,532,878	146,347,698

10. Financial instruments

Financial instruments by category

The carrying value and fair value of financial instruments by categories as at March 31, 2017 are as follows:

	Loans and receivables		Financial liabilities measured at amortized cost		Total carrying amount		Fair value	
	£	₹ Unaudited	£	₹ Unaudited	£	₹ Unaudited	£	₹ Unaudited
Assets:								
Trade receivables	3,523,048	285,014,583	–	–	3,523,048	285,014,583	3,523,048	285,014,583
Unbilled revenue	2,977,172	240,853,215	–	–	2,977,172	240,853,215	2,977,172	240,853,215
Cash and cash equivalents	1,879,388	152,042,490	–	–	1,879,388	152,042,490	1,879,388	152,042,489
Other Assets	13,524	1,094,091	–	–	13,524	1,094,091	13,524	1,094,092
Total assets	8,393,132	679,004,379	–	–	8,393,132	679,004,379	8,393,132	679,004,379
Liabilities:								
Trade payables and accrued expenses	–	–	3,854,143	311,800,168	3,854,143	311,800,168	3,854,143	311,800,169
Unearned revenue	–	–	412,828	33,397,785	412,828	33,397,785	412,828	33,397,785
Other current liabilities	–	–	1,833,775	148,352,398	1,833,775	148,352,398	1,833,775	148,352,398
Total liabilities	–	–	6,100,746	493,550,351	6,100,746	493,550,351	6,100,746	493,550,352

The carrying value and fair value of financial instruments by categories as at March 31, 2016 are as follows:

	Loans and receivables		Financial liabilities measured at amortized cost		Total carrying amount		Fair value	
	£ Restated	₹ Unaudited	£ Restated	₹ Unaudited	£ Restated	₹ Unaudited	£ Restated	₹ Unaudited
Assets:								
Trade receivables	4,011,823	383,018,771	–	–	4,011,823	383,018,771	4,011,823	383,018,771
Unbilled revenue	3,495,086	333,684,598	–	–	3,495,086	333,684,598	3,495,086	333,684,598
Cash and cash equivalents	1,110,147	105,988,509	–	–	1,110,147	105,988,509	1,110,147	105,988,509
Other Assets	79,552	7,595,029			79,552	7,595,029	79,552	7,595,029
Total assets	8,696,608	830,286,907	–	–	8,696,608	830,286,907	8,696,608	830,286,907
Liabilities:								
Trade payables and accrued expenses	–	–	3,524,063	336,451,104	3,524,063	336,451,104	3,524,063	336,451,104
Unearned revenue	–	–	430,366	41,088,118	430,366	41,088,118	430,366	41,088,118
Other current liabilities	–	–	1,532,878	146,347,698	1,532,878	146,347,698	1,532,878	146,347,698
Total liabilities	–	–	5,487,307	523,886,920	5,487,307	523,886,920	5,487,307	523,886,920

Financial risk management

The Company's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. 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.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customer. The Company's principal financial assets are cash and trade debtors. The Company has robust processes to assess customer credit worthiness and consequently there are no significant risks on this count. The Company establishes an allowance for doubtful debts and impairment that represents its estimate of incurred losses in respect of receivables.

The following table gives details in respect of revenues generated from top customer and top 5 customers:

	Year ended March 31, 2017 £	2017 ₹ Unaudited	2016 £ Restated	2016 ₹ Unaudited
Revenue from top customer	13,000,089	1,051,707,200	9,569,582	913,631,917
Revenue from top 5 customer	25,064,166	2,027,691,029	18,271,802	1,744,454,616

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

There is no other class of financial assets that is past due but not impaired except for trade receivables. The company's credit period generally ranges from 30-120 days. The age wise break up of trade receivables, net of allowances that are past due, is given below:

Period (in days)	As at 31 March 2017 £	As at 31 March 2017 ₹ Unaudited	As at 31 March 2016 £ Restated	As at 31 March 2016 ₹ Unaudited
Past due 0-30 days	**498,665**	**40,341,960**	1,507,439	143,918,970
Past due 30-60 days	**63,393**	**5,128,519**	82,561	7,882,305
Past due 60-90 days	**53,684**	**4,343,023**	76,540	7,307,465
Past due over 90 days	**92,800**	**7,507,529**	41,226	3,935,949
Total past due and not impaired	**708,542**	**57,321,031**	1,707,766	163,044,689

The allowance for impairment in respect of trade receivables for the year ended March 31, 2017 and March 31, 2016 was GBP 747,581 and GBP 667,525 respectively. The movement in the allowance for impairment in respect of trade receivables is as follows:

	As at 31 March 2017 £	As at 31 March 2017 ₹ Unaudited	As at 31 March 2016 £ Restated	As at 31 March 2016 ₹ Unaudited
Balance at the beginning of the year	**667,525**	**54,002,773**	277,009	26,446,742
Less: Opening forex reinstatement	**(67,581)**	**(5,467,303)**	–	–
Additions during the year	**1,980**	**160,182**	322,935	30,831,412
Add: Closing forex reinstatement	**145,657**	**11,783,651**	67,581	6,452,127
Balance at the end of the year	**747,581**	**60,479,303**	667,525	63,730,281

For simplicity, the brought forward Rupee amounts as at 1st April have been translated using the exchange rate as at the 31st March of the respective financial year.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company seeks to manage financial risk by ensuring that sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably.

The working capital position of the company is given below:

	As at 31 March 2017 £	As at 31 March 2017 ₹ Unaudited	As at 31 March 2016 £ Restated	As at 31 March 2016 ₹ Unaudited
Cash and cash equivalents	**1,879,388**	**152,042,490**	1,110,147	105,988,509
Total	**1,879,388**	**152,042,490**	1,110,147	105,988,509

The table below provides details regarding the contractual maturities of significant financial liabilities as at March 31, 2017 and March 31, 2016:

	As At 31st March 2017					
	Less than 1 year		1–2 years		2 years and above	
	£	₹ Unaudited	£	₹ Unaudited	£	₹ Unaudited
Loans and borrowings and bank overdraft	–	–	–	–	–	–
Trade payables and accrued expenses	**3,854,143**	**311,800,168**	–	–	–	–
Other liabilities	**1,833,775**	**148,352,398**	–	–	–	–

	As At 31st March 2016					
	Less than 1 year		1–2 years		2 years and above	
	£ Restated	₹ Unaudited	£ Restated	₹ Unaudited	£ Restated	₹ Unaudited
Loans and borrowings and bank overdraft	–	–	–	–	–	–
Trade payables and accrued expenses	3,524,063	336,451,104	–	–	–	–
Other liabilities	1,532,878	146,347,698	–	–	–	–

Market Risk- Foreign Currency risk

The Company is exposed to translation and transaction foreign exchange risks. While the Company makes payments, mostly in GBP, to its major suppliers, 3% (2016: 2%) of its sales in the year under review were in US dollars and 16% (2016: 18%) in Euro. The Company has bank accounts in multiple currencies and during the year under review it did not hold any hedging instruments. Foreign exchange management is, however, kept under regular review.

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

The following table presents foreign currency risk from non-derivative financial instruments as of March 31, 2017 and March 31, 2016.

As at 31st March 2017

	EUR		USD		Other Currencies*		Total	
	£	₹	£	₹	£	₹	£	₹
		Unaudited		Unaudited		Unaudited		Unaudited
Asset								
Trade Receivables	759,424	61,437,402	89,955	7,277,360	82,820	6,700,138	932,199	75,414,900
Unbilled Revenue	317,819	25,711,557	71,307	5,768,736	30,537	2,470,443	419,663	33,950,736
Cash and cash equivalents	398,159	32,211,063	78,551	6,354,776	50,127	4,055,274	526,837	42,621,113
Other assets	–	–	–	–	3,152	254,997	3,152	254,997
Liabilities								
Trade payables and accrued expenses	47,309	3,827,298	(44,629)	(3,610,486)	41,829	3,383,966	44,509	3,600,778
Unearned Sales	88,042	7,122,598	–	–	17,519	1,417,287	105,561	8,539,885
Other liabilities	12,965	1,048,869	–	–	2,907	235,176	15,872	1,284,045
Net assets/liabilities	1,327,086	107,361,257	284,442	23,011,358	104,381	8,444,423	1,715,909	138,817,038

As at 31st March 2016

	EUR		USD		Other Currencies*		Total	
	£	₹	£	₹	£	₹	£	₹
	Restated	Unaudited	Restated	Unaudited	Restated	Unaudited	Restated	Unaudited
Asset								
Trade Receivables	971,776	92,777,884	171,300	16,354,439	16,180	1,544,745	1,159,256	110,677,068
Unbilled Revenue	984,108	93,955,251	210,231	20,071,279	133,082	12,705,671	1,327,421	126,732,201
Cash and cash equivalents	420,348	40,131,674	81,930	7,822,062	166,193	15,866,861	668,471	63,820,597
Other assets	6,631	633,078	–	–	1,656	158,102	8,287	791,180
Liabilities								
Trade payables and accrued expenses	195,027	18,619,715	–	–	16,256	1,552,001	211,283	20,171,716
Unearned Sales	72,257	6,898,556	–	–	–	–	72,257	6,898,556
Other liabilities	19,239	1,836,795	–	–	–	–	19,239	1,836,795
Net assets/liabilities	2,096,340	200,142,821	463,461	44,247,780	300,855	28,723,378	2,860,656	273,113,979

* Others include currencies such as Singapore- $ (SGD), Czeck Republic- Koruna (CZK), Switzerland- Franc (CHF), Turky-Lira (TRY), Hungary- Forint (HUF)

The foreign exchange rate sensitivity is calculated by aggregation of the net foreign exchange rate exposure and a simultaneous parallel foreign exchange rates shift of all the currencies by 1% against the functional currencies of the Company.

For the year ended March 31, 2017 and 2016 respectively, every 1% appreciation/depreciation of the respective foreign currencies compared to functional currency of the Company would increase/ decrease operating margins by £17,159 and £28,607 respectively.

11. Income tax expense

Income tax expense in the statement of income consists of:

	Year ended March 31,			
	2017	2017	2016	2016
	£	₹	£	₹
		Unaudited	Restated	Unaudited
Current taxes				
UK Corporation tax on profits of the year	47,523	3,844,611	159,289	15,207,719
Adjustment in respect of previous years	(107,436)	(8,691,573)	77,966	7,443,609
Withholding tax	18,012	1,457,171	33,356	3,184,581
Total	(41,901)	(3,389,791)	270,611	25,835,909
Deferred taxes				
Origination and reversal of timing differences	(1,239)	(100,235)	(2,374)	(226,652)
Total	(1,239)	(100,235)	(2,374)	(226,652)
Grand Total	(43,140)	(3,490,026)	268,237	25,609,257

The reconciliation between the provision of corporation tax of the Company and amounts computed by applying the standard rate of UK corporation tax to profit before taxes is as follows:

	Year ended March 31,			
	2017	2017	2016	2016
	£	₹	£	₹
		Unaudited	Restated	Unaudited
Profit before income tax	1,129,796	91,400,488	654,457	62,482,644
Profit on ordinary activities multiplied by rate of tax	225,959	18,280,083	199,250	19,022,896
Expenses not deductible for tax purposes	112,194	9,076,495	31,992	3,054,356
Movement in capital allowances	1,380	111,642	2,300	219,587
Tax credit on employee share based payments	(292,010)	(23,623,609)	–	–
Adjustment in respect of previous years	(107,436)	(8,691,573)	3,713	354,489
Withholding tax	18,012	1,457,171	33,356	3,184,581
Total income tax expense	(41,901)	(3,389,791)	270,611	25,835,909

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

The standard rates of UK corporation tax, for the year ended March 31, 2017 and March 31, 2016 are 20% and 20% respectively.

The components of deferred tax liabilities are as follows:

	As at 31 March 2017 £	As at 31 March 2017 ₹ Unaudited	As at 31 March 2016 £ Restated	As at 31 March 2016 ₹ Unaudited	As at 01 April 2015 £
Property, Plant and Equipments	(139)	(11,245)	(1,420)	(135,571)	(3,041)
Provision	711	57,520	753	71,891	–
Net deferred tax liabilities	572	46,275	(667)	(63,680)	(3,041)

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

Deferred Tax Liability	As at 31 March 2017 £	As at 31 March 2017 ₹ Unaudited	As at 31 March 2016 £ Restated	As at 31 March 2016 ₹ Unaudited
Deferred tax liabilities	572	46,275	(667)	(63,680)
Balance brought forward	(667)	(53,960)	(3,041)	(290,332)
Profit and loss account movement arising during the year	1,239	100,235	2,374	226,652
Total deferred tax liability (net)	572	46,275	(667)	(63,680)

For simplicity, the brought forward Rupee amounts as at 1st April have been translated using the exchange rate as at the 31st March of the respective financial year.

12. Equity

a) *Share capital*

The company has only one class of equity shares. The authorized share capital of the Company is 1,629,700 (2016: 1,629,700) equity shares of £1 each. Par value of the equity shares is recorded as share capital.

The Issued, subscribed and paid-up capital of the Company is 685,815 (2016: 685,815) equity shares of £1 each amounting to £685,815 (2016: 685,815).

The company has only one class of shares referred to as equity shares having a par value of £1.

The company declares and pays dividends in GBP/ Euro/ USD.

The Board of Directors recommended the interim dividend of GBP 2.50 (2016: GBP 2.20) per Ordinary share of GBP 1 each on 685,815 shares, aggregating GBP 1,714,538 declared by the Board of Directors on 18th February 2017 (2016 : GBP 1,508,793), and paid on 28th February, 2017, as the final dividend for the year ended 31st March, 2017.

b) *Retained earnings*

Retained earnings comprises of the Company's prior years' undistributed earnings after taxes.

Capital Management

The Company's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Company monitors the return on capital as well as the level of dividends on its equity shares. The Company's objective when managing capital is to maintain an optimal structure so as to maximize shareholder value.

The capital structure is as follows:

	As at 31 March 2017 £	As at 31 March 2017 ₹ Unaudited	As at 31 March 2016 £ Restated	As at 31 March 2016 ₹ Unaudited
Total equity attributable to the equity share holders of the company	2,558,465	206,979,820	3,220,655	307,483,982
As percentage of total capital	100%	100%	100%	100%
Total capital	2,558,465	206,979,820	3,220,655	307,483,982

The Company is equity financed which is evident from the capital structure table. Further, the Company has always been a net cash company with cash and bank balances.

13. Revenue

The Company derives revenue primarily from delivery of IT services. The Company recognizes revenue when the significant terms of the arrangement are enforceable, services have been delivered and the collectability is reasonably assured. An analysis of turnover is given below:

	Year ended March 31, 2017 £	2017 ₹ Unaudited	2016 £ Restated	2016 ₹ Unaudited
Country				
United Kingdom	31,857,382	2,577,262,203	26,364,621	2,517,096,278
Europe	4,955,145	400,871,231	4,677,960	446,616,536
India	8,212	664,351	–	–
Singapore	100,012	8,090,971	61,522	5,873,659
US	71,100	5,751,990	48,278	4,609,221
Others	4,424	357,902	33,915	3,237,950
Total	36,996,275	2,992,998,648	31,186,296	2,977,433,644

14. Expenses by nature

	Year ended March 31, 2017 £	2017 ₹ Unaudited	2016 £ Restated	2016 ₹ Unaudited
Employee benefits	16,207,363	1,311,175,668	13,448,274	1,283,940,339
Sub-contractor charges/Outsourced charges	16,329,656	1,321,069,171	13,048,915	1,245,812,537
Purchase of Software and Hardware for resale	987,272	79,870,305	1,659,827	158,467,833
Travel and conveyance	1,218,832	98,603,511	953,827	91,064,250
Provision for doubtful trade receivables	1,980	160,182	322,935	30,831,412
Sales & Marketing expenses	320,863	25,957,816	320,039	30,554,925
Staff welfare	253,094	20,475,304	228,038	21,771,358
Recruitment	149,329	12,080,716	195,504	18,665,256
Communication expenses	180,201	14,578,262	170,990	16,324,842
Legal, Professional and Consultancy Expenses	179,793	14,545,255	128,017	12,222,103
Lease rentals/charges	82,906	6,707,095	68,339	6,524,495
Audit Fees	26,250	2,123,625	29,810	2,846,036
Depreciation charges	13,466	1,089,401	15,945	1,522,309
Others	124,859	10,101,095	82,543	7,880,586
Total cost of sales, selling, general and administrative expenses	36,075,864	2,918,537,406	30,673,003	2,928,428,281

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

Cost of Sales

Cost of Sales primarily include employee compensation of personnel engaged in providing services, travel expenses, employee allowances, payroll related taxes, fees to external consultants engaged in providing services, communication costs and other project related expenses.

Selling, general and administrative expenses

Selling costs primarily include employee compensation for sales and marketing personnel, travel costs, advertising, business promotion expenses, allowances for delinquent receivables and market research costs.

General and administrative costs primarily include employee compensation for administrative, supervisory, managerial and practice management personnel, depreciation and amortisation of non-production equipment and software, facility expenses for administrative offices, communication costs, fees to external consultants and other general expenses.

15. Employee benefits

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

	2017	2016
By Activity	No	No
Delivery	260	227
Marketing	24	25
Administration	9	9
	293	261

Employee benefits include:

	Year ended March 31,			
	2017	2017	2016	2016
	£	₹	£	₹
		Unaudited	Restated	Unaudited
Wages and salaries	14,353,938	1,161,233,599	11,892,348	1,135,392,194
Social security costs	1,460,540	118,157,686	1,214,131	115,916,122
ESOS Cost	392,885	31,784,383	341,795	32,632,023
Total	16,207,363	1,311,175,668	13,448,274	1,283,940,339

The employee benefit cost is recognized in the following line items in the statement of income:

	Year ended March 31,			
	2017	2017	2016	2016
	£	₹	£	₹
		Unaudited	Restated	Unaudited
Cost of sales	11,651,062	942,570,915	9,871,956	942,500,319
Selling, general and administrative expenses	4,556,301	368,604,753	3,576,318	341,440,020
Total	16,207,363	1,311,175,668	13,448,274	1,283,940,339

16. Finance and other income

	Year ended March 31,			
	2017	2017	2016	2016
	£	₹	£	₹
		Unaudited	Restated	Unaudited
Interest Income	837	67,713	4,541	433,541
Others	1,478	119,570	–	–
Total	2,315	187,283	4,541	433,541

17. Operating leases

Lease rental expense under non-cancellable operating lease during year ended March 31, 2017 and March 31, 2016 amounted to GBP 1,953 and GBP 1,732 respectively. Future minimum lease payments under non-cancelable operating lease as at March 31, 2017 is as below:

Minimum lease payments

	As at 31 March 2017	As at 31 March 2017	As at 31 March 2016	As at 31 March 2016
	£	₹	£	₹
		Unaudited	Restated	Unaudited
Payable – Not later than one year	1,953	157,998	741	70,745
Payable – Later than one year and not later than five years	3,653	295,528	828	79,051
Payable – Later than five years	–	–	–	–

The rental expense under cancellable operating lease during year ended March 31, 2017 and March 31, 2016 amounted to GBP 80,953 and GBP 66,607 respectively.

18. Related party relationships and transactions

Name of related party

i) **Ultimate Parent Company:**
ITC Limited

ii) **Immediate Parent Company:**
ITC Infotech India Limited

iii) **Other Related Parties With Whom The Company Had Transactions.**
Subsidiaries of Immediate Parent Company:
ITC Infotech (USA), Inc.
Pyxis Solutions, LLC

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

Transactions with the above related parties during the year were:

	Holding Company				Fellow Subsidiaries			
	As at 31 March 2017 £	As at 31 March 2017 ₹ Unaudited	As at 31 March 2016 £ Restated	As at 31 March 2016 ₹ Unaudited	As at 31 March 2017 £	As at 31 March 2017 ₹ Unaudited	As at 31 March 2016 £ Restated	As at 31 March 2016 ₹ Unaudited
Sale of goods/Services	88,893	7,191,444	81,103	7,743,106	74,202	6,002,942	52,166	4,980,418
Purchase of goods/Services	13,920,390	1,126,159,551	10,458,752	998,523,200	–	–	8,606	821,636
Dividend	1,714,538	138,706,124	1,508,793	144,048,240	–	–	–	–
Balance as on 31st March								
Trade receivables	47,592	3,850,193	29,242	2,791,807	–	–	–	–
Trade paybles	2,764,530	223,650,477	2,054,527	196,150,829	–	–	–	–

Key Managerial Personnel:

Non-Executive Directors

Y. C. Deveshwar	Chairman
S. Sivakumar	Vice Chairman
R. Tandon	Director
B. B. Chatterjee	Director
S. Rajagopalan	Director

Others

H. S. Garewal	President

Transactions with key management personnel are as given below:

Key management personnel comprise directors and president of the Company. Particulars of compensation of the key management personnel during the year ended March 31, 2017 and March 31, 2016 have been detailed below:

	Year ended March 31, 2017 £	2017 ₹ Unaudited	2016 £ Restated	2016 ₹ Unaudited
President:				
Salaries	154,430	12,493,387	154,430	14,743,818
Social security contribution	23,442	1,896,458	33,742	3,221,433
Incentives	23,551	1,905,276	98,187	9,374,158
Total	201,423	16,295,121	286,359	27,339,409

19. Ultimate parent company and immediate parent company

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 financial statements 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 financial statements are being drawn up including this company. Copies of ITC Limited consolidated financial statements can be obtained from the Company Secretary at 37 J. L. Nehru Road, Kolkata - 700071, India.

REPORT OF THE DIRECTORS

Your Directors present their Report together with the Audited Financial Statements for the year ended 31st March, 2017.

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

Principal Activities

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

Financial Results

(US$ million)

	ITC Infotech (USA), Inc.	
Year Ended March 31,	2017	2016
Total Revenue	91.36	86.44
Operating Income before Amortization	4.07	3.06
Profit/(Loss) After Tax	1.31	(0.31)

Business Review

Corporation

In 2016-17, the Corporation experienced softness in business development due to the uncertain environment resulting from regulatory changes proposed by the newly elected administration. Notwithstanding this uncertainty, the Revenues grew to USD 91.36 mn from USD 86.44 mn last year. Operating income before amortization grew to USD 4.07 mn from USD 3.06 mn last year. Strong growth was seen in some of the existing clients in areas like PLM and Product Engineering Services. In the coming year, the Corporation will continue to focus on the US market, while other markets will be assessed based on client led opportunities. The Corporation will be driving sales around identified solution offerings mapped against each focus Industry vertical and sub-vertical. The Corporation would continue to position itself as a consulting lead vertical solution provider and will focus on ramping up new business through an identified set of target accounts, while continuing to scale up existing accounts through effective account mining.

Primary challenges seen by the Corporation are the business uncertainties arising from the proposed regulatory changes which may impact service delivery in the short term. The Corporation is recalibrating its strategies in this area by, inter alia, increasing its proportion of on-site hiring.

Wholly owned subsidiary- Indivate Inc.

Indivate Inc. ("Indivate") was incorporated on 10th November, 2016 in the United States of America, to provide market research, consulting and business development services; consequent to the subscription to the entire share capital by the Corporation on 18th November, 2016, Indivate became a wholly owned subsidiary of the Corporation. The Corporation now holds 100 shares of the Common Stock of Indivate for a total paid in capital contribution of US$100,000.

During the year under review, Indivate recorded Revenue of US$ 78,010 and Net Profit / (Loss) of US$ (92,691).

Directors

M/s. Y. C. Deveshwar, S. Sivakumar, B. B. Chatterjee, (Ms.) B. Parameswar, (Ms.) S. Rajagopalan and R. Tandon, Directors of the Corporation, will retire at the Annual Meeting, and, being eligible, offer themselves for re-appointment.

On behalf of the Board

	S. Rajagopalan	S. Sivakumar
5th May, 2017	Director	Vice Chairman

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
ITC Infotech (USA), Inc.

Report on the Special-Purpose Financial Statements

We have audited the accompanying special-purpose financial statements of ITC Infotech (USA), Inc. (the "Company") which comprise the special-purpose balance sheets as of March 31, 2017 and 2016, and the related special-purpose statements of operations and retained earnings and cash flows for each of the years then ended, and the related notes to the special-purpose financial statements.

Management's Responsibility for the Special-Purpose Financial Statements

Management is responsible for the preparation and fair presentation of these special-purpose financial statements in accordance with the basis described in Note B to the special-purpose financial statements; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these special-purpose 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the special-purpose financial statements referred to above present fairly, in all material respects, the financial position of ITC Infotech (USA), Inc. as of March 31, 2017 and 2016, and special-purpose the results of its operations and its cash flows for each of the years then ended in accordance with the Basis of Presentation as described in Note B[1].

Basis of Accounting

For the purposes of the special-purpose financial statements, the Company did not consolidate Indivate Inc., a wholly owned subsidiary which was formed as a New Jersey corporation in November 2016. Accordingly, accompanying special-purpose financial statements are not intended to be a presentation in conformity with generally accepted accounting principles.

Emphasis of Matter

As discussed in Note B[2] to the special-purpose financial statements, the Company restated the Statement of Operations for the year ended March 31, 2016 to include allocated expense related to the employee stock options granted by the parent company.

As discussed in Note B[1] to the special-purpose financial statements, the Indian Rupee equivalent figures have been included in the financial statements as required by the parent company of the Company for informational purpose only, and is not a representation in conformity with accounting principles generally accepted in the United States of America.

Restriction of Use

This report is intended solely for the information and use of the Board of Directors and management of ITC Infotech (USA), Inc. and its group companies and is not intended to be and should not be used by anyone other than these specified parties.

Iselin, New Jersey
May 5, 2017

BALANCE SHEET AS OF MARCH 31

	2017	2017	2016	2016
Assets	$	₹	$	₹
Current assets				
Cash and cash equivalents	4,074,442	264,227,497	1,787,359	118,430,336
Accounts receivable, net of allowance for doubtful accounts of $1,188,158 (₹ 77,052,046) and $904,608 (₹ 59,939,326) for 2017 and 2016, respectively	22,973,448	1,489,828,103	23,232,928	1,539,413,805
Advances to employees	135,763	8,804,231	126,672	8,393,296
Deferred income taxes	3,317,383	215,132,288	2,774,536	183,840,755
Total current assets	30,501,036	1,977,992,119	27,921,495	1,850,078,192
Equipment, software, furniture and fixtures and leasehold improvements	985,511	63,910,388	939,395	62,244,280
Less: Accumulated depreciation and amortization	779,967	50,580,860	667,292	44,214,745
	205,544	13,329,528	272,103	18,029,535
Intangible assets and goodwill	12,574,566	815,460,582	12,574,566	833,190,720
Less: Accumulated amortization	12,574,566	815,460,582	10,151,649	672,648,257
	–	–	2,422,917	160,542,463
Investment in subsidiary (Indivate Inc.)	100,000	6,485,000	–	–
Other assets, principally unsecured advances	901,109	58,436,919	893,441	59,199,400
	31,707,689	2,056,243,566	31,509,956	2,087,849,590
Liabilities and Stockholder's Equity				
Current liabilities				
Accounts payable	1,126,821	73,074,342	817,060	54,138,323
Accrued expenses and other current liabilities	5,003,752	324,493,253	5,171,127	342,638,894
Accrued payroll and payroll taxes	1,214,884	78,785,227	1,174,955	77,852,517
Due to ITC Infotech India Ltd., net	4,475,712	290,249,923	5,747,638	380,838,478
Total current liabilities	11,821,169	766,602,745	12,910,780	855,468,212
Non-current liabilities				
Deferred income taxes	63,879	4,142,553	82,575	5,471,420
Total stockholder's equity (includes retained earnings)	19,822,641	1,285,498,268	18,516,601	1,226,909,958
	31,707,689	2,056,243,566	31,509,956	2,087,849,590

On behalf of the Board

Date: May 5, 2017	L N Balaji President	S Rajagopalan Director	S Sivakumar Vice Chairman

The accompanying notes are an integral part of these consolidated financial statements.

STATEMENTS OF OPERATIONS AND RETAINED EARNINGS FOR THE YEARS ENDED MARCH 31

	2017 $	2017 ₹	2016 $	2016 ₹
Revenues				
Service fees	48,118,777	3,120,502,688	38,772,463	2,569,063,378
Project fees	43,242,244	2,804,259,523	47,662,573	3,158,122,088
Total revenues	91,361,021	5,924,762,211	86,435,036	5,727,185,466
Cost of revenues, principally employment costs and fees charged by affiliates	72,965,322	4,731,801,132	67,785,885	4,491,492,734
Gross profit	18,395,699	1,192,961,079	18,649,151	1,235,692,732
General and administrative expenses	14,327,710	929,151,994	15,588,998	1,032,927,009
Operating income before amortization	4,067,989	263,809,085	3,060,153	202,765,723
Amortization of intangible assets and goodwill	2,422,917	157,126,167	3,141,527	208,157,602
Operating income / (Loss)	1,645,072	106,682,918	(81,374)	(5,391,879)
Other income	74	4,799	92,058	6,099,778
Income before income tax expense	1,645,146	106,687,717	10,684	707,899
Income tax expense / (benefit)				
Current	900,649	58,407,088	1,098,832	72,808,578
Deferred	(561,543)	(36,416,064)	(778,843)	(51,606,137)
Total income tax expense	339,106	21,991,024	319,989	21,202,441
Net income / (Loss)	1,306,040	84,696,693	(309,305)	(20,494,542)
Retained earnings at beginning of year	316,601	20,531,575	625,906	41,472,501
Retained earnings at end of year	1,622,641	105,228,268	316,601	20,977,959

On behalf of the Board

Date: May 5, 2017	L N Balaji President	S Rajagopalan Director	S Sivakumar Vice Chairman

The accompanying notes are an integral part of these financial statements.

STATEMENTS OF CASH FLOWS FOR THE YEAR END MARCH 31

	2017 $	2017 ₹	2016 $	2016 ₹
Cash flows from operating activities				
Net income / (loss)	**1,306,040**	**84,696,693**	(309,305)	(20,494,542)
Adjustments to reconcile net income to net cash provided by operating activities				
Depreciation and amortization	**2,535,594**	**164,433,271**	3,234,524	214,319,560
Deferred income taxes	**(561,543)**	**(36,416,064)**	(778,843)	(51,606,166)
Bad debt expense	**283,550**	**18,388,218**	–	–
(Increase) / decrease in assets				
Accounts receivable	**(24,070)**	**(1,560,940)**	(2,720,285)	(180,246,065)
Advances to employees	**(9,091)**	**(589,551)**	293,853	19,470,730
Other assets, principally unsecured advances	**(7,668)**	**(497,270)**	138,549	9,180,243
Increase / (decrease) in liabilities				
Accounts payable	**309,758**	**20,087,806**	381,626	25,286,531
Accrued expenses and other liabilities	**(167,375)**	**(10,854,269)**	238,944	15,832,423
Accrued payroll and payroll taxes	**39,929**	**2,589,396**	814	53,921
Due to ITC Infotech Ltd. (UK), net	**–**	**–**	(41,737)	(2,765,487)
Due to ITC Infotech India Ltd., net	**(1,271,926)**	**(82,484,401)**	(3,743,087)	(248,016,974)
Net cash provided by / (used in) operating activities	**2,433,198**	**157,792,889**	(3,304,947)	(218,985,826)
Cash flows from investing activities				
Capital expenditures	**(46,116)**	**(2,990,623)**	(152,699)	(10,117,853)
Net cash used in investing activities	**(46,116)**	**(2,990,623)**	(152,699)	(10,117,853)
Cash flows from financing activities	**(100,000)**	**(6,485,000)**	–	–
Net cash used in financing activities	**(100,000)**	**(6,485,000)**	–	–
Net increase / (decrease) in cash and cash equivalents	**2,287,083**	**148,317,266**	(3,457,646)	(229,103,679)
Cash and cash equivalents at beginning of year	**1,787,359**	**115,910,231**	5,245,005	347,534,015
Cash and cash equivalents at end of year	**4,074,442**	**264,227,497**	1,787,359	118,430,336

Supplemental disclosures of cash flow information.

Income taxes paid were $843,047 (₹54,671,598) and $1,093,449 (₹72,451,931) during 2017 and 2016, respectively.

On behalf of the Board

Date: May 5, 2017

L N Balaji	S Rajagopalan	S Sivakumar
President	Director	Vice Chairman

The accompanying notes are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2017 AND 2016

NOTE A - BUSINESS BACKGROUND AND PRINCIPAL TRANSACTIONS WITH AFFILIATES

ITC Infotech (USA), Inc. (the "Company"), a New Jersey corporation, is principally engaged in the information technology services business. The majority of its customers are commercial entities throughout the United States of America. The Company is a wholly-owned subsidiary of ITC Infotech India Ltd. ("Infotech India"), an Indian company. There are 185,000 common shares authorized of which 182,000 have been issued, and are outstanding, to Infotech India. ITC Infotech Ltd. ("Infotech UK") is also a wholly-owned subsidiary of ITC Infotech India Ltd.

The Company has entered into an agreement with its parent company Infotech India on April 1, 2014 wherein the Company has agreed to sub-contract the execution and management of customer contracts to Infotech India. Under the terms of this agreement, Infotech India shall assume the overall execution and management responsibilities for such customer contracts. This agreement, inter alia, provides a percentage of revenue to be paid to Infotech India based on actual financial performance of the Company.

Pyxis Solutions, LLC ("Pyxis"), was a wholly owned subsidiary of the Company formed as a New York State limited liability company in 2000. Effective April 1, 2016, the operations of Pyxis Solutions were merged with that of the Company and Pyxis ceased to be in existence as of that date.

Indivate Inc. ("Indivate"), a wholly owned subsidiary of the Company, was formed as a New Jersey corporation in November 2016. Indivate is principally engaged in the providing business consulting services to its customers.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

[1] Basis of presentation:

As required by its parent company Infotech India, the financial statements of the Company are not prepared in accordance with accounting principles generally accepted in the United States as the results of operations of its wholly-owned subsidiary Indivate were not included since the date of acquisition. Accordingly, these financial statements do not purport to follow US GAAP.

These financial statements are presented in U.S. dollars. However, as required by the parent company, the Indian Rupee equivalent figures, arrived at by applying the average interbank exchange rate of US$1 = 64.85 for fiscal year ended March 31, 2017 (2016 US$1 = ₹ 66.26) as provided by the parent company, have been included solely for informational purposes and is not in conformance with the provisions of FASB ASC 830-30 – *Foreign Currency Matters – Translation of Financial Statements and U.S. GAAP.*

[2] Allocation of Expense for Employee's Stock Options:

Effective April 1, 2016 accounting principles generally accepted in India required the expensing of stock based awards granted to employees. With the adoption of this new pronouncement, the ultimate parent of the Company, ITC Limited, has begun to allocate expenses for stock option awards granted to the Company's employees and bill the Company for such expense for fiscal years 2016 and 2017. The Company has begun to record the related expense in its consolidated statement of operations. The Company has restated its previously issued consolidated financial statements for the year ended March 31, 2016 to reflect the allocated expense related to Parent's employee stock options in general and administrative expense in the amount of $777,295 (₹ 51,503,570). The Company has evaluated the impact of these allocated expenses for stock options on the consolidated financial statements at March 31, 2015 and determined the cumulative effect to stockholder's equity as of that date to be immaterial.

[3] Recognition of revenue:

Service Fees:

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 invoiced weekly, biweekly, or monthly.

Project Fees:

Revenues on the project business are recognized as earned, typically in the month the service is performed. Costs associated with the use of subcontractors to fulfill such project business are recognized in the same period.

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

In accordance with ASC Topic 605, "*Revenue Recognition*", the Company recognizes revenues on delivery when a non-cancelable 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 probable and determinable.

Account Management Fees:

Fees for client account management in respect of work contracted by Infotech India and Infotech UK with clients in the United States are billed monthly at a predetermined rate based on contractual agreement and are applied on the amount billed by Infotech India and Infotech UK to their clients.

[4] Cash and cash equivalents:

For purposes of reporting cash flows, the Company considers all deposits in 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.

[5] 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 to 60 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 based on historical experience and management's evaluation of outstanding accounts receivable. Accounts are written off when they are deemed uncollectible.

[6] Equipment, software, furniture and fixtures and leasehold improvements:

Equipment, purchased or internally developed software, furniture and fixtures and leasehold improvements are stated at cost. Depreciation and amortization is provided under the straight line method based upon the estimated useful lives of the assets, with such lives ranging up to five years.

[7] Income taxes:

The Company accounts for income taxes pursuant to ASC 740, *Income Taxes* ("ASC 740"). ASC 740 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 carry forwards, 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.

The Company provides for income tax in accordance with the FASB issued ASC 740-10, *Income Taxes* ("ASC 740-10"). ASC 740-10 provides recognition criteria and a related measurement model for uncertain tax positions taken or expected to be taken in income tax returns. ASC 740-10 requires that a position taken or expected to be taken in a tax return be recognized in the financial statements when it is more likely than not that the position would be sustained upon examination by tax authorities. Tax positions that meet the more likely than not threshold are then measured using a probability-weighted approach recognizing the largest amount of tax benefit that is greater than 50% likely of being realized upon ultimate settlement. There were no significant matters determined to be unrecognized tax benefits taken or expected to be taken in a tax return that have been recorded in the Company's financial statements for the year ended March 31, 2017. The Company's Federal and State tax returns are subject to examination by taxing authorities for the years ended March 31, 2014 and after.

[8] 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.

[9] Advertising costs:

Advertising costs are expensed as incurred.

[10] Long-lived assets:

The Company follows ASC 360, *Property, Plant and Equipment*. 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 fiscal years ended March 31, 2017 or 2016.

[11] Intangible assets:

Intangible assets are amortized on the straight-line method over their estimated useful life of 4 to 8 years.

[12] Goodwill and change in accounting estimates:

The Company has adopted alternative accounting guidance developed by the Private Company Council that permits private companies to elect to amortize goodwill and to use a simpler impairment test at either the entity level or the reporting unit level.

Through March 31, 2014, the Company amortized its goodwill on a straight-line basis over ten years. Effective April 1, 2014, the Company changed the estimated remaining useful life of goodwill from nine to four years. Effective August 1, 2015, the Company changed the estimated remaining useful life of goodwill from four to three years. These changes in estimates were applied prospectively. Amortization expense was increased by $0 (₹ 0), (($0 net of tax) and (₹ 0)) and $1,000,000 (₹ 66,260,000), (($628,117 net of tax) and (₹ 41,619,695)) for the years ending March 31, 2017 and 2016 respectively. As of March 31, 2017, goodwill has been fully amortized over its estimated useful life.

[13] Fair value measurements:

The Company's financial instruments include cash and cash equivalents, accounts receivable from customers, advances, other assets, accounts payable, and accruals, which are short-term in nature. The Company believes the carrying amounts of these financial instruments reasonably approximate their fair value.

ASC 820 *Fair Value Measurements* ("ASC 820") defines fair value, establishes a common framework for measuring fair value under the U.S. GAAP, and expands disclosures about fair value measurements for financial and non-financial assets and liabilities.

[14] 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 fiscal years ended March 31, 2017 or 2016.

[15] Summary of recent accounting pronouncements:

In May 2014, the FASB and the International Accounting Standards Board ("IASB") issued their final standard on revenue from contracts with customers. The standard, issued as ASU 2014-09 by the FASB and as International Financial Reporting Standards 15 by the IASB, outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. The core principle of the revenue model is that "an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services". This ASU is effective for annual reporting periods beginning after December 15, 2018 for all nonpublic entities. The Company does not expect the adoption of ASU 2014-09 will have a significant impact on the Company.

In November 2015, the FASB issued ASU No. 2015-17, *Income Taxes* (*Subtopic 740-10*). The amendments in this update require deferred tax liabilities and assets be classified as noncurrent regardless of the classification of the underlying assets and liabilities. Effective for annual periods beginning after December 15, 2017, and interim periods within annual periods beginning after December 15, 2018. Earlier application is permitted. The Company does not expect the adoption of ASU 2015-17 to have significant impact on the Company.

In February 2016, the FASB created Topic 842 and issued ASU No. 2016-02, *Leases.* The guidance in this update supersedes Topic 840, *Leases*. This ASU requires lessees to recognize a right-of-use assets and a lease liability, initially measured at the present value of the lease payments on the balance sheet. Effective for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. Earlier application is permitted. The Company does not expect the adoption of ASU 2016-02 to have significant impact on the Company.

[16] Reclassifications:

Certain prior year amounts have been reclassified to conform to the current year presentation.

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

NOTE C - RELATED PARTY TRANSACTIONS

The Company had transactions with the following parties :

	2017	2017	2016	2016
	$	₹	$	₹
Transactions with Infotech India				
Costs for project consultations / other expenses, included in cost of revenues / general and administrative expenses	30,051,155	1,948,817,402	25,713,551	1,703,779,857
Transactions with Infotech UK				
Costs for project consultations / other expenses, included in cost of revenues / general and administrative expenses	96,828	6,279,301	95,644	6,337,400
Transactions with Technico Technologies				
Costs for project consultations / other expense reimbursements, included in cost of revenues / general and administrative expenses	135,442	8,783,394	174,814	11,583,160
Transactions with ITC Limited				
Reimbursement of advances paid	827,372	53,655,066		
Transactions with Pyxis				
Costs for project consultations / other expense reimbursements, included in cost of revenues / general and administrative expenses	–	–	356,195	23,601,466
Other expense reimbursements from Pyxis included as a reduction in cost of revenues / general and administrative expenses	–	–	14,445	957,134
Transactions with Indivate				
Other expense reimbursements from Indivate included as a reduction in cost of revenues / general and administrative expenses	43,467	2,818,833	–	–

NOTE D - ACCOUNTS RECEIVABLE

Accounts receivable includes both billed and unbilled receivable. Unbilled receivables were approximately $7,223,936 (₹ 468,472,256) and $10,971,889 (₹ 726,997,345) as of March 31, 2017 and 2016, respectively. Changes in the allowance for doubtful accounts in 2017 and 2016 are as follows:

	2017	2017	2016	2016
	$	₹	$	₹
Beginning balance	904,608	58,663,833	912,999	60,495,318
Increase to allowance	283,550	18,388,218	–	–
Accounts written off	–	–	(8,391)	(555,987)
Ending balance	1,188,158	77,052,051	904,608	59,939,331

NOTE E - INTANGIBLE ASSETS AND NET ASSETS IN PYXIS SOLUTIONS, LLC

The Company had intangible arising from the acquisition of 100% membership interest of Pyxis Solutions, LLC in 2008. The components of intangible assets (including goodwill) and their accumulated amortization as at March 31, 2017 and 2016 are as follows:

Identifiable intangible assets	Estimated useful life	Currency	2017			2016		
			Gross carrying amount	Accumulated amortization	Net carrying amount	Gross carrying amount	Accumulated amortization	Net carrying amount
Trade name	8	$	300,000	300,000	–	300,000	286,438	13,562
		₹	19,455,000	19,455,000	–	19,878,000	18,979,382	898,618
Non-compete agreement	4	$	90,000	90,000	–	90,000	90,000	–
		₹	5,836,500	5,836,500	–	5,963,400	5,963,400	–
Customer relationship	8	$	3,900,000	3,900,000	–	3,900,000	3,723,699	176,301
		₹	252,915,000	252,915,000	–	258,414,000	246,732,296	11,681,704
Know how	5	$	1,100,000	1,100,000	–	1,100,000	1,100,000	–
		₹	71,335,000	71,335,000	–	72,886,000	72,886,000	–
Total intangible assets		$	5,390,000	5,390,000	–	5,390,000	5,200,137	189,863
		₹	349,541,500	349,541,500	–	357,141,400	344,561,078	12,580,322
Goodwill	4	$	7,184,566	7,184,566	–	7,184,566	4,951,512	2,233,054
		₹	465,919,105	465,919,105	–	476,049,320	328,087,179	147,962,141
Total intangible assets and goodwill		$	12,574,566	12,574,566	–	12,574,566	10,151,649	2,422,917
		₹	815,460,605	815,460,605	–	833,190,720	672,648,257	160,542,463

Amortization of identifiable intangible assets and goodwill for the years ended March 31, 2017 and 2016 was $2,422,917 (₹ 157,126,167) and $3,141,527 (₹ 208,157,602), respectively. As of March 31, 2017, amortization has been fully recognized in the financial statements.

NOTE F - COMMITMENTS AND CONTINGENCIES

[1] Leases

The Companies have leased offices and storage spaces under non-cancelable operating leases, some of these expiring through fiscal 2023. Total rent expense under all facilities leases was approximately $481,136 (₹ 31,201,670) and $417,293 (₹ 27,649,834) for the fiscal years ended March 31, 2017 and 2016, respectively.

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

The future minimum annual lease payments as at March 31, 2017 are as follows:

	Office		Equipment		Total	
	$	₹	$	₹	$	₹
2017-18	343,149	22,253,194	2,430	157,601	345,579	22,410,795
2018-19	321,474	20,847,560	2,430	157,601	323,904	21,005,161
2019-20	280,457	18,187,641	810	52,534	281,267	18,240,175
2020-21	151,636	9,833,595	–	–	151,636	9,833,595
2021-22	151,636	9,833,595	–	–	151,636	9,833,595
2022-23	39,309	2,549,221	–	–	39,309	2,549,221

NOTE G - INCOME TAXES

The provision for income taxes consists of the following:

	Year ended March 31,			
	2017	2017	2016	2016
	$	₹	$	₹
Federal Taxes				
Current	745,740	48,361,250	783,377	51,906,579
Deferred	(563,994)	(36,574,982)	(683,278)	(45,274,015)
State and local taxes				
Current	89,917	5,831,126	158,582	10,507,647
Deferred	2,451	158,944	(95,565)	(6,332,109)
Foreign Taxes	64,991	4,214,686	156,873	10,394,339
Total current expense	339,105	21,991,024	319,989	21,202,441
Deferred tax assets and liabilities consist of the following:				
Non-current assets				
Accounts Receivable Reserve	434,631	28,185,839	336,408	22,290,399
Equipment, software, furniture and fixtures & leasehold improvements	474	30,711	–	–
Accrued vacation	363,958	23,602,689	333,761	22,115,036
Accrued bonus	591,212	38,340,142	701,413	46,475,606
Amortization of intangible assets and goodwill	1,688,240	109,482,339	1,180,416	78,214,385
Foreign tax credit carry-over	238,868	15,490,568	222,538	14,745,329
	3,317,383	215,132,288	2,774,536	183,840,755
Non-current (liability)				
Depreciation	(63,879)	(4,142,555)	(82,575)	(5,471,420)

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

NOTE H - CONCENTRATION OF CREDIT RISK AND SIGNIFICANT CUSTOMERS

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 28% (12%, 9%, and 7%) and approximately 28% (14%, 8% and 6%) of the Company's revenues for the years ended March 31, 2017 and 2016, respectively. Accounts receivable from these customers approximated 17% (4%, 7%, and 9%) and 14% (2%, 8%, and 4%) of total accounts receivable as at March 31, 2017 and 2016, respectively. Additionally, one customer accounted for 10% of the accounts receivables as of March 31, 2017 that did not account under the revenue concentration

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash deposits. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to regulatory limits. The Company has not experienced any losses in such accounts.

NOTE I - EMPLOYEE STOCK BASED COMPENSATION

Employees of the Company have been granted options by the Company's ultimate parent, ITC Limited, to purchase shares of their common stock. Expense related to these stock options have been reflected in the statement of operations in the amount of $771,311 (₹ 50,019,536) and $777,295 (₹ 51,305,570), respectively, for the years ended March 31, 2017 and 2016.

NOTE J - EMPLOYEE BENEFIT PLAN

The Company maintains a 401(k) Savings Plan for qualified employees. Employees who are eligible, as defined by the plan documents, may contribute an amount not to exceed 100% of participant's compensation, up to the maximum annual elective contribution established by the Internal Revenue Service. The Company makes a Safe Harbor Matching Contribution equal to 100% on the first 3% of eligible earnings that are deferred as Elective Deferral and an additional 50% on the next 2% of eligible earnings. The 401(k) expense for the years ended March 31, 2017 and 2016 was $491,188 (₹ 31,853,542) and $428,104 (₹ 28,366,171), respectively.

NOTE K - LINE OF CREDIT

On February 17, 2016, the Company entered into a revolving line of credit agreement for a maximum borrowing of $5,000,000 (₹ 331,300,000). Interest on this line of credit was chargeable at London Interbank Offered Rate plus 1.35%. There were no amounts outstanding as at March 31, 2017 on account of this credit facility.

NOTE L - SUBSEQUENT EVENT

The Company evaluated subsequent events through May 5, 2017, the date these financial statements were available to be issued.

REPORT OF THE DIRECTORS

Your Directors present their Report together with the Audited Financial Statements for the period ended March 31, 2017.

The Corporation is a wholly owned subsidiary of ITC Infotech (USA) Inc., incorporated in the U.S.A.

Principal Activities

The Corporation is engaged in providing business development, consulting and other advisory services.

Incorporation

The Corporation was incorporated on 10th November, 2016 in the United States of America; consequent to the subscription of the entire share capital by ITC Infotech (USA), Inc., on 18th November, 2016, the Corporation became a wholly owned subsidiary of ITC Infotech (USA), Inc.

Financial Results

	(US$)
Period ended March 31,	**2017**
Total Revenue	**78,010**
Operating Income /(Loss)	**(92,691)**
Profit/(Loss) After Tax	**(92,691)**

Business Review

The Corporation entered into a Business Services Agreement with ITC Limited with effect from February 1, 2017, to provide business consulting and other advisory services.

Directors

M/s. L. N. Balaji, S. Dutta and (Ms.) B. Parameswar, Directors of the Corporation, will retire at the Annual Meeting, and, being eligible, offer themselves for re-appointment.

On behalf of the Board

Bhavani Parameswar
Director & President

May 5, 2017

INDEPENDENT AUDITORS' REPORT

To ITC Infotech (USA), Inc., Sole Shareholder of Indivate Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Indivate Inc., which comprise the balance sheet as of March 31, 2017, and the related statement of operations and shareholder's equity, and cash flows for the period from November 18, 2016 (inception) through March 31, 2017 and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Indivate Inc. as of March 31, 2017 and the results of its operations and its cash flows for the period from November 18, 2016 (inception) through March 31, 2017 in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note B[1], the Indian Rupee equivalent figures have been included in the financial statements as required by ITC Infotech India Limited, the parent company of the Sole Shareholder for informational purpose only, and is not intended to be a presentation in conformity with accounting principles generally accepted in the United States of America.

Iselin, New Jersey
May 5, 2017

INDIVATE INC.
Balance Sheet as of March 31,

	2017 ($)	2017 (₹)
Assets		
Current Assets		
Cash and cash equivalents	**17,411**	1,129,080
Due from ITC Limited	**53,348**	3,459,610
Total current assets	**70,759**	4,588,690
Equipment, furniture and fixtures	**3,859**	250,260
Less: Accumulated depreciation	**226**	14,667
	3,633	235,593
Total Assets	**74,392**	4,824,283
Liabilities and Shareholder's Equity		
Current Liabilities		
Accrued expenses and other current liabilities	**13,112**	850,296
Due to ITC Infotech (USA), Inc.	**43,467**	2,818,833
Accrued payroll and payroll taxes	**10,504**	681,160
Total current liabilities	**67,083**	4,350,289
Stockholder's equity (Paid in Capital included in shareholder's equity)	**7,309**	473,994
Total Stockholder's Equity & Liabilities	**74,392**	4,824,283

On behalf of the Board

Date: May 5, 2017

Bhavani Parameswar, President
LN Balaji, Director

The accompanying notes are an integral part of these financial statements.

Statement of Operations
For the Period From November 18, 2016 (Inception) Through March 31, 2017

	2017 ($)	2017 (₹)
Revenue		
Service income- Related party	**78,010**	5,058,956
Total Service income	**78,010**	5,058,956
General and administrative expenses	**170,701**	11,069,961
Operating (loss)	**(92,691)**	(6,011,005)
Net (loss)	**(92,691)**	(6,011,005)

On behalf of the Board

Date: May 5, 2017

Bhavani Parameswar
President

LN Balaji
Director

The accompanying notes are an integral part of these financial statements.

Statement of Cash Flows
For the Period From November 18, 2016 (Inception) Through March 31, 2017

	2017 ($)	2017 (₹)
Cash flows from operating activities		
Net (loss)	**(92,691)**	(6,011,005)
Depreciation	**226**	14,667
Adjustments to reconcile net income to net cash (used in) / provided by operating activities		
Changes in assets and liabilities :		
Due from ITC Limited	**(53,348)**	(3,459,610)
Accrued expenses and other current liabilities	**13,112**	850,296
Due to ITC Infotech (USA), Inc.	**43,467**	2,818,833
Accrued payroll and payroll taxes	**10,504**	681,160
Net cash used in operating activities	**(78,730)**	(5,105,659)
Cash flows from investing activities		
Purchase of fixed assets	**(3,859)**	(250,260)
Net cash used in investing activities	**(3,859)**	(250,260)
Cash flows from financing activities		
Capital contribution from parent	**100,000**	6,485,000
Net cash provided by financing activities	**100,000**	6,485,000
Net decrease in cash and cash equivalents	**17,411**	1,129,080
Cash and cash equivalents at beginning of the year	–	–
Cash and cash equivalents at end of the year	**17,411**	1,129,080

On behalf of the Board

Date: May 5, 2017

Bhavani Parameswar
President

LN Balaji
Director

The accompanying notes are an integral part of these financial statements.

NOTE A - BUSINESS BACKGROUND AND PRINCIPAL TRANSACTIONS WITH AFFILIATES

Indivate Inc. (the "Company") is principally engaged in providing business consulting services to its customers. Its customers are related party entities that operate in India. The Company was formed as a New Jersey State incorporated company in 2016.

The Company's inception as a wholly owned subsidiary of ITC Infotech (USA), Inc. (the "Parent Company") was on November 18, 2016 and 100% of the shareholder interest is owned by ITC Infotech (USA), Inc.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

[1] **Basis of presentation:**

The financial statements of the Company are prepared in accordance with accounting principles generally accepted in the United States of America, the country of formation. The amounts are represented in U.S. dollars. As required by ITC Infotech India Limited, the parent company of the Parent Company, the Indian Rupee equivalent figures, arrived at by applying the year end interbank exchange rate of US $1 = ₹ 64.85 for the fiscal year ended March 31, 2017 as provided by the Parent Company of the Sole Shareholder, have been included solely for informational purposes and is not in conformance with the provisions of FASB ASC 830-30 – *Foreign Currency Matters – Translation of Financial Statements* and U.S. GAAP.

[2] **Recognition of revenue:**

Service revenue

Service revenue is based upon services provided by the Company employee on customer assignments and is recognized when the work is performed. Substantially, the customers are invoiced on a monthly basis.

[3] **Cash and cash equivalents:**

For purposes of reporting cash flows, the Company considers all deposits in 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.

[4] Accounts receivable and allowance for doubtful accounts:

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 to 60 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 based on historical experience and management's evaluation of outstanding accounts receivable. Accounts are written off when they are deemed uncollectible.

[5] Computer equipment and furniture and fixtures:

Computer equipment and furniture and fixtures purchased are stated at cost. Depreciation is provided under the straight-line method based upon the estimated useful lives of the assets, with such lives ranging up to four years.

[6] 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 the management such estimates would not materially affect the financial statements.

[7] Summary of recent accounting pronouncements:

In May 2014, the FASB and the International Accounting Standards Board ("IASB") issued their final standard on revenue from contracts with customers. The standard, issued as ASU 2014-09 by the FASB and as International Financial Reporting Standards 15 by the IASB, outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. The core principle of the revenue model is that "an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services". This ASU is effective for annual reporting periods beginning after December 15, 2018 for all nonpublic entities. The Company does not expect the adoption of ASU 2014-09 will have any significant impact on the Company.

[8] Employees stock based compensation:

Employees of the Company have been granted options by the Company's ultimate parent, ITC Limited, to purchase shares of their common stock. Expense related to these stock options have been reflected in the statement of operations in the amount of $43,467 (₹ 2,818,833) for the period from November 18, 2016 (Inception) through March 31, 2017.

[9] Subsequent events:

The Company evaluated subsequent events through May 5, 2017, the date the financial statements were available to be issued.

NOTE C - RELATED PARTY TRANSACTIONS

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

	2017 ($)	2017 (₹)
Transactions with ITC Limited		
Service / Account Management fees / others recognized as revenue by Indivate	78,010	5,058,956

Accounts receivable consist of trade accounts receivable and unbilled accounts receivable (representing services performed prior to the balance sheet date, but not invoiced to the customer until thereafter). Related parties receivable total $53,348 (₹ 3,459,610) as of March 31, 2017.

	2017 ($)	2017 (₹)
Transactions with Parent Company		
Costs for project consultations / other expenses, included in cost of revenues / general and administrative expenses	43,467	2,818,833

REPORT OF THE BOARD OF DIRECTORS FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2017

1. Your Board of Directors ('the Board') hereby submits their Report for the financial year ended 31st March, 2017.

2. **FINANCIAL & OPERATIONAL PERFORMANCE**

The Company's financial performance for the year ended 31st March, 2017 is summarised below:

Particulars	Amount (₹ in Lakhs) 31st March, 2017	Amount (₹ in Lakhs) 31st March, 2016
Sale of Services	5053.11	4967.17
Other Operating Income	166.34	98.36
Total Revenue from Operations	5219.45	5065.53
Other Income	223.15	368.01
Total Revenue	5442.60	5433.54
Cost of material consumed	781.14	741.79
Employee benefits expense	1422.93	1347.63
Depreciation and amortization expense	358.39	472.42
Other expenses	3133.33	3094.52
Total Expenses	5695.79	5656.37
Profit/(Loss) before Tax	(253.18)	(224.69)
Tax expenses	(101.26)	(31.50)
Profit/(Loss) after tax	(151.92)	(193.19)
Other Comprehensive Income (net of taxes)	1.83	1.25
Total comprehensive income for the year	(150.10)	(191.94)
Earnings per share (in ₹)	(0.63)	(0.80)

During the financial year ended 31st March, 2017 your Company recorded a net loss after taxes of ₹ 1.50 crores as against previous year loss of ₹ 1.92 crores. However, your Company is gearing up to show good performance in the coming years.

Your Company's hotel ITC Kakatiya continue to focus on superior guest experience and is distinctly poised to take advantage of emerging political activities arising from the bifurcation of the State of Andhra Pradesh. However, it continues to be adversely impacted by the weak environment, high input cost of power and fuel.

The Company made good progress during the year in developing a 100-key full service hotel in Amritsar on a land parcel assigned to the Company by ITC Limited. Civil Works are nearing completion and MEP Works are in advanced stages. Interior works have also commenced.

3. **AWARDS**

During the year, ITC Kakatiya received the TimesFood Guide awards for 'Dakshin' (Best South Indian Fine Dining), 'Kebabs & Kurries' (Best Barbeque & Grills), and 'Marco Polo' (Best Resto Bar).

The Hotel was ranked #3 by the STR (Smith Travel Research) for the year and also achieved the No. 2 Rank on the GDS (Global Distribution System). Tripadvisor (Hotel Review Site) recognized Dakshin and K&K, 2 of ITC Kakatiya's specialty outlets, as the best restaurants in Hyderabad, ranking them #1 and #2 respectively.

4. **DIRECTORS AND KEY MANAGERIAL PERSONNEL**

a) **Changes in Directors and Key Managerial Personnel during the year**

During the year under review, Mr. Krishnan Natarajan (DIN: 02668799), Managing Director had resigned effective 1st September, 2016. Your Director would like to place on record their appreciation for the services rendered by him during his tenure.

Mr. Makhan Lal Virender Razdan (DIN: 02335953), on recommendation of the Nominations and Remuneration Committee, was appointed by the Board as an Additional Director and also as the Managing Director effective 3rd December, 2016. By virtue of the provisions of Article 138 of Articles of Association of your Company and Section 161 of the Companies Act, 2013 ('the Act'), Mr. Razdan will vacate his office at the ensuing Annual General Meeting ("AGM") and being eligible offers himself for re-appointment. Your Board has recommended the appointment of Mr. Razdan (DIN: 02335953) as Director of the Company liable to retire by rotation. Due notice under Sec 160 of the Act have been received by the Company for his appointment as Director and appropriate resolution seeking your approval to such appointment is appearing in the Notice convening the ensuing AGM.

Resolution proposing the appointment and remuneration of Mr. Razdan as Managing Director of the Company effective 3rd December, 2016 is placed before the members at the ensuing AGM.

During the year, Mr. Amit Chandak, Chief Financial Officer & Company Secretary of the Company resigned effective 1st March, 2017. Thereafter the Company appointed Mr. Rakshit Kapoor as the Chief Financial Officer and Ms. Sonali Grover as Company Secretary with effect from 24th March 2017.

b) **Retirement by rotation**

In accordance with the provisions of Section 152 of the Act, and Articles 151 and 152 of the Articles of Association of the Company, Mr. Nakul Anand (DIN: 00022279) and Mr. Dipak Haksar (DIN: 02952250), Directors, will retire by rotation at the ensuing Annual General Meeting of the Company and, being eligible, offers themselves for re-appointment. Your Board has recommended their re-appointment.

c) **Attributes, Qualifications & Independence of Directors and their Appointment**

As reported last year, the attributes and qualifications as provided in Section 149(6) of the Act and Rule 5 of the Companies (Appointment and Qualification of Directors) Rules, 2014 were adopted by the Nominations and Remuneration Committee of the Board in respect of the Independent Directors. The said attributes and qualifications, to the extent applicable, were also adopted in respect of the other Directors.

The Nominations and Remuneration Committee of the Board has adopted the criteria for determining qualifications, positive attributes and independence of Directors in terms of the Act and the Rules there under, both in respect of Independent Directors and other Directors as applicable. The criteria inter alia requires that Directors shall possess appropriate skills, experience and knowledge in one or more fields of finance, law, management, sales, marketing, administration or other disciplines related to the Company's business.

Directors are appointed / reappointed with the approval of the members. All Directors of the Company, other than the Independent Directors, are liable to retire by rotation and one-third of such Directors retire every year and are eligible for re-appointment.

The Independent Directors of your Company have confirmed that they meet the criteria of independence as prescribed under Section 149(6) of the Act read with Rule 5 of the Companies (Appointment and Qualification of Directors) Rules, 2014.

d) **Remuneration Policy**

The Remuneration Policy for the Directors, Key Managerial Personnel and other employees of the Company, as approved by the Board, is enclosed as **Annexure 1** to this Report.

e) **Board Evaluation**

The Board carried out annual performance evaluation of its own performance and that of the individual Directors as also functioning of the Board Committees, as required in terms of Section 134(3)(p) of the Act. The performance evaluation of the Board and individual Directors was based on criteria approved by the Nominations and Remuneration Committee.

Evaluation of functioning of Board Committees is based on discussions amongst Committee members and shared by each Committee Chairman with the Board.

The Directors expressed their satisfaction with the overall evaluation process.

5. **BOARD AND BOARD COMMITTEES**

The three Board Committees of the Company and their present composition is as follows:

Audit Committee	Nominations and Remuneration Committee	Corporate Social Responsibility Committee
J Singh (Chairman)	N Anand (Chairman)	G S Reddy (Chairman)
K V Raghavaiah	S R Tulasi	D Haksar
S R Tulasi	K V Raghavaiah	S R Tulasi
	G S Reddy	

During the year ended 31st March, 2017, the following meetings of the Board and Board Committees were held:

Board / Board Committee	Number of meetings held during the year	Dates of meetings
Board	4	16th April, 2016 11th August, 2016 3rd December, 2016 24th March, 2017
Audit Committee	4	16th April, 2016 11th August, 2016 3rd December, 2016 24th March, 2017
Nominations and Remuneration Committee	3	16th April, 2016 3rd December, 2016 24th March, 2017
Corporate Social Responsibility Committee	1	24th March, 2017

The attendance of the Directors of the Company at the Board and Board Committee meetings held during the year is given below:

Sl. No.	Name of the Director / Committee Member	Number of meetings attended			
		Board	Audit Committee	Nominations and Remuneration Committee	Corporate Social Responsibility Committee
1	G S Reddy	4	N.A.	3	1
2	N Anand	3	N.A.	2	N.A.
3	K V Raghavaiah	4	4	3	N.A.
4	S R Tulasi	2	2	2	1
5	B N S Reddy	3	N.A.	N.A.	N.A.
6	D Haksar	4	N.A.	N.A.	1
7	J Singh	4	4	N.A.	N.A.
8	G V P Reddy	2	N.A.	N.A.	N.A.
9	K Natarajan*	2	N.A.	N.A.	N.A.
10	V Razdan**	2	N.A.	N.A.	N.A.

* Ceased to be a Director and Managing Director w.e.f. 1st September, 2016.

** Appointed as an Additional Director and Managing Director w.e.f. 3rd December, 2016.

6. DIRECTORS' RESPONSIBILITY STATEMENT

As required under Section 134(5) of the Act, your Directors confirm having: -

a) followed in the preparation of the Annual Accounts, the applicable Accounting Standards with proper explanation relating to material departures, if any;

b) 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 and loss of the Company for that period;

c) taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of your Company and for preventing and detecting fraud and other irregularities;

d) prepared the Annual Accounts on a going concern basis;

e) devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems are adequate and operating effectively.

7. SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

During the period, the Company does not have any subsidiary, associate or joint venture.

8. PARTICULARS OF EMPLOYEES

There were no employees who were employed throughout the year and were in receipt of remuneration aggregating ₹ 1.02 crore or more or were employed for part of the year and were in receipt of remuneration aggregating ₹ 8.5 lakhs per month or more during the financial year ended 31st March, 2017.

The information pursuant to Section 197 of the Companies Act, 2013 read with Rule 5(2) and 5(3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 containing the names of top 10 employees in terms of remuneration drawn is provided in the **Annexure 2** forming part of this report.

Your Company continues to attract and retain talent of the highest quality. Your Directors place on record their sincere appreciation for the efforts made and the support rendered by the employees of the Company. The Company provides a gender friendly workplace and no case of sexual harassment was reported during the year.

9. RISK MANAGEMENT

The Company's risk management framework, designed to bring robustness to the risk management processes in the Company, addresses risks intrinsic to operations, financials and compliances arising out of the overall strategy of the Company.

Management of risks vests with the executive management which is responsible for the day-to-day conduct of the affairs of the Company. The Internal Audit Department of ITC Limited periodically carries out, at the request of the Company, risk focused audits with the objective of identifying areas where risk management processes could be strengthened. As required under the Risk Management Policy of the Company, a Risk Mitigation Report back was prepared on half-yearly basis and reviewed by the Managing Director of the Company. Further, an annual update was provided to the Audit Committee on the effectiveness of the Company's risk management systems and policies. The Board expressed satisfaction with the implementation of the risk mitigation strategies adopted by the Company against various risks.

10. INTERNAL FINANCIAL CONTROLS

There are adequate internal financial controls in your Company with respect to the financial statements, commensurate with the size and scale of the operations of the Company. The Audit Committee which provides guidance on internal controls, also reviews internal audit findings and implementation of internal audit recommendations.

During the year, the internal financial controls in the Company with respect to the financial statements were tested and no material weakness in the design or operation of such controls was observed. Nonetheless your Company recognises that any internal financial control framework, no matter how well designed, has inherent limitations and accordingly, regular audit and review processes ensure that such systems are reinforced on an ongoing basis.

11. CORPORATE SOCIAL RESPONSIBILITY (CSR)

The Annual Report on CSR activities of the Company in terms of Section 135 of the Act read with the Companies (Corporate Social Responsibility Policy) Rules, 2014 is enclosed as **Annexure 3** to this Report.

Keeping in view the financial position of the Company and non-applicability of the CSR provisions, no contribution was made towards CSR activities during the financial year 2016-17.

12. PARTICULARS OF LOANS, GUARANTEES AND INVESTMENTS

During the year ended 31st March, 2017, the Company has neither given any loan or guarantee nor has made any investment under Section 186 of the Act.

13. RELATED PARTY TRANSACTIONS

During the year ended 31st March, 2017, the Company has not entered into any contract or arrangement with its related parties which is not on arm's length basis.

14. SIGNIFICANT AND MATERIAL ORDERS PASSED BY THE REGULATORS / COURTS / TRIBUNALS

During the year under review, no significant or material orders were passed by the Regulators / Courts / Tribunals impacting the going concern status of the Company and its future operations.

15. EXTRACT OF ANNUAL RETURN

The extract of Annual Return in the prescribed Form No. MGT-9 is enclosed as **Annexure 4** to this Report.

16. STATUTORY AUDITORS

The Company's Auditors Messrs. Lovelock & Lewes, (301056E), Chartered Accountants, who retire at the ensuing Annual General Meeting, are not eligible for re-appointment as per the provisions of Section 139(2) of the Companies Act, 2013 (the Act) read with Rule 6(3) of the Companies (Audit and Auditors) Rules, 2014.

Your Board of Directors, on recommendation of the Audit Committee, has recommended the appointment of Messrs Deloitte Haskins & Sells LLP (117366W / W-100018), Chartered Accountants, as Auditors of the Company for a period of five years in accordance with Section 139(1) of the Act. Messrs Deloitte Haskins & Sells LLP have given their consent and certificate for appointment as the Auditors of the Company from the conclusion of the ensuing AGM till the conclusion of the 37th AGM. The Board, in terms of Section 142 of the Act, has also recommended for the approval of the Members the remuneration of Messrs Deloitte Haskins & Sells LLP for the financial year 2017-2018. Appropriate resolution in respect of the above is appearing in the Notice convening the ensuing AGM of the Company.

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

Conservation of Energy

Steps taken on Conservation of Energy and impact thereof:

S. No.	Description
1.	Installation of 70 TR VFD Heat Pump
2.	Installation of VFDS for HVAC pumps

Steps taken by the Company for utilising alternate sources of energy: NIL

Capital investment on energy conservation equipment:

S. No.	Description	Amount in ₹
1.	Installation of 70 TR VFD Heat Pump.	₹ 41,57,919
2.	Investment on VFDs for HVAC	₹ 1,86,000/-

Technology Absorption

i) Efforts, in brief, made towards technology absorption and benefits derived as a result of the above efforts, e.g. product improvement, cost reduction, product development, import substitution, etc. is provided hereunder:

S. No.	Description	Benefits
1.	Automatic Rescue device for FNB service elevator	Enhancement of safety and security
2.	Duress Alarm	Enhancement of safety and security
3.	Positive interlocking for equipment's	Technology enhancement for automation

ii) The Company neither imported any technology during the year nor incurred any expenditure on research and development.

Foreign Exchange Earnings and Outgo

During the year the Company had foreign exchange earnings of ₹ 930.58 lakhs (previous year ₹ 1449.31 lakhs) and foreign expenses of ₹ 131.90 lakhs (previous year ₹ 193.72 lakhs).

On behalf of the Board

Date: 21st April, 2017
Place: Gurugram

G Sivakumar Reddy
Chairman

Annexure 1 to the Report of the Board of Directors for the financial year ended 31st March, 2017

Remuneration Policy

The Company's Remuneration Strategy is designed to attract and retain quality talent that gives its business a competitive advantage and enables the Company to achieve its objectives.

The Company's Remuneration Strategy, whilst focusing on remuneration and related aspects of performance management, is aligned with and reinforces the employee value proposition of a superior quality of work life, that includes an enabling work environment, an empowering and engaging work culture and opportunities to learn and grow.

The Compensation approach endeavours to align each employee with the Company's goals.

POLICY

It is the Company's Policy:

1. To ensure that its Remuneration practices support and encourage meritocracy.
2. To ensure that Remuneration is market-led and takes into account the competitive context of the Company's business.
3. To leverage Remuneration as an effective instrument to enhance performance and therefore to link the remuneration to both individual and collective performance outcomes.
4. To adopt a comprehensive approach to Remuneration in order to support a superior quality of personal and work life, in a manner so as to judiciously balance short term with long term priorities.
5. To design Remuneration practices such that they reinforce the Company's values and culture and to implement them in a manner that complies with all relevant regulatory requirements.

Remuneration of Key Managerial Personnel (KMP)

1. Remuneration of KMP is determined and recommended by the Nomination and Remuneration Committee and approved by the Board. Remuneration of the Managing Director / Wholetime Director / Manager is also subject to the approval of the shareholders.
2. Remuneration is reviewed and revised periodically, when such a revision is warranted by the market.
3. Apart from fixed elements of remuneration and benefits, the KMP are also eligible for Variable Pay / Performance Bonus which is linked to their individual performance and the overall performance of the Company.
4. Remuneration of KMP on deputation from the Holding Company / subsidiary / fellow subsidiary / associate companies, is aligned to the Remuneration Policy of that company.

Remuneration of Independent Directors

Independent Directors are entitled to sitting fees for attending meetings of the Board and Board Committees, the quantum of which is determined by the Board, within the limits prescribed under the Companies Act, 2013 and the Rules thereunder. Independent Directors are also entitled to reimbursement of expenses for attending meetings of the Board and Board Committees and General Meetings.

Remuneration of employees other than KMP

1. Remuneration of employees other than KMP is approved by the Board.
2. Remuneration is reviewed and revised periodically, when such a revision is warranted by the market. The quantum of revision is linked to market trends, the competitive context of the Company's business, as well as the track record of the individual employee.
3. Variable Pay cognises for the performance rating of the individual employee and the overall performance of the Company.

Annexure 2 to the Report of the Board of Directors for the financial year ended 31st March, 2017

[Information pursuant to Section 197 of the Companies Act, 2013 read with Rules 5(2) and 5(3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]

Names of employees	Age	Designation	Gross Remuneration (₹)	Net Remuneration (₹)	Qualifications	Experience (Years)	Date of commencement of employment	Previous Employment /Position Held
1	2	3	4	5	6	7	8	9
#Amit Chandak	40	Chief Financial Officer	31,62,524	19,75,769	ACA, ACS, ICWA	15	10/01/2015	*ITC Limited, Project Controller
Virender Razdan	52	Managing Director##	30,16,536	11,82,621	B.SC, Hotel Management	29	29/08/2016	*ITC Limited, General Manager
#N. Krishnan	40	Managing Director	11,69,655	10,59,080	Diploma - Hotel Management	24	26/08/2015	*ITC Limited, General Manager
Srinivas Rao Mortha	50	Jr. Executive	7,04,420	6,09,946	Graduate	22	31/07/1995	Marriot Hotels & Convention Centre, Hyderabad, F & B Production Associate
Nikhil Kotha	26	Head - MICE	6,48,184	5,66,912	Post graduate	2	15/09/2015	Marriot Hotels & Convention Centre, Hyderabad, Assistant Sales Manager
Teja S Raj	50	Executive Secretary	5,73,245	5,51,645	Graduate	16	11/10/1999	Orbit Technologies Pvt.Ltd, Executive Secretary
A L Raja	47	Jr. Executive	5,70,723	4,86,003	Graduate	22	06/06/1995	APSIDC Ltd, Executive Secretary
Shaik Abdul Kareem	58	Jr. Executive	5,48,965	4,63,736	Matriculate	21	16/02/1996	Hotel Bhaskara Palace-Hyderabad, Engineering Associate
K S Ravi Kumar	56	Jr. Executive	5,46,617	5,25,017	Matriculate	22	01/09/1995	The Krishna Oberoi, Hyderabad, Kitchen Stewarding Associate
Sambasiva Rao b	49	Jr. Executive	5,42,251	4,57,531	Matriculate	22	01/10/1995	J.J Associates, Electrical Supervisor

* On deputation from ITC Limited.

Mr. Amit Chandak reverted to ITC Limited effective 1.03.2017.

Mr. N. Krishnan reverted to ITC Limited effective 1.09.2016.

Appointed as Managing Director effective 3.12.2016.

Notes:

a. In respect of employees on deputation, gross remuneration disclosed as above is the deputation cost which is borne by the Company.

b. For other employees, gross remuneration includes salary, variable pay, Company's contribution to provident fund, allowances & other benefits / applicable perquisites except provisions for gratuity and leave encashment which are actuarially determined on an overall Company basis. The term 'remuneration' has the meaning assigned to it under the Companies Act, 2013.

c. Net remuneration comprises cash income less income tax & education cess deducted at source and employee's own contribution to provident fund.

d. Employees on deputation from ITC Limited (ITC) have been granted Stock Options by ITC under its Employees Stock Option Schemes at 'market price' [within the meaning of the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014]. Since such Options are not tradeable, no perquisite or benefit is immediately conferred upon them by such grant of Options, and accordingly the said grant has not been considered as remuneration.

e. All appointments (except in case of employees on deputation) are contractual in accordance with terms and conditions as per Company's rules.

f. None of the above employees is a relative of any Director / Manager of the Company.

g. None of the above employees hold any share in the Company.

Dated : 21st April, 2017
Place: Gurugram

On behalf of the Board

G Sivakumar Reddy **Chairman**

Annexure 3 to the Report of the Board of Directors

Annual Report on CSR Activities of the Company for the financial year ended 31st March, 2017

[Section 135 of the Companies Act, 2013 read with the Companies (Corporate Social Responsibility Policy) Rules, 2014]

1.	A brief outline of the Company's CSR Policy including overview of projects or programs proposed to be undertaken:	The Company, a subsidiary of ITC Limited (ITC), discharges its corporate social responsibilities (CSR) by aligning itself with the CSR Policy of ITC. The Company undertakes its CSR activities: • as listed in Schedule VII to the Companies Act, 2013, in line with the CSR initiatives of ITC and as approved by the CSR Committee of the Company; •directly or through a registered trust or a registered society or a company established under Section 8 of the Companies Act, 2013. The Company may collaborate with ITC or other companies for undertaking CSR activities.
2.	Composition of CSR Committee	Mr. G. Sivakumar Reddy (Chairman) Mr. Dipak Haksar Mr. Subba Rao Tulasi
3.	Average net profit of the Company for last three financial years	₹ (1,13,30,484) /- [Loss]
4.	Prescribed CSR expenditure (two percent of the amount stated under 3 above)	Nil
5.	Details of CSR spent during the financial year 2016-17: Total amount spent for the financial year Total amount unspent	 Nil Nil

Manner in which the amount spent during the financial year 2016-17 is detailed below:

Sl. No.	CSR Project or activity identified	Sector in which the project is covered	Projects or programs (1) Local area or other (2) Specify the State and district where projects or programs was undertaken	Amount outlay (Budget) project or program wise	Amount spent on the projects or programs Sub heads: 1. Direct expenditure on projects or programs 2. Overheads	Cumulative expenditure upto the reporting period	Amount spent: Direct or through implementing agency -
–	–	–	–	–	–	–	–

6.	In case the Company has failed to spend the two per cent of the average net profit of the last three financial years or any part thereof, the Company shall provide the reasons for not spending the amount in its Board Report.	Keeping in view the financial position of the Company and non-applicability of the CSR provisions, no contribution has been made towards CSR activities during the financial year 2016-17.
7.	A responsibility statement of the CSR committee that the implementation and monitoring of CSR Policy, is in compliance with CSR objectives and Policy of the Company.	As the Company did not implement any of the activities of the CSR Policy no comment is made in this regard.

G. Sivakumar Reddy
Chairman - CSR Committee

Virender Razdan
Managing Director

Dated : 21st April, 2017
Place : Gurugram

Annexure 4 to the Report of the Board of Directors

FORM NO. MGT-9

EXTRACT OF ANNUAL RETURN
as on the financial year ended on 31st March, 2017

[Pursuant to Section 92(3) of the Companies Act, 2013 and Rule 12(1) of the Companies (Management and Administration) Rules, 2014]

I. REGISTRATION AND OTHER DETAILS

i) CIN : U74999TG1984PLC005192
ii) Registration Date : 20th December, 1984
iii) Name of the Company : Srinivasa Resorts Limited
iv) Category / Sub-Category of the Company : Unlisted Public Company limited by shares
v) Address of the Registered office and contact details : 6-3-1187, Begumpet, Hyderabad, Telangana-500016
Phone: 040 - 40081888
e-mail ID: srl.kakatiya@itchotels.in
vi) Whether listed company (Yes / No) : No
vii) Name, Address and Contact details of Registrar and Transfer Agent, if any: N.A.

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

All the business activities contributing 10% or more of the total turnover of the Company shall be stated:-

Sl. No.	Name and Description of main products / services	NIC Code of the Product / service	% to total turnover of the Company
1.	Hotel	55101	100%

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES

Sl. No.	Name and Address of the Company	CIN/GLN	Holding/ Subsidiary/ Associate	% of shares held in the Company	Applicable Section
1.	ITC Limited Virginia House 37 Jawaharlal Nehru Road Kolkata – 700 071	L16005WB1910PLC001985	Holding company	68	2(46)

IV. SHAREHOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity)

(i) Category-wise Shareholding:

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
A. Promoters									
(1) Indian									
a) Individual/HUF	–	72,20,040	72,20,040	30.08	–	72,20,040	72,20,040	30.08	N.A.
b) Central Govt.	–	–	–	–	–	–	–	–	N.A.
c) State Govt.(s)	–	–	–	–	–	–	–	–	N.A.
d) Bodies Corp.	–	1,67,79,960	1,67,79,960	69.92	-	1,67,79,960	1,67,79,960	69.92	N.A.
e) Banks / FI	–	–	–	–	–	–	–	–	N.A.
f) Any Other	–	–	–	–	–	–	–	–	N.A.
Sub-total (A)(1)	–	2,40,00,000	2,40,00,000	100.00	–	2,40,00,000	2,40,00,000	100.00	N.A.
(2) Foreign									
a) NRIs - Individuals	–	–	–	–	–	–	–	–	N.A.
b) Other – Individuals	–	–	–	–	–	–	–	–	N.A.
c) Bodies Corp.	–	–	–	–	–	–	–	–	N.A.
d) Banks / FI	–	–	–	–	–	–	–	–	N.A.
e) Any Other	–	–	–	–	–	–	–	–	N.A.
Sub-total (A)(2)	–	–	–	–	–	–	–	–	N.A.
Total shareholding of Promoter (A) = (A)(1)+(A)(2)	-	2,40,00,000	2,40,00,000	100.00	-	2,40,00,000	2,40,00,000	100.00	N.A.
Public Shareholding									
1. Institutions									
a) Mutual Funds	–	–	–	–	–	–	–	–	N.A.
b) Banks / FI	–	–	–	–	–	–	–	–	N.A.
c) Central Govt.	–	–	–	–	–	–	–	–	N.A.
d) State Govt.(s)	–	–	–	–	–	–	–	–	N.A.
e) Venture Capital Funds	–	–	–	–	–	–	–	–	N.A.
f) Insurance Companies	–	–	–	–	–	–	–	–	N.A.
g) FIIs	–	–	–	–	–	–	–	–	N.A.
h) Foreign Venture Capital Funds	–	–	–	–	–	–	–	–	N.A.
i) Others (specify)	–	–	–	–	–	–	–	–	N.A.
Sub-total (B)(1):-	–	–	–	–	–	–	–	–	N.A.
2. Non-Institutions									
a) Bodies Corp.									
i) Indian	–	–	–	–	–	–	–	–	N.A.
ii) Overseas	–	–	–	–	–	–	–	–	N.A.
b) Individuals i) Individual shareholders holding nominal share capital upto Rs. 1 lakh ii) Individual shareholders holding nominal share capital in excess of Rs. 1 lakh	–	–	–	–	–	–	–	–	N.A.
c) Others (specify)	–	–	–	–	–	–	–	–	N.A.
Sub-total (B)(2)	–	–	–	–	–	–	–	–	**N.A.**
Total Public Shareholding (B)=(B)(1)+ (B)(2)	–	–	–	–	–	–	–	–	**N.A.**
C. Share held by Custodian for GDRs & ADRs	–	–	–	–	–	–	–	–	N.A.
Grand Total (A+B+C)	–	2,40,00,000	2,40,00,000	100.00	–	2,40,00,000	2,40,00,000	100.00	NIL

(ii) Shareholding of Promoters:

Sl. No.	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in shareholding during the year
		No. of Shares	% of total Shares of the Company	% of Shares pledged / encumbered to total Shares	No. of Shares	% of total Shares of the Company	% of Shares pledged / encumbered to total Shares	
1.	ITC Limited	1,63,20,477	68.00%	–	1,63,20,477	68.00%	–	–
2.	G Sivakumar Reddy	13,04,230	5.43%	–	13,04,230	5.43%	–	–
3.	G Sulochanamma	15,00,000	6.25%	–	15,00,000	6.25%	–	–
4.	N Shailaja Reddy	10,00,000	4.17%	–	10,00,000	4.17%	–	–
5.	G Samyuktha Reddy	6,15,810	2.57%	–	6,15,810	2.57%	–	–
6.	B Bharathi Reddy	10,00,000	4.17%	–	10,00,000	4.17%	–	–
7.	G V Pranav Reddy	8,00,000	3.33%	–	8,00,000	3.33%	–	–
8.	M V Rachita	10,00,000	4.17%	–	10,00,000	4.17%	–	–
9.	GSR Projects Pvt Ltd	4,59,483	1.91%	–	4,59,483	1.91%	–	–
	Total	2,40,00,000	100%	–	2,40,00,000	100%	–	–

(iii) Change in Promoters' Shareholding (please specify, if there is no change):

Sl. No.		Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of Shares	% of total Shares of the Company	No. of Shares	% of total Shares of the Company
	At the beginning of the year	**No change during the year**			
	Date wise Increase / Decrease in Promoters Shareholding during the year				
	At the end of the year				

(iv) Shareholding Pattern of top ten Shareholders (other than Directors, Promoters and Holders of GDRs and ADRs): NOT APPLICABLE

(v) Shareholding of Directors and Key Managerial Personnel:

Sl. No.	For each of the Directors and KMP	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of Shares	% of total Shares of the Company	No. of Shares	% of total Shares of the Company
1.	**G Sivakumar Reddy - Director**				
	At the beginning of the year	13,04,230	5.43%	–	–
	Date wise Increase / Decrease in Shareholding during the year	–	–	–	–
	At the end of the year			13,04,230	5.43%
2.	**G V Pranav Reddy - Director**				
	At the beginning of the year	8,00,000	3.33%		
	Date wise Increase / Decrease in Shareholding during the year	–	–	–	–
	At the end of the year			8,00,000	3.33%

Messrs Nakul Anand, B N Suresh Reddy, Dipak Haksar, Subba Rao Tulasi, Raghavaiah Veera Kolamala, Jagdish Singh, Virender Razdan, Directors, Mr Rakshit Kapoor, Chief Financial Officer and Ms Sonali Grover, Company Secretary, did not hold any shares of the Company, either at the beginning or at the end of the year or at any time during the year.

V. INDEBTEDNESS

Indebtedness of the Company including interest outstanding/accrued but not due for payment: NIL

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

A. Remuneration to Managing Director, Whole-time Directors and/or Manager:

(Amount in ₹)

Sl. No.	Particulars of Remuneration	Virender Razdan (Managing Director) (refer Note 1&2)
1.	Gross Salary	
	(a) Salary as per provisions contained in Section 17(1) of the Income-tax Act, 1961	10,75,010
	(b) Value of perquisites under Section 17(2) of the Income-tax Act, 1961	2,48,040
	(c) Profits in lieu of salary under Section 17(3) of the Income-tax Act, 1961	
2.	Stock Option	
3.	Sweat Equity	
4.	Commission - as % of profit - others, specify	
5.	Others, please specify	
Total Amount (A)		13,23,050
Ceiling as per the Companies Act, 2013		84,00,000 per annum (refer Note 3)

Note 1: Mr. Virender Razdan has been appointed as the Managing Director of the Company with effect from 3rd December, 2016.

Note 2 : Mr. Virender Razdan is on deputation from ITC Limited (ITC) and has been granted Stock Options by ITC under its Employee Stock Option Schemes at 'market price' [within the meaning of the SEBI (Share Based Employee Benefits) Regulations, 2014]. Since such Options are not tradeable, no perquisite or benefit is immediately conferred upon him by such grant of Options, and accordingly the said grant has not been considered as remuneration.

Note 3 : Ceiling as per Part II of Schedule V [proviso to Section II (A) (ii)] of the Companies Act, 2013 has been disclosed, considering that the Company had incurred losses during the financial year ended 31st March, 2017.

B. Remuneration to other Directors:

(Amount in ₹)

Sl. No.	Name of the Directors	Particulars of Remuneration			Total Amount
		Fee for attending Board and Board Committee meetings	Commission	Independent Directors' Meeting Fee	
1.	**Independent Directors**				
	Raghavaiah Veera Kolamala	1,50,000	Nil	10,000	**1,60,000**
	Subba Rao Tulasi	90,000		10,000	**1,00,000**
	Total Amount (B) (1)	2,40,000		20,000	**2,60,000**
2.	**Other Non-Executive Directors**				
	Nakul Anand	Nil	Nil	Nil	Nil
	B N Suresh Reddy				
	G Sivakumar Reddy				
	Dipak Haksar				
	G V Pranav Reddy				
	Jagdish Singh				
	Total Amount (B) (2)				**Nil**
Total Amount (B) = (B) (1) + (B) (2)					**2,60,000**
Total Managerial Remuneration (A+B)					**15,83,050**
Overall ceiling as per the Companies Act, 2013					84,00,000 per annum (refer Note)

Note: Ceiling as per Part II of Schedule V [proviso to Section II (A) (ii)] of the Companies Act, 2013 has been disclosed, considering that the Company had incurred losses during the financial year ended 31st March, 2017.

C. Remuneration to Key Managerial Personnel other than MD/Manager/WTD:

(Amount in ₹)

Sl. No.	Particulars of Remuneration per Annum	Rakshit Kapoor (Chief Financial Officer) (refer Note)	Sonali Grover (Company Secretary) (refer Note)	Total
1.	Gross salary			
	(a) Salary as per provisions contained in Section 17(1) of the Income-tax Act, 1961	47,579	3,871	51,450
	(b) Value of perquisites under Section 17(2) of the Income-tax Act, 1961	8,254		8,254
	(c) Profits in lieu of salary under Section 17(3) of the Income-tax Act, 1961			
2.	Stock Option			
3.	Sweat Equity			
4.	Commission - as % of profit - others, specify			
5.	Others, please specify			
Total		**55,833**	**3,871**	**59,704**

Note 1 : Mr. Rakshit Kapoor and Ms. Sonali Grover were appointed as Chief Financial Officer and Company Secretary respectively w.e.f 24th March, 2017.

Note 2 : Mr. Rakshit Kapoor is on deputation from ITC Limited (ITC) and has been granted Stock Options by ITC under its Employee Stock Option Schemes at 'market price' [within the meaning of the SEBI (Share Based Employee Benefits) Regulations, 2014]. Since such Options are not tradeable, no perquisite or benefit is immediately conferred upon him by such grant of Options, and accordingly the said grant has not been considered as remuneration.

VII. PENALTIES / PUNISHMENT / COMPOUNDING OF OFFENCES

against the Company, Directors and other Officers in Default under the Companies Act, 2013: None

On behalf of the Board

Place: Gurugram
Dated : 21st April, 2017 **G. Sivakumar Reddy** **Chairman**

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF SRINIVASA RESORTS LIMITED

Report on the Indian Accounting Standards (Ind AS) Financial Statements

1. We have audited the accompanying financial statements of Srinivasa Resorts Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2017 the Statement of Profit and Loss (including Other Comprehensive Income), the Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Ind AS Financial Statements

2. The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these Ind AS financial statements to give a true and fair view of the financial position, financial performance (including other comprehensive income), cash flows and changes in equity of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards specified in the Companies (Indian Accounting Standards) Rules, 2015 (as amended) under Section 133 of the Act. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

3. Our responsibility is to express an opinion on these Ind AS financial statements based on our audit.
4. We have taken into account the provisions of the Act and the Rules made thereunder including the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.
5. We conducted our audit of the Ind AS financial statements in accordance with the Standards on Auditing specified under Section 143(10) of the Act and other applicable authoritative pronouncements issued by the Institute of Chartered Accountants of India. Those Standards and pronouncements require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Ind AS financial statements are free from material misstatement.
6. An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the Ind AS financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the Ind AS financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the Ind AS financial statements that give a true and fair view, in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the Ind AS financial statements.
7. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Ind AS financial statements.

Opinion

8. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid Ind AS financial statements 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, of the state of affairs of the Company as at March 31, 2017, and its loss (including other comprehensive income), its cash flows and the changes in equity for the year ended on that date.

Other Matter

9. The financial information of the Company for the year ended March 31, 2016 and the transition date opening balance sheet as at April 1, 2015 included in these Ind AS financial statements, are based on the previously issued statutory financial statements for the years ended March 31, 2016 and March 31, 2015 prepared in accordance with the Companies (Accounting Standards) Rules, 2006 (as amended) which were audited by us, on which we expressed an unmodified opinion dated April 16, 2016 and April 14, 2015 respectively. The adjustments to those financial statements for the differences in accounting principles adopted by the Company on transition to the Ind AS have been audited by us.

Our opinion is not qualified in respect of these matters.

Report on Other Legal and Regulatory Requirements

10. As required by the Companies (Auditor's Report) Order, 2016, issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act ("the Order"), 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 B a statement on the matters specified in paragraphs 3 and 4 of the Order.
11. As required by Section 143 (3) of the Act, we report that:

(a) We have sought and 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 it appears from our examination of those books.

(c) The Balance Sheet, the Statement of Profit and Loss (including other comprehensive income), the Cash Flow Statement and the Statement of Changes in Equity dealt with by this Report are in agreement with the books of account.

(d) In our opinion, the aforesaid Ind AS financial statements comply with the Indian Accounting Standards specified under Section 133 of the Act.

(e) On the basis of the written representations received from the directors as on March 31, 2017 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2017 from being appointed as a director in terms of Section 164 (2) of the Act.

(f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in Annexure A.

(g) With respect to the other matters to be included in the Auditors' Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our knowledge and belief and according to the information and explanations given to us:

i. The Company has disclosed the impact, if any, of pending litigations as at March 31, 2017 on its financial position in its Ind AS financial statements – Refer Note 26;

ii. The Company did not have any long-term contracts with material foreseeable losses as at March 31, 2017. The Company has derivative contracts as at March 31, 2017 for which there are no material foreseeable losses;

iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company during the year ended March 31, 2017;

iv. The Company has provided requisite disclosures in the financial statements as to holdings as well as dealings in Specified Bank Notes during the period from 8th November, 2016 to 30th December, 2016. Based on audit procedures and relying on the management representation we report that the disclosures are in accordance with books of account maintained by the Company and as produced to us by the Management – Refer Note 33.

For Lovelock & Lewes
Firm Registration Number: 301056E
Chartered Accountants
Sunit Kumar Basu
Partner
Membership Number: 55000

Place: Gurugram
Date: April 21, 2017

ANNEXURE A TO INDEPENDENT AUDITORS' REPORT

Referred to in paragraph 11(f) of the Independent Auditors' Report of even date to the members of Srinivasa Resorts Limited on the financial statements for the year ended March 31, 2017

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Act

1. We have audited the internal financial controls over financial reporting of Srinivasa Resorts Limited ("the Company") as of March 31, 2017 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

2. The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India (ICAI). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

Auditors' Responsibility

3. Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing deemed to be prescribed under section 143(10) of the Act to the extent applicable to an audit of internal financial controls, both issued by the ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.
4. Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of

internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

Meaning of Internal Financial Controls Over Financial Reporting

6. A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

7. Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

8. In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2017, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For Lovelock & Lewes
Firm Registration Number: 301056E
Chartered Accountants
Sunit Kumar Basu
Partner
Membership Number: 55000

Place: Gurugram
Date: April 21, 2017

ANNEXURE B TO INDEPENDENT AUDITORS' REPORT

Referred to in paragraph 10 of the Independent Auditors' Report of even date to the members of Srinivasa Resorts Limited on the financial statements as of and for the year ended March 31, 2017

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 by the Management during the year and no material discrepancies have been noticed on such verification. In our opinion, the frequency of verification is reasonable.

(c) The title deeds of immovable properties, as disclosed in Note 3 on fixed assets to the financial statements, are held in the name of the Company.

ii. The physical verification of inventory have been conducted at reasonable intervals by the Management during the year. The discrepancies noticed on physical verification of inventory as compared to book records were not material.

iii. The Company has not granted any loans, secured or unsecured, to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under Section 189 of the Act. Therefore, the provisions of Clause 3(iii), (iii)(a), (iii)(b) and (iii)(c) of the said Order are not applicable to the Company.

iv. The Company has not granted any loans or made any investments, or provided any guarantees or security to the parties covered under Section 185 and 186. Therefore, the provisions of Clause 3(iv) of the said Order are not applicable to the Company.

v. The Company has not accepted any deposits from the public within the meaning of Sections 73, 74, 75 and 76 of the Act and the Rules framed there under to the extent notified.

vi. The Central Government of India has not specified the maintenance of cost records under sub-section (1) of Section 148 of the Act for any of the products of the Company.

vii. (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, service tax, duty of customs, duty of excise, value added tax, cess and other material statutory dues, as applicable, with the appropriate authorities.

(b) According to the information and explanations given to us and the records of the Company examined by us, there are no dues of income-tax, sales-tax, service-tax, duty of customs, duty of excise, cess which have not been deposited on account of any dispute. The particulars of dues of value added tax as at March 31, 2017 which have not been deposited on account of a dispute, are as follows:

Name of the statute	Nature of dues	Amount (Rs.)	Period to which the amount relates	Forum where the dispute is pending
A. P. Value Added Tax Act, 2005	Exclusion of service tax in computation of liability	2,009,153*	April 1, 2005 to January 31, 2008	Honorable High Court of Andhra Pradesh, Hyderabad

* Total amount paid under protest Rs. 895,179.

viii. As the Company does not have any loans or borrowings from any financial institution or bank or Government, nor has it issued any debentures as at the balance sheet date, the provisions of Clause 3(viii) of the Order are not applicable to the Company.

ix. The Company has not raised any moneys by way of initial public offer, further public offer (including debt instruments) and term loans. Accordingly, the provisions of Clause 3(ix) of the Order are not applicable to the Company.

x. 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 material fraud by the Company or on the Company by its officers or employees, noticed or reported during the year, nor have we been informed of any such case by the Management.

xi. The Company has paid/ provided for managerial remuneration in accordance with the requisite approvals mandated by the provisions of Section 197 read with Schedule V to the Act.

xii. As the Company is not a Nidhi Company and the Nidhi Rules, 2014 are not applicable to it, the provisions of Clause 3(xii) of the Order are not applicable to the Company.

xiii. The Company has entered into transactions with related parties in compliance with the provisions of Section 177 and 188 of the Act. The details of such related party transactions have been disclosed in the financial statements as required under Indian Accounting Standard (Ind AS) 24, Related Party Disclosures specified in the Companies (Indian Accounting Standards) Rules, 2015 (As Amended) under Section 133 of the Act.

xiv. The Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review. Accordingly, the provisions of Clause 3(xiv) of the Order are not applicable to the Company.

xv. The Company has not entered into any non cash transactions with its directors or persons connected with him. Accordingly, the provisions of Clause 3(xv) of the Order are not applicable to the Company.

xvi. The Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934. Accordingly, the provisions of Clause 3(xvi) of the Order are not applicable to the Company.

For Lovelock & Lewes
Firm Registration Number: 301056E
Chartered Accountants
Sunit Kumar Basu
Partner
Membership Number: 55000

Place: Gurugram
Date: April 21, 2017

BALANCE SHEET AS AT MARCH 31, 2017

	Note	As at March 31, 2017 (₹)	As at 31 March, 2016 (₹)	As at April 1, 2015 (₹)
ASSETS				
Non-current assets				
(a) Property, plant and equipment	3	47,26,29,944	48,21,63,538	46,24,83,213
(b) Capital work-in-progress	3	23,61,87,706	17,91,85,277	8,64,06,019
(c) Other intangible assets	3	12,29,405	19,51,643	9,52,625
(d) Financial assets				
(i) Investments	4	–	–	10,000
(e) Other non-current assets	11	14,34,18,364	11,07,38,312	10,85,45,416
Total Non-current assets		85,34,65,419	77,40,38,770	65,83,97,273
Current assets				
(a) Inventories	5	1,61,21,101	1,29,62,057	1,08,94,936
(b) Financial assets				
(i) Investments	6	19,75,66,313	12,49,08,525	28,38,92,291
(ii) Trade receivables	7	2,96,09,171	2,55,29,213	1,80,36,683
(iii) Cash and cash equivalents	8	35,40,636	4,42,83,315	88,96,064
(iv) Bank balances, other than (iii) above	9	11,00,000	13,46,00,000	16,60,05,078
(v) Other financial assets	10	30,35,012	80,76,142	1,06,39,312
(c) Other current assets	11	1,64,33,292	90,26,949	1,08,21,138
Total current assets		26,74,05,525	35,93,86,201	50,91,85,502
Total assets		1,12,08,70,944	1,13,34,24,971	1,16,75,82,775
EQUITY AND LIABILITIES				
Equity				
(a) Equity share capital	12	24,00,00,000	24,00,00,000	24,00,00,000
(b) Other equity	13	72,74,50,326	74,49,56,277	76,16,54,504
Total Equity		96,74,50,326	98,49,56,277	1,00,16,54,504
LIABILITIES				
Non-current liabilities				
(a) Financial liabilities				
(i) Other financial liabilities	14	9,30,000	4,05,000	14,26,801
(b) Provisions	15	9,16,380	13,67,543	12,91,789
(c) Deferred tax liabilities (net)	16	5,67,03,203	6,67,38,971	6,98,26,905
Total Non-current liabilities		5,85,49,583	6,85,11,514	7,25,45,495
Current liabilities				
(a) Financial liabilities				
(i) Trade payables	32	5,92,78,031	5,03,24,474	5,33,77,746
(ii) Other financial liabilities	14	1,81,94,739	1,37,50,983	2,37,47,579
(b) Other current liabilities	17	1,34,37,358	1,22,07,255	1,25,94,095
(c) Provisions	15	39,60,907	36,74,469	36,63,356
Total current liabilities		9,48,71,035	7,99,57,181	9,33,82,776
Total equity and liabilities		1,12,08,70,944	1,13,34,24,971	1,16,75,82,775

Summary of significant accounting policies 2

The notes are an integral part of these financial statements.

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

For Lovelock & Lewes
Chartered Accountants
Firm Registration Number: 301056E
Sunit Kumar Basu
Partner
Membership Number: 55000
Place: Gurugram
Date: April 21, 2017

On behalf of the Board

Gunupati Sivakumar Reddy — Chairman
Virender Razdan — Managing Director
Rakshit Kapoor — Chief Financial Officer
Sonali Grover — Company Secretary

STATEMENT OF PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2017

		Note	Year ended March 31, 2017 (₹)	Year ended March 31, 2016 (₹)
I	**Revenue from operations**	**18**	52,19,45,767	50,65,53,378
II	**Other income**	**19**	2,23,14,678	3,66,14,151
III	**Total income (I+II)**		54,42,60,445	54,31,67,529
IV	**Expenses**			
	Cost of materials consumed	20	7,81,13,843	7,41,79,733
	Employee benefits expense	21	14,22,92,755	13,47,62,759
	Depreciation and amortization expense	22	3,58,38,898	4,72,42,468
	Other expenses	23	31,33,33,315	30,94,51,852
	Total expenses (IV)		56,95,78,811	56,56,36,812
V	**Profit before tax (III- IV)**		(2,53,18,366)	(2,24,69,283)
VI	**Tax expense:**			
	Deferred tax		(1,01,26,007)	(31,49,695)
VII	**(Loss) for the year (V - VI)**		(1,51,92,359)	(1,93,19,588)
VIII	**Other comprehensive income**			
	Items that will not be reclassified to profit or loss:			
	-Remeasurements of post-employment benefit obligations	34	2,72,954	1,86,814
	-Income tax relating to this item		(90,239)	(61,761)
IX	**Other comprehensive income for the year, net of tax**		1,82,715	1,25,053
X	**Total comprehensive income for the year (VII+IX)**		(1,50,09,644)	(1,91,94,535)
XI	**Earnings per equity share:**	**24**		
	Basic		(0.63)	(0.80)
	Diluted		(0.63)	(0.80)

Summary of significant accounting policies 2

The notes are an integral part of these financial statements.

This is the Statement of Profit and Loss referred to in our report of even date.

For Lovelock & Lewes
Chartered Accountants
Firm Registration Number: 301056E
Sunit Kumar Basu
Partner
Membership Number: 55000
Place: Gurugram
Date: April 21, 2017

On behalf of the Board

Gunupati Sivakumar Reddy Chairman
Virender Razdan Managing Director
Rakshit Kapoor Chief Financial Officer
Sonali Grover Company Secretary

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2017

		March 31, 2017 (₹)		March 31, 2016 (₹)
A. Cash flow from operating activities				
Net (loss) before tax		**(2,53,18,366)**		(2,24,69,283)
Adjustment for:				
Depreciation and amortisation	**3,58,38,898**		4,72,42,468	
Interest on deposits	**(33,65,163)**		(1,30,62,891)	
Loss on property, plant and equipment sold/ discarded	**8,58,404**		4,60,196	
Dividend income from investment	**–**		(16,431)	
Net loss/(gain) on foreign currency transactions and translations	**2,82,371**		(49,690)	
Employee share based payments (Refer Note 21)	**29,59,189**		24,96,307	
Prepayment of leasehold land	**6,56,727**		6,56,727	
Profit on sale of investment and gain on changes in fair value of financial assets at fair value through profit or loss	**(1,40,47,468)**		(1,77,98,462)	
		2,31,82,958		1,99,28,224
Operating (Loss) before Working Capital Changes		**(21,35,408)**		(25,41,059)
Changes in working capital:				
Adjustments for (increase) / decrease in working capital:				
Trade receivables	**(40,79,957)**		(74,92,530)	
Inventories	**(31,59,044)**		(20,67,121)	
Other receivables	**(83,02,524)**		(15,73,277)	
Trade payables	**1,05,10,881**		(30,71,237)	
Other payables	**(4,51,163)**		75,754	
		(54,81,807)		(1,41,28,411)
Cash used in operations		**(76,17,215)**		(1,66,69,470)
Income tax paid (net)		**(15,87,478)**		(8,33,575)
Net cash (used) in operating activities		**(92,04,693)**		(1,75,03,045)
B. Cash flow from investing activities				
Payments for property, plant and equipment	**(8,39,80,840)**		(17,29,87,882)	
Capital advances	**(3,10,87,524)**		4,82,821	
Sale of property, plant and equipment	**–**		6,86,962	
Purchase of current investments	**(2,03,37,41,080)**		(92,63,15,633)	
Sale/redemption of current investments	**1,97,51,30,759**		1,10,31,24,291	
Proceeds from bank deposits (original maturity more than 3 months)	**13,46,00,000**		16,60,05,078	
Investment in bank deposits (original maturity more than 3 months)	**(11,00,000)**		(13,46,00,000)	
Interest on deposits	**86,40,697**		1,64,94,659	
Net cash (used) in/from investing activities		**(3,15,37,988)**		5,28,90,296
Net increase/(decrease) in cash and cash equivalents (A+B)		**(4,07,42,681)**		3,53,87,251
Opening cash and cash equivalents		**4,42,83,315**		88,96,064
Closing cash and cash equivalents		**35,40,635**		4,42,83,315
CASH AND CASH EQUIVALENTS COMPRISE :				
Cash, cheques and current accounts (Refer Note 8)		**35,40,636**		4,42,83,315

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

Note:

1. The above Cash Flow Statement has been prepared under the 'Indirect Method' as set out in the Ind AS - 7 on Statement of Cash Flows.
2. The above Cash Flow Statement should be read in conjuction with the accompanying notes.

For Lovelock & Lewes
Chartered Accountants
Firm Registration Number: 301056E
Sunit Kumar Basu
Partner
Membership Number: 55000

Place: Gurugram
Date: April 21, 2017

On behalf of the Board

Gunupati Sivakumar Reddy — Chairman
Virender Razdan — Managing Director
Rakshit Kapoor — Chief Financial Officer
Sonali Grover — Company Secretary

Statement of changes in equity for the year ended March 31, 2017

A. Equity share capital

	Note	Numbers	Amount (₹)
Balance at April 1, 2015		2,40,00,000	24,00,00,000
Changes in equity share capital	12	–	–
Balance at March 31, 2016		**2,40,00,000**	**24,00,00,000**
Changes in equity share capital	12		
Balance at March 31, 2017		**2,40,00,000**	**24,00,00,000**

B. Other equity

		Reserves and surplus			Total
	Capital Contribution for share based payments (Refer note 1) (₹)	Capital re-serve (Refer note 2) (₹)	Retained earnings (Refer note 3) (₹)	General reserve (Refer note 4) (₹)	(₹)
Balance as at April 1, 2015 (A)	–	94,603	68,09,16,784	8,06,43,117	76,16,54,504
Profit for the year	–	–	(1,93,19,588)	–	(1,93,19,588)
Other comprehensive income (net of tax)	–	–	1,25,053	–	1,25,053
Total comprehensive income (B)	–	–	**(1,91,94,535)**	–	**(1,91,94,535)**
Employee share based payments (Refer Note 21) (C)	24,96,307	–	–	–	24,96,307
Balance as at March 31, 2016 (A+B+C)=(D)	**24,96,307**	**94,603**	**66,17,22,250**	**8,06,43,117**	**74,49,56,277**
Profit for the year	–	–	(1,51,92,359)	–	(1,51,92,359)
Other comprehensive income (net of tax)	–	–	1,82,715	–	1,82,715
Total comprehensive income (E)		–	**(1,50,09,644)**	–	**(1,50,09,644)**
Value of share based payment reimbursable (F)	(24,96,307)	–	–	–	(24,96,307)
Balance as at March 31, 2017 (D+E+F)	–	**94,603**	**64,67,12,606**	**8,06,43,117**	**72,74,50,326**

Notes:

1. Capital contribution for share based payments : represents fair value of equity settled share based payments issued to employees under stock option scheme granted by holding company, net of reimbursements, if any.
2. Capital reserve represents the excess of net assets taken over by the Company over the consideration paid for business combinations.
3. Retained Earnings represents the cumulative profits as well as remeasurement of defined benefit plans attributable to shareholders.
4. General reserve is created by an appropriation from one component of Equity to another not being an item of Other Comprehensive Income, the same is in the nature of free reserve.

The above statement of changes in equity should be read in conjuction with the accompanying notes.

This is the statement of changes in equity referred to in our report of even date.

For Lovelock & Lewes
Chartered Accountants
Firm Registration Number: 301056E
Sunit Kumar Basu
Partner
Membership Number: 55000
Place: Gurugram
Date: April 21, 2017

On behalf of the Board

Gunupati Sivakumar Reddy — Chairman
Virender Razdan — Managing Director
Rakshit Kapoor — Chief Financial Officer
Sonali Grover — Company Secretary

NOTES TO THE FINANCIAL STATEMENTS

1. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with Indian Accounting Standards (Ind AS) notified under section 133 of the Companies Act, 2013 (the Act) [Companies (Indian Accounting Standards) Rules, 2015] and other relevant provisions of the Act. The financial statements have also been prepared in accordance with the relevant presentation requirements of the Companies Act, 2013.

Up to the year ended 31st March 2016, the Company prepared its financial statements in accordance with the requirements of previous GAAP, which includes Accounting Standards notified under the Companies (Accounting Standards) Rules, 2006 (as amended) and other relevant provisions of this Act.

These are the Company's first Ind AS financial statements. Details of the exceptions and optional exemptions availed by the Company and principal adjustments along with related reconciliations are detailed in Note 38 (First Time Adoption of Ind AS).

2. SIGNIFICANT ACCOUNTING POLICIES

a. Basis of preparation

The financial statements are prepared in accordance with the historical cost convention, except for certain items that are measured at fair values, as explained in the accounting policies below. The financial statements are presented in Indian Rupees (INR) which is also the Company's functional currency.

Fair Value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

The preparation of financial statements in conformity with Ind AS requires management to make judgements, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period; they are recognised in the period of the revision and future periods if the revision affects both current and future periods.

All assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in the Schedule III to the Companies Act, 2013 based on the nature of products and the time between the acquisition of assets for processing and their realisation in cash and cash equivalents.

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

b. Property, Plant and Equipment – Tangible Assets

Property, plant and equipment are stated at cost of acquisition or construction less accumulated depreciation and impairment, if any.

Cost is 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 assets capitalised. Expenses capitalised also include applicable borrowing costs for qualifying assets, if any. Subsequent costs are included in the asset's carrying amount only when it is probable that future economic benefits associated with the item will be realized. The carrying amount of a replaced part is derecognized. All other repairs and maintenance are charged to the Statement of Profit & Loss in the period in which they are incurred.

On transition to Ind AS, the Company has elected to continue with the carrying value of all its property, plant and equipment recognised as at April 1, 2015 measured as per the previous GAAP and use that carrying value as the deemed cost of the property, plant and equipment.

Depreciation of these assets commences when the assets are ready for their intended use which is generally on commissioning. Items of Property, Plant and Equipment are depreciated in a manner that depreciates the cost of the assets after commissioning (or other amount substituted for cost), less its residual value, over their useful lives as specified in Schedule II of the Companies Act, 2013 on a straight line basis as summarized below:

Category of Tangible Assets	Useful Life
Buildings	60 years
Plant and Equipment	15 years
Furniture and Fixtures	08 years
Vehicles	08 years
Office Equipment	05 years
Computers	03 years
Computer servers and Networks	06 years

Land is not depreciated.

Property, plant and equipments' residual values and useful lives are reviewed, and are treated as changes in accounting estimates, at each balance sheet date.

c. Intangible Assets

Software is capitalised where it is expected to provide future enduring economic benefits. Capitalisation costs include licence fees and costs of implementation/system integration services. The costs are capitalised in the year in which the relevant software is implemented for use and is amortised over a period not exceeding 5 years. Useful lives are periodically reviewed and are treated as changes in accounting estimates, at each balance sheet date.

d. Impairment of Assets

Impairment loss is provided, if any, to the extent, the carrying amount of assets exceed their recoverable amount.

Assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Recoverable amount is higher of an asset's fair value less costs of disposal and its value in use. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

Impairment losses recognised in prior years are reversed when there is an indication that the impairment losses recognised no longer exist or have decreased. Such reversals are recognised as an increase in carrying amounts of assets to the extent that it does not exceed the carrying amounts that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised in previous years.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

e. Inventories

Inventories are stated at lower of cost and net realisable value. 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 condition. Net realisable value is the estimated selling price in the ordinary course of business less estimated costs for completion and sale in the ordinary course of business. Obsolete, slow moving and defective inventories are identified at the time of physical verification of inventories and, where necessary, provision is made for such inventories.

f. Foreign Currency Transactions

The Company accounts for transactions in foreign currency at the exchange rate prevailing on the date of transactions. Gains/Losses arising on settlement of such transactions as also the translation of monetary items at period end due to fluctuations in the exchange rates are recognized in the Statement of Profit and Loss.

g. Derivatives and Hedge Accounting

Derivatives are initially recognised at fair value and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gains/losses is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of recognition in profit or loss depends on the nature of the hedging relationship and the nature of the hedged item.

To comply with the principles of 'fair value hedge' or 'cash flow hedge' where derivative contracts are designated as hedge instruments, depending upon documented risk management objective and hedge relationship established at inception and which are highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk.

h. Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the relevant instrument and are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issues of financial assets and financial liabilities (other than financial assets and financial liabilities measured at fair value through profit or loss) are added to or deducted from the fair value measured on initial recognition of financial assets or financial liabilities. Purchase or sale of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date when the Company commits to purchase or sell the asset.

Financial assets

The financial assets are classified at initial recognition in the following measurement categories as:

- those subsequently measured at amortised cost.
- those to be subsequently measured at fair value [either through other comprehensive income (OCI), or through profit or loss].

Financial assets measured at amortised cost

Financial assets which are held within the business model of collection of contractual cash flows and where those cash flows represent payments solely towards principal and interest on the principal amount outstanding are measured at amortized cost. A gain or loss on a financial asset that is measured at amortised cost and is not a part of hedging relationship is recognised in profit or loss when the asset is derecognized or impaired.

Financial assets measured at fair value through other comprehensive income

Financial assets that are held within a business model of collection of contractual cash flows and for selling and where the assets' cash flow represents solely payment of principal and interest on the principal amount outstanding are measured at fair value through OCI. Movements in carrying amount are taken through OCI, except for recognition of impairment gains or losses. When a financial asset, other than investment in equity instrument, is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to statement of profit and loss.

Classification of equity instruments, not being investments in subsidiaries, associates and joint arrangements, depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through OCI. When investment in such equity instrument is derecognized, the cumulative gains or losses recognized in OCI is transferred within equity on such derecognition.

Financial assets measured at fair value through profit or loss

Financial assets are measured at fair value through profit or loss unless it is measured at amortised cost or at fair value through other comprehensive income on initial recognition. Movements in fair value of these instruments are taken in profit or loss.

Impairment of financial assets

The Company assesses at each date of balance sheet whether a financial asset or a group of financial assets is impaired. Impairment losses are recognized in the profit or loss where there is an objective evidence of impairment based on reasonable and supportable information that is available without undue cost or effort. For all financial assets, expected credit losses are measured at an amount equal to the 12 month expected credit losses or at an amount equal to the life time expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. The

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

Company recognizes loss allowances on trade receivables when there is objective evidence that the Company will not be able to collect all the due amounts depending on product categories and the payment mechanism prevailing in the industry.

Financial liability and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. Financial liabilities are classified, at initial recognition, as subsequently measured at amortized cost unless they fulfill the requirement of measurement at fair value through profit or loss. Where the financial liability has been measured at amortised cost, the difference between the initial carrying amount of the financial liabilities and their redemption value is recognized in the statement of profit and loss over the contractual terms using the effective interest rate method. Financial liabilities at fair value through profit or loss are carried at fair value with changes in fair value recognized in the finance income or finance cost in the statement of profit or loss.

An equity instrument is a contract that evidences residual interest in the assets of the company after deducting all of its liabilities. Equity instruments recognised by the Company are recognised at the proceeds received net off direct issue cost.

Derecognition of financial assets and financial liabilities

Financial assets are derecognized when the rights to receive benefits have expired or been transferred, and the Company has transferred substantially all risks and rewards of ownership of such financial asset. Financial liabilities are derecognized when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

Income recognition on financial assets

Interest income from financial assets is recognised in profit or loss using effective interest rate method, where applicable. Dividend income is recognized in profit or loss only when the Company's right to receive payments is established and the amount of dividend can be measured reliably.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the balance sheet where there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

i. Revenue from sale of products and services

Revenue is measured at fair value of amounts received or receivable for goods supplied and services rendered and is net off discounts. It excludes amounts collected on behalf of third parties, such as sales tax value added tax/service tax/luxury tax.

Revenue from services are recognized in the period in which services are rendered.

The methodology and assumptions used to estimate discounts, customer incentives, promotional activities and similar items are monitored and adjusted regularly in the light of contractual and legal obligations, historical trends and projected market conditions.

j. Government Grant

Grants and subsidies from the government are recognized at fair value when there is reasonable assurance that:

(i) the Company will comply with the conditions attached to them, and

(ii) the grant/subsidy will be received/ utilized.

When the grant or subsidy relates to revenue, it is recognized as income on a systematic basis in the statement of profit and loss over the periods necessary to match them with the related costs, which they are intended to compensate. Government grants whose primary condition is that the Company should purchase, construct or otherwise acquire non – current assets are recognized as deferred revenue in the Balance Sheet and transferred to the statement of profit and loss on a systematic basis over the useful lives of the related assets.

k. Employee Benefits

The Company makes contributions to both defined benefit and defined contribution schemes.

Contributions to Provident Fund are in the nature of defined contribution scheme and such paid/payable amounts are charged against revenue. The contributions in respect of provident fund and family pension are statutorily deposited with the Government.

The liability or asset recognized in the balance sheet in respect of defined benefit plans is the present value of the defined benefit obligation at the end of the reporting period less than the fair value of the assets. The present value of the defined benefit obligations denominated in INR is determined by discounting the estimated future cash outflows by reference to market yields at the end of the reporting period on government bonds that have terms approximating to the terms of related obligation. The contributions in respect of defined benefit gratuity fund are made to Life Insurance Corporation based on its advice. The accounting charge for benefits under the defined benefit obligation is calculated by independent actuary using the projected unit credit method. Service costs and net interest expense or income is reflected in the statement of profit and loss. Gain or Loss on account of remeasurements are recognized immediately through Other Comprehensive Income in the period in which they occur.

Eligible employees of the Company are also entitled to compensated leave for which the Company records the liability based on actuarial valuation computed under projected unit credit method similar to benefits of gratuity explained above. These benefits are unfunded. The benefits are discounted using the market yields at the end of the reporting period that have terms approximating to the terms of the related obligation. Remeasurements as a result of experience adjustments and changes in actuarial assumptions are recognized in profit or loss.

The obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer the settlement for at least 12 months after the reporting period regardless of when the actual settlement is expected to occur.

l. Employee Share Based Payments

Equity-settled share-based payments with respect to Employees Stock Options of ITC Limited (parent Company) , granted to the entitled employees are measured at the fair value of the equity instruments of the holding company at the grant date as recharged by the parent company . The fair value of equity-settled share-based payment transactions as recharged expenditure is recognised in the statement of profit and loss with a corresponding credit to equity as deemed contribution by the parent Company.

m. Leases

Leases are recognized as a finance lease whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Lease payable under operating leases are charged to the Statement of Profit and Loss on a straight-line basis over the term of the relevant lease unless the payments to the lessor are structured to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases.

Rental income on assets given on operating lease is recognized on an accrual basis over the lease term in the Statement of Profit and Loss on a straight line basis over the term of the lease period.

n. Taxes on Income

Taxes on income comprises of current tax and deferred tax. Current tax in the Statement of Profit and Loss is provided as the amount of tax payable in respect of taxable income for the period using tax rates enacted or substantively enacted by the end of the reporting period, together with any adjustment to tax payable in respect of previous years. Income tax, in so far as it relates to items disclosed under Other Comprehensive Income, are disclosed separately under Other Comprehensive Income, as applicable.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax assets are recognized for the future tax consequences to the extent it is probable that future taxable profits will be available against which the deductible temporary differences can be utilised.

o. Dividend Distribution

To recognize Dividends paid (including income tax thereon) in the financial statements in the period in which the related dividends are actually paid or, in respect of the Company's final dividend for the year, when the same are approved by shareholders of the Company.

p. Provisions and Contingent Liabilities

A provision is recognised when there is a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and in respect of which reliable estimate can be made.

A disclosure for a contingent liability is made when there is a possible obligation 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 in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

q. Comparatives

When required by Ind AS, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

3. Property Plant and Equipment, Capital Work in Progress and Other Intangible Assets

(₹)

Particulars	Gross Block							Depreciaton / Amortisation							Net Block		
	April 1, 2015	Additions	Disposals	March 31, 2016	Additions	Disposals	March 31, 2017	April 1, 2015	For the year	Disposals	March 31, 2016	For the year	Disposals	March 31, 2017	March 31, 2017	March 31, 2016	April 1, 2015
Property, Plant & Equipment																	
Land	1,00,00,000	–	–	1,00,00,000	–	–	1,00,00,000	–	–	–	–	–	–	–	1,00,00,000	1,00,00,000	1,00,00,000
Buildings	24,33,78,592	90,07,775	1,76,368	25,22,09,999	10,41,703	–	25,32,51,702	–	51,63,116	2,099	51,61,017	52,62,412	–	1,04,23,429	24,28,28,273	24,70,48,982	24,33,78,592
Plant and Equipment	18,22,88,922	3,44,25,971	12,67,166	21,54,47,727	2,26,07,208	13,73,790	23,66,81,145	–	3,16,51,568	4,06,766	3,12,44,802	2,12,75,487	5,65,897	5,19,54,392	18,47,26,753	18,42,02,925	18,22,88,922
Furnitures and fixtures	1,36,50,488	58,78,091	16,986	1,95,11,593	23,45,442	50,511	2,18,06,524	–	47,53,128	2,371	47,50,757	32,03,626	–	79,54,383	1,38,52,141	1,47,60,836	1,36,50,488
Vehicles	56,29,454	1,37,82,557	–	1,94,12,011	–	–	1,94,12,011	–	12,76,148	–	12,76,148	26,89,315	–	39,65,463	1,54,46,548	1,81,35,863	56,29,454
Office Equipment	79,104	–	2,838	76,266	8,210	–	84,476	–	19,038	–	19,038	289	–	19,327	65,149	57,228	79,104
Computers	42,43,098	20,49,936	95,036	61,97,998	4,38,908	–	66,36,906	–	27,47,367	–	27,47,367	13,40,722	–	40,88,089	25,48,817	34,50,631	42,43,098
Computer servers and networks	32,13,555	24,33,822	–	56,47,377	–	–	56,47,377	–	11,40,304	–	11,40,304	13,44,810	–	24,85,114	31,62,263	45,07,073	32,13,555
Total (A)	**46,24,83,213**	**6,75,78,152**	**15,58,394**	**52,85,02,971**	**2,64,41,471**	**14,24,301**	**55,35,20,141**	–	**4,67,50,669**	**4,11,236**	**4,63,39,433**	**3,51,16,661**	**5,65,897**	**8,08,90,197**	**47,26,29,944**	**48,21,63,538**	**46,24,83,213**
Capital work-in-progress (B)	**8,64,06,019**	**16,03,57,410**	**6,75,78,152**	**17,91,85,277**	**8,34,43,900**	**2,64,41,471**	**23,61,87,706**	–	–	–	–	–	–	–	**23,61,87,706**	**17,91,85,277**	**8,64,06,019**
Other Intangible assets																	
Software	9,52,625	14,90,817	–	24,43,442	–	–	24,43,442	–	4,91,799	–	4,91,799	7,22,237	–	12,14,036	12,29,405	19,51,643	9,52,625
Total (C)	**9,52,625**	**14,90,817**	–	**24,43,442**	–	–	**24,43,442**	–	**4,91,799**	–	**4,91,799**	**7,22,237**	–	**12,14,036**	**12,29,405**	**19,51,643**	**9,52,625**
Grand Total (A+B+C)	**54,98,41,857**	**22,94,26,379**	**6,91,36,546**	**71,01,31,690**	**10,98,85,371**	**2,78,65,772**	**79,21,51,289**	–	**4,72,42,468**	**4,11,236**	**4,68,31,232**	**3,58,38,898**	**5,65,897**	**8,21,04,233**	**71,00,47,055**	**66,33,00,458**	**54,98,41,857**

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

	As at March 31, 2017 (₹) Unquoted	As at March 31, 2016 (₹) Unquoted	As at April 1, 2015 (₹) Unquoted
4. Non-current investments			
Investment in government securities			
Deposit in National Savings Certificates	–	–	10,000
Total	–	–	10,000
Aggregate amount of unquoted investments	–	–	10,000

	As at March 31, 2017 (₹)	As at March 31, 2016 (₹)	As at April 1, 2015 (₹)
5. Inventories			
Food and beverages	1,18,31,590	96,53,583	76,48,444
Stores and spares	41,88,278	31,85,428	30,47,593
Finished goods held for resale	1,01,233	1,23,046	1,98,899
Total	1,61,21,101	1,29,62,057	1,08,94,936

	As at March 31, 2017 (₹) Unquoted	As at March 31, 2016 (₹) Unquoted	As at April 1, 2015 (₹) Unquoted
6. Current investments			
Investment in mutual funds (Refer note below)			
Reliance Liquid Fund - Treasury Plan - Growth Nil units (March 31, 2016: 27,714.91 units, April 1, 2015: Nil units)	–	10,21,43,220	–
Kotak Floater Short Term - Growth (Regular Plan) Nil units (March 31, 2016: 9,166.73 units, April 1, 2015: Nil units)	–	2,27,55,305	–
HDFC liquid fund - Growth Nil units (March 31, 2016: Nil units, April 1, 2015: 5,394,789.71 units)	–	–	14,86,98,747
ICICI prudential liquid - Regular plan - Growth Nil units (March 31, 2016: Nil units, April 1, 2015: 653,864.80 units)	–	–	13,51,93,544
ICICI Prudential- Money Market Fund - Growth 8,80,447.942 units (March 31, 2016: Nil units, April 1, 2015: Nil units)	19,75,56,313	–	–
Current portion of non-current investments			
Deposit in National Savings Certificates	10,000	10,000	–
Total	19,75,66,313	12,49,08,525	28,38,92,291
Aggregate amount of unquoted investments	19,75,66,313	12,49,08,525	28,38,92,291

Note:
Gain as at year end on account of measuring the investments at Fair value through profit and loss amounts to ₹ 21,48,029 (March 31, 2016: ₹ 1,82,497, April 1, 2015: ₹ 3,68,875).

	As at March 31, 2017 (₹) Current	As at March 31, 2016 (₹) Current	As at April 1, 2015 (₹) Current
7. Trade receivables			
Secured, considered good	13,39,695	8,26,701	10,85,024
Unsecured, considered good	2,82,69,476	2,47,02,512	1,69,51,659
Total	2,96,09,171	2,55,29,213	1,80,36,683

	As at March 31, 2017 (₹)	As at March 31, 2016 (₹)	As at April 1, 2015 (₹)
8. Cash and cash equivalents			
Balances with banks in current accounts	18,63,622	4,34,04,417	83,17,791
Cheques on hand	13,76,189	5,06,167	–
Cash on hand	3,00,825	3,72,731	5,78,273
Total	35,40,636	4,42,83,315	88,96,064

	As at March 31, 2017 (₹)	As at March 31, 2016 (₹)	As at April 1, 2015 (₹)
9. Other bank balances			
Earmarked balances	11,00,000	1,00,000	43,14,878
In deposit account:			
With original maturity more than 3 months but remaining maturity less than 12 months	–	13,45,00,000	16,16,90,200
Total	11,00,000	13,46,00,000	16,60,05,078

	As at March 31, 2017 (₹) Current	As at March 31, 2016 (₹) Current	As at April 1, 2015 (₹) Current
10. Other financial assets			
Security deposits	24,10,718	18,16,400	18,00,400
Interest accrued on deposits	71,808	53,47,342	87,79,110
Recoverable from employees	5,52,486	9,12,400	59,802
Total	30,35,012	80,76,142	1,06,39,312

	As at March 31, 2017 (₹)		As at March 31, 2016 (₹)		As at April 1, 2015 (₹)	
11. Other assets	**Current**	**Non-Current**	Current	Non-Current	Current	Non-Current
Capital advances	–	3,19,10,098	–	8,22,574	–	13,05,395
Advances other than capital advances:						
Prepayments (Refer Note (a))	78,86,438	2,91,48,216	51,30,578	2,97,76,155	40,99,338	2,99,56,231
Balances with statutory authorities	13,87,867	29,40,579	12,39,691	29,40,579	28,19,525	10,95,179
Advance recoverable in cash or in kind or for value to be received	8,68,200	–	10,45,040	–	9,08,510	–
Advance tax (net of provisions)	–	2,54,47,449	–	2,38,59,971	–	2,30,26,396
Security deposits (Refer Note (b))	–	5,39,72,022	–	5,33,39,033	–	5,31,62,215
Served from India Scheme Duty Credit Entitlement Account (includes ₹ Nil carried forward from previous year, March 31, 2016: ₹ 51,392, April 1, 2015: ₹ 4,83,500)	62,90,787	–	16,11,640	–	29,93,765	–
Total	1,64,33,292	14,34,18,364	90,26,949	11,07,38,312	1,08,21,138	10,85,45,416

Notes:

a) Non current prepayments include leasehold land assigned by ITC Ltd. in favour of the company effective September 10, 2013, pursuant to an assignment deed.

b) The non current portion of Security Deposit includes ₹ 5,00,00,000 of deposit reimbursed to ITC Limited and recoverable from Mr. Gurpal Singh (lessor) on account of assignment deed dated September 10, 2013.

	As at March 31, 2017 (No. of Shares)	As at March 31, 2017 (₹)	As at March 31, 2016 (No. of Shares)	As at March 31, 2016 (₹)	As at April 1, 2015 (No. of Shares)	As at April 1, 2015 (₹)
12. Equity share capital						
Authorised						
Equity shares of ₹ 10 each	2,40,00,000	24,00,00,000	2,40,00,000	24,00,00,000	2,40,00,000	24,00,00,000
Issued, subscribed and paid-up						
Equity shares of ₹ 10 each, fully paid	2,40,00,000	24,00,00,000	2,40,00,000	24,00,00,000	2,40,00,000	24,00,00,000

A) Equity shares held by Holding Company

	As at March 31, 2017 (No. of Shares)	As at March 31, 2017 %	As at March 31, 2016 (No. of Shares)	As at March 31, 2016 %	As at April 1, 2015 (No. of Shares)	As at April 1, 2015 %
ITC Limited	1,63,20,477	68%	1,63,20,477	68%	1,63,20,477	68%

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

B) Shareholders holding more than 5% of the equity shares in the Company

	As at March 31, 2017 (No. of Shares)	As at March 31, 2017 %	As at March 31, 2016 (No. of Shares)	As at March 31, 2016 %	As at April 1, 2015 (No. of Shares)	As at April 1, 2015 %
ITC Limited	1,63,20,477	68.00%	1,63,20,477	68.00%	1,63,20,477	68.00%
G Siva Kumar Reddy	13,04,230	5.43%	13,04,230	5.43%	13,04,230	5.43%
G Sulochanamma	15,00,000	6.25%	15,00,000	6.25%	15,00,000	6.25%

C) Rights, preferences and restrictions attached to the ordinary shares

The ordinary shares of the Company, having par value of ₹ 10 per share, rank pari passu in all respects including entitlement to dividend.

	As at March 31, 2017 (₹)	As at March 31, 2016 (₹)	As at April 1, 2015 (₹)
13. Other equity			
Capital reserve	94,603	94,603	94,603
General reserve	8,06,43,117	8,06,43,117	8,06,43,117
Capital contribution from Holding Company	–	24,96,307	–
Retained earnings	64,67,12,606	66,17,22,250	68,09,16,784
Total	72,74,50,326	74,49,56,277	76,16,54,504

	As at March 31, 2017 (₹)		As at March 31, 2016 (₹)		As at April 1, 2015 (₹)	
14. Other financial liabilities	Current	Non-Current	Current	Non-Current	Current	Non-Current
Sundry deposits	15,48,200	9,30,000	19,88,200	4,05,000	14,73,200	14,26,801
Employee benefits payable	50,40,655	–	50,75,455	–	44,47,396	–
Payable for property, plant and equipment	61,50,388	–	66,87,328	–	1,78,26,983	–
Payable for employee share based payments	54,55,496	–	–	–	–	–
Total	1,81,94,739	9,30,000	1,37,50,983	4,05,000	2,37,47,579	14,26,801

	As at March 31, 2017 (₹)		As at March 31, 2016 (₹)		As at April 1, 2015 (₹)	
15. Provisions	Current	Non-Current	Current	Non-Current	Current	Non-Current
Provision for employee benefits:						
Gratuity [Refer Note 34]	31,89,373	–	29,33,952	–	30,59,135	–
Compensated absences	7,71,534	9,16,380	7,40,517	13,67,543	6,04,221	12,91,789
Total	39,60,907	9,16,380	36,74,469	13,67,543	36,63,356	12,91,789

	As at March 31, 2017 (₹)	As at March 31, 2016 (₹)	As at April 1, 2015 (₹)
16. Deferred tax liabilities (Net)			
Deferred tax liabilities	6,96,82,508	6,84,06,011	7,14,65,225
Deferred tax assets	(1,29,79,305)	(16,67,040)	(16,38,320)
Total	5,67,03,203	6,67,38,971	6,98,26,905

Movement in deferred tax liabilities/assets balances

For the year ended March 31, 2017	Opening Balance as on April 1, 2016 (₹)	Recognized in profit or loss (₹)	Recognized in other comprehensive income (₹)	Closing Balance as on March 31, 2017 (₹)
Deferred tax liabilities in relation to:				
On depreciation	6,83,45,677	6,26,628	–	6,89,72,305
On financial assets at fair value through profit or loss	60,334	6,49,869	–	7,10,203
Total deferred tax liabilities	6,84,06,011	12,76,497	–	6,96,82,508
Deferred tax assets in relation to:				
On provision for employee benefits	16,67,040	35,776	(90,239)	16,12,577
On unabsorbed depreciation	–	1,13,66,728	–	1,13,66,728
Total deferred tax assets	16,67,040	1,14,02,504	(90,239)	1,29,79,305
Deferred tax liabilities (net)	6,67,38,971	(1,01,26,007)	90,239	5,67,03,203

For the year ended March 31, 2016	Opening Balance as on April 1, 2015 (₹)	Recognized in profit or loss (₹)	Recognized in other comprehensive income (₹)	Closing Balance as on March 31, 2016 (₹)
Deferred tax liabilities in relation to:				
On depreciation	7,13,43,275	(29,97,598)	–	6,83,45,677
On financial assets at fair value through profit or loss	1,21,950	(61,616)	–	60,334
Total deferred tax liabilities	7,14,65,225	(30,59,214)	–	6,84,06,011
Deferred tax assets in relation to:				
On provision for employee benefits	16,38,320	90,481	(61,761)	16,67,040
Total deferred tax assets	16,38,320	90,481	(61,761)	16,67,040
Deferred tax liabilities (net)	6,98,26,905	(31,49,695)	61,761	6,67,38,971

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

	As at March 31, 2017 (₹)	As at March 31, 2016 (₹)	As at April 1, 2015 (₹)
17. Other current liabilities	Current	Current	Current
Advances received from customers	63,15,033	56,15,318	57,04,343
Statutory liabilities	71,22,325	65,91,937	68,89,752
Total	1,34,37,358	1,22,07,255	1,25,94,095

	For the year ended March 31, 2017 (₹)	For the year ended March 31, 2016 (₹)
18. Revenue from operations		
Revenue from sale of services:		
Rooms	22,77,78,687	23,78,93,166
Food and beverage	24,75,72,758	22,67,88,648
Recreation and other services	2,99,59,443	3,20,35,731
Total (A)	50,53,10,888	49,67,17,545
Other operating revenue:		
Government grant - Served from India Scheme (refer note below)	87,75,609	29,26,176
Others	78,59,270	69,09,657
Total (B)	1,66,34,879	98,35,833
Total (A + B)	52,19,45,767	50,65,53,378

Note:

There are no unfulfilled conditions or other contingencies attaching to these grants. The Company did not benefit directly from any other forms of government assistance.

	For the year ended March 31, 2017 (₹)	For the year ended March 31, 2016 (₹)
19. Other income		
Interest income:		
- Deposits with banks carried at amortized cost	33,65,163	1,30,62,891
- Statutory authorities	7,15,730	11,42,710
Dividend income from investments mandatorily measured at fair value through profit or loss	–	16,431
Other non operating income	44,68,688	45,43,967
Other gains and losses:		
Net foreign exchange (loss)/gains	(2,82,371)	49,690
Net gain on financial assets mandatorily measured at fair value through profit or loss (Refer note below)	1,40,47,468	1,77,98,462
Total	2,23,14,678	3,66,14,151

Note:

Includes net gain on sale of financial assets mandatorily measured at fair value through profit or loss amounting to ₹ 1,20,81,938 (March 31, 2016: ₹ 1,79,84,840).

	For the year ended March 31, 2017 (₹)	For the year ended March 31, 2016 (₹)
20. Cost of material consumed		
Opening inventory	96,53,583	76,48,444
Add: Purchases (net)	8,02,70,037	7,61,09,019
	8,99,23,620	8,37,57,463
Less: Closing inventory	1,18,31,590	96,53,583
Cost of food and beverages consumed during the year (A)	7,80,92,030	7,41,03,880
Changes in inventories of finished goods held for resale:		
Opening inventory	1,23,046	1,98,899
Closing inventory	1,01,233	1,23,046
Decrease in stocks (B)	21,813	75,853
Total (A)+(B)	7,81,13,843	7,41,79,733

	For the year ended March 31, 2017 (₹)	For the year ended March 31, 2016 (₹)
21. Employee benefits expense		
Salaries, wages and bonus	6,64,16,373	6,28,47,795
Contribution to provident and other funds	40,56,782	36,87,496
Gratuity (Refer note 34)	11,67,062	11,24,936
Remuneration of managers on deputation reimbursed	4,94,83,076	4,69,21,020
Employee share based payments	29,59,189	24,96,307
Staff welfare expenses	1,82,10,273	1,76,85,205
Total	14,22,92,755	13,47,62,759

	For the year ended March 31, 2017 (₹)	For the year ended March 31, 2016 (₹)
22. Depreciation and amortisation expense		
Depreciation/amortisation on tangible assets	3,51,16,661	4,67,50,669
Amortisation on intangible assets	7,22,237	4,91,799
Total	3,58,38,898	4,72,42,468

	For the year ended March 31, 2017 (₹)	For the year ended March 31, 2016 (₹)
23. Other expenses		
Consumption of stores and supplies	2,31,50,329	2,33,38,380
Power and fuel	6,82,54,984	6,72,18,329
Rent (Refer note 29)	1,37,16,493	1,30,28,032
Repairs to building	72,70,450	95,89,605
Repairs to machinery	1,57,95,045	1,69,18,411
Repairs - others	84,58,034	31,47,340
Insurance	43,62,474	43,16,600
Rates and taxes	1,93,73,841	1,86,99,974
Travelling and conveyance	1,44,65,553	1,29,99,323
Technical and consultancy fees	2,70,93,648	2,88,31,167
Printing and stationary	30,00,838	30,58,481
Information technology services	1,54,93,369	1,54,41,809
Advertising / Sales Promotion	57,30,995	50,05,710
Expenditure towards Corporate Social Responsibility (CSR) activities**	–	–
Training and development	25,94,704	22,83,261
Legal expenses	11,000	90,000
Postage, telephone, etc.	13,62,675	13,20,340
Commission paid to travel agents	35,66,889	34,73,233
Bank and credit card charges	55,03,833	54,28,098
Hotel reservation/ marketing expenses	1,25,60,082	1,45,55,006
Contract services	3,63,26,323	3,91,04,269
Loss on fixed assets sold/ discarded	8,58,404	4,60,196
Miscellaneous Expenses *	2,43,83,352	2,11,44,288
Total	31,33,33,315	30,94,51,852
* Includes Auditors' remuneration and expenses (excluding taxes)		
- Audit Fees	11,00,000	11,00,000
- Tax Audit Fees	1,00,000	1,00,000
- Reimbursement of Expenses	5,956	3,725

** Amount required to be spent - ₹ Nil, (March 31, 2016: ₹ 3,95,839)

	For the year ended March 31, 2017 (₹)	For the year ended March 31, 2016 (₹)
24. Earnings per share		
(Loss) after taxation	(1,51,92,359)	(1,93,19,588)
Weighted average number of equity shares outstanding	2,40,00,000	2,40,00,000
Basic and diluted EPS (face value: ₹ 10 per share)	(0.63)	(0.80)

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

	March 31, 2017 (₹)	March 31, 2016 (₹)	April 1, 2015 (₹)
25. Commitments The estimated amount of contracts remaining to be executed on capital account (net of advances: ₹ 3,19,10,098; March 31, 2016: ₹ 822,574; April 1, 2015: ₹ 1,305,595)	**53,37,18,601**	32,96,21,427	34,16,32,961

	March 31, 2017 (₹)	March 31, 2016 (₹)	April 1, 2015 (₹)
26. Contingent liability			
Claims against the Company not acknowledged as debts:			
i) Indirect taxation matters	**29,04,332**	28,08,634	19,85,698
ii) Others	**18,45,400**	18,45,400	–

27. Segment reporting

The operating segment of the Company has been identified in a manner consistent with the internal reporting provided to the Managing Director, who is the Chief Operating Decision Maker, based on which there is only one operating segment in which the Company operates i.e. Hoteliering and within one geographical segment i.e. India.

	March 31, 2017 (₹)	March 31, 2016 (₹)
a) Segment Revenue		
- Within India	**52,19,45,767**	50,65,53,378
- Outside India	–	–
b) Non Current Assets		
- Within India	**85,34,65,419**	77,40,38,770
- Outside India	–	–

c) The Company is not reliant on revenues from transactions with any single external customer and does not receive 10% or more of it's revenues from transactions with any single external customer.

28. Leases

The Company's significant lease arrangements are in respect of operating leases for both residential and commercial premises. These leasing arrangements, which are 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.

29. Related party transactions

i) Immediate and Ultimate Parent entity: ITC Limited [Ownership interest: March 31, 2017- 68%; March 31, 2016- 68%]

ii) Key Management Personnel:

Board of Directors

G. Sivakumar Reddy : Chairman
Nakul Anand : Vice Chairman and Director
Arun Pathak : Director (upto 21.03.2016)
Jagdish Singh : Director (w.e.f. 21.03.2016)
B.N. Suresh Reddy : Director
George Verghese : Managing Director (upto 04.06.2015)
N. Krishnan : Managing Director (w.e.f. 26.08.2015)
V. Razdan : Managing Director (w.e.f 2.12.2016)
Dipak Haksar : Director
G Pranav Reddy : Director
K V Raghavaiah : Director
Subba Rao Tulasi : Director

Relatives of Key Management Personnel:

Mrs. G.Sulochanamma (Mother of Mr. G. Sivakumar Reddy, Chairman)
Mrs. G.Samyuktha Reddy (Wife of Mr. G. Sivakumar Reddy, Chairman)
Mrs. M V Rachita (Daughter of Mr. G. Sivakumar Reddy, Chairman)
Mrs. Shailaja Reddy (Sister of Mr. G. Sivakumar Reddy, Chairman)
Mrs. Bharati Reddy (Sister of Mr. G.Sivakumar Reddy, Chairman)

iii) Other related party and nature of relationship with whom the Company has transactions:

International Travel House - Associate of ITC Limited

iv) Summary of transactions during the year:

	Holding Company		Others		Relatives of Key Management Personnel	
	2017 (₹)	2016 (₹)	**2017 (₹)**	2016 (₹)	**2017 (₹)**	2016 (₹)
Sales of services	**68,62,106**	57,09,350	**5,19,453**	6,34,812	–	–
Purchase of goods	**52,27,561**	51,83,685	–	–	–	–
Purchase of services:						
- Hotel services	**30,88,938**	23,04,471	–	–	–	–
- Service fee	**2,72,12,638**	2,70,12,738	–	–	–	–
- Others	**5,61,377**	1,14,577	**1,31,28,602**	1,32,15,493	–	–
- Towards CWIP	**1,91,574**	1,02,600	–	–	–	–
Total purchase of services	**3,10,54,527**	2,95,34,386	**1,31,28,602**	1,32,15,493	–	–
Rent paid	–	–	–	–	**11,76,000**	11,76,000
Employee share based payments	**29,59,189**	24,96,307	–	–	–	–
Reimbursement of contractual remuneration:						
Towards CWIP	**19,28,370**	18,35,962	–	–	–	–
Others (includes remuneration to Key Management Personnel amounting to (₹) 24,82,568; March 31, 2016: (₹) 31,14,983)	**5,64,02,449**	5,33,21,722	–	–	–	–
Total reimbursement of contractual remuneration	**5,83,30,819**	5,51,57,684	–	–	–	–
Expenses recovered	**51,64,340**	99,82,211	–	–	–	–
Expenses reimbursed:						
Towards CWIP	**10,92,389**	6,34,055	–	–	–	–
Others	**1,57,58,918**	1,43,38,246	–	–	–	–

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

v) Outstanding balances arising from sales/purchase of goods and services:

	Holding Company			Others			Key Management Personnel and Relatives of Key Managerment Personnel		
	2017 (₹)	2016 (₹)	2015 (₹)	**2017 (₹)**	2016 (₹)	2015 (₹)	**2017 (₹)**	2016 (₹)	2015 (₹)
Balance outstanding at the year end:									
- Debtors/receivables	**10,71,948**	3,73,472	5,20,654	**20,615**	13,176	–	**–**	–	–
- Creditors/payables	**1,41,62,575**	88,68,855	90,00,091	**2,61,512**	2,430	2,553	**98,000**	–	–
(Refer note below)									

Note:
Net of TDS amounting to ₹ 27,87,770 (March 31, 2016: ₹ 26,48,679, April 1, 2015: ₹ 27,84,815)

30. Financial instruments and related disclosures

I. Capital management

The Company's financial strategy aims to provide adequate capital for its growth plans for generating superior guest experience and sustained stakeholder value. Depending on the financial market scenario, nature of the funding requirements and cost of such funding, the Company decides the optimum capital structure. Currently, there are no borrowings and operations are being funded through internal accruals. The Company aims at maintaining a strong capital base so as to maintain adequate supply of funds towards future growth plans as a going concern.

II. Categories of financial instruments

	Note	As at March 31, 2017		As at March 31, 2016		As at April 1, 2015	
		Carrying Value (₹)	***Fair Value (₹)**	Carrying Value (₹)	*Fair Value (₹)	Carrying Value (₹)	*Fair Value (₹)
A. Financial assets							
a) Measured at amortised cost							
i) Cash and cash equivalents	8	**35,40,636**	**35,40,636**	4,42,83,315	4,42,83,315	88,96,064	88,96,064
ii) Other bank balances	9	**11,00,000**	**11,00,000**	13,46,00,000	13,46,00,000	16,60,05,078	16,60,05,078
iii) Investment in government securities	4,6	**10,000**	**10,000**	10,000	10,000	10,000	10,000
iv) Trade receivables	7	**2,96,09,171**	**2,96,09,171**	2,55,29,213	2,55,29,213	1,80,36,683	1,80,36,683
v) Other financial assets	10	**30,35,012**	**30,35,012**	80,76,142	80,76,142	1,06,39,312	1,06,39,312
Sub - total		**3,72,94,819**	**3,72,94,819**	21,24,98,670	21,24,98,670	20,35,87,137	20,35,87,137
b) Mandatorily measured at fair value through profit or loss							
i) Investment in mutual funds	6	**19,75,56,313**	**19,75,66,313**	12,48,98,525	12,48,98,525	28,38,92,291	28,38,92,291
Sub - total		**19,75,56,313**	**19,75,66,313**	12,48,98,525	12,48,98,525	28,38,92,291	28,38,92,291
Total financial assets		**23,48,51,132**	**23,48,61,132**	33,73,97,195	33,73,97,196	48,74,79,428	48,74,79,428
B. Financial liabilities							
a) Measured at amortised cost							
i) Trade payables		**5,92,78,031**	**5,92,78,031**	5,03,24,474	5,03,24,474	5,33,77,746	5,33,77,746
ii) Other financial liabilities	14	**1,91,24,739**	**1,91,24,739**	1,41,55,983	1,41,55,983	2,51,74,380	2,51,74,380
Sub - total		**7,84,02,770**	**7,84,02,770**	6,44,80,457	6,44,80,457	7,85,52,126	7,85,52,126
Total financial liabilities		**7,84,02,770**	**7,84,02,770**	6,44,80,457	6,44,80,457	7,85,52,126	7,85,52,126

* The carrying amounts of trade payables, other financial liabilities, cash and cash equivalents, other bank balances, investment in government securities, trade receivables and other financial assets are considered to be the same as their fair values due to their short term nature.

III. Fair value hierarchy

The following table presents the fair value hierarchy of assets and liabilities:

	Level	**As at March 31, 2017 Fair Value (₹)**	As at March 31, 2016 Fair Value (₹)	As at April 1, 2015 Fair Value (₹)
Financial assets				
a) Measured at fair value through profit or loss				
(i) Investment in mutual funds	1	**19,75,66,313**	12,48,98,525	28,38,92,291
Total		**19,75,66,313**	12,48,98,525	28,38,92,291

Fair value of the financial instruments is classified in various fair value hierarchies based on the following three levels:

Level 1: Quoted prices (unadjusted) in active market for identical assets or liabilities.

Level 2: Inputs other than quoted price including within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximize the use of observable market data and rely as little as possible on entity-specific estimates. If significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

Level 3: Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs). If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case with listed instruments where market is not liquid and for unlisted instruments.

31. Financial risk management

The Company's activities expose it to foreign exchange risk and credit risk. The Company's risk management framework is designed to bring robustness to the risk management processes within the Company and to address risks intrinsic to operations, financial information and compliances arising out of the overall strategy of the Company.

a) Foreign currency risk

The Company undertakes transactions denominated in foreign currency which results in exchange rate fluctuations. Such exchange rate risk primarily arises from transactions made in foreign exchange and reinstatement risks arising from recognised assets and liabilities. Such transactions are primarily undertaken in US Dollars.

There are no carrying amounts of the Company's foreign currency denominated financial assets and financial liabilities, at the end of the reporting period.

As the transactions undertaken by the Company are in smaller denominations, taking forward cover for each transaction may not be economically feasible. Hence, the Company uses Forward Exchange Contracts for select exposures, although not designated under hedge accounting. As there are no large exposures, sensitivity analysis has not been provided.

b) Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument which may lead to a financial loss to the Company. The Company is exposed to credit risk from its operating and investing activities (primarily trade receivables and investments).

The Company has policy of dealing on cash terms, to the extent practicable. Credit is extended only after due approvals and evaluation in terms of the Credit Policy applicable for such sale. The process of extending credit approval, takes into account various factors such as publicly available financial information, market feedback, and past business patterns etc. Many of the Company's customers have been transacting for many years and the incidence of bad debts has been low. Such credit limits extended to trade receivables are monitored by the dual structure of Hotel Unit Credit Committee and Board of Directors and protective action are initiated to avoid a default. In view of the short nature of its trade receivables, the Company makes provision for credit risk on an individual basis, if any.

Trade receivables are initially recognized at fair value plus any directly attributable transaction costs. The net carrying value of trade receivables is not significantly different from their carrying values due to the short - term duration of trade receivables. Generally, terms of trade are cash payment, wherever required credit terms for customers are determined based on individual customer in accordance with the terms of the industry. Company's customer base is large and diverse. Our historical experience of collecting receivables, supported by the level of default, is that credit risk is low. Individual customer credit limits are imposed based on relevant factors such as market feedback, business potential and past records on selective basis. All customer balances which are overdue for more than 180 days are evaluated for provision and considered for impairment on an individual basis. Write offs are made with the approval of the Board of Directors.

Investments in deposits are made with banks and institutions, which are of investment grade and are managed by the Company through active monitoring of balances and pre-determined parameters. Similarly, investment in debt mutual funds are made only with approved mutual funds and credit risk in such funds are limited because the underlying investments are diversified and the Company's investment framework considers the credit quality of the underlying investments made by the fund house. There are limits for any exposure to financial institutions.

The carrying amount of financial assets recognized in accordance with Ind AS 109 and any amounts offset in accordance with Ind AS 32, that represents the Company's maximum exposure to credit risk as at March 31, 2017 is ₹ 22,71,75,484 (March 31, 2016: ₹ 15,04,37,739; April 1, 2015: ₹ 30,19,38,974) represented by carrying amounts of trade receivables and investments measured at amortised cost and those mandatorily measured at Fair Value through profit or loss.

32. There are no Micro, Small and Medium enterprises, to whom the Company owes dues which are outstanding for more than 45 days during the year and also as at March 31, 2017. This information, as required to be disclosed under the 'Micro, Small and Medium Enterprises Development Act, 2006' has been determined to the extent such parties have been identified on the basis of the information available with the Company.

33. Disclosure relating to Specified Bank Notes* (SBNs) held and transacted during the period from November 8, 2016 to December 30, 2016:

Particulars	SBNs (₹)	Other denomination notes (₹)	Total (₹)
Closing cash in hand as at November 8, 2016	5,30,500	2,27,266	7,57,766
(+) Permitted receipts	–	26,75,727	26,75,727
(-) Permitted payments	–	(5,07,161)	(5,07,161)
(-) Amount deposited in banks	(5,30,500)	(21,21,222)	(26,51,722)
Closing cash in hand as at December 30, 2016	–	**2,74,610**	**2,74,610**

* SBNs mean the bank notes of denominations of the existing series of the value of five hundred rupees and one thousand rupees as defined under the notification of the Government of India, in the Ministry of Finance, Department of Economic Affairs no. S.O.3407(E), dated November 8, 2016.

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

34. The amounts recognised in the balance sheet and the movements in the provision for employee benefits over the years are as follows:

Defined Benefit Plans - As per Actuarial Valuations as on March 31, 2017 and recognised in the financial statements in respect of Employee Benefit Schemes:

Retirement benefit costs and termination benefits:

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurement, comprising actuarial gains and losses is reflected immediately in the balance sheet with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in retained earnings and is not reclassified to profit or loss. Past service cost is recognised in profit or loss in the period of a plan amendment. Defined benefit costs are categorised as follows:

· service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);

· net interest expense or income;

The company presents the first two components of defined benefit costs in profit or loss in the line item 'Employee benefits expense'. Curtailment gains and losses are accounted for as past service costs.

The amounts recognised in the balance sheet and the movements in the provision for Gratuity over the years are as follows:

(₹)

	Present value of obligation	Fair value of plan assets	Net amount
Opening balance as on April 1, 2015	**80,28,169**	**49,69,034**	**30,59,135**
Current service cost	9,44,777	–	9,44,777
Interest	6,13,154	4,32,995	1,80,159
Total amount recognized in profit or loss (A)	**15,57,931**	**4,32,995**	**11,24,936**
Remeasurements:			
Return on plant assets, excluding amounts included in interest above	–	(27,294)	27,294
(Gain)/loss from change in financial assumptions	80,703	–	80,703
Experience (gains)/loss	(2,94,811)	–	(2,94,811)
Total amount recognized in other comprehensive income (B)	**(2,14,108)**	**(27,294)**	**(1,86,814)**
Contributions:			
Employers	–	10,63,305	(10,63,305)
Benefit payments	(2,33,001)	(2,33,001)	–
Closing balance as on March 31, 2016	**91,38,991**	**62,05,039**	**29,33,952**
Current service cost	9,94,392	–	9,94,392
Interest	6,65,369	4,92,699	1,72,670
Total amount recognized in profit or loss	**16,59,761**	**4,92,699**	**11,67,062**
Remeasurements:			
Return on plant assets, excluding amounts included in interest above	–	1,31,979	(1,31,979)
(Gain)/loss from change in financial assumptions	2,55,467	–	2,55,467
Experience (gains)/loss	(3,96,442)	–	(3,96,442)
Total amount recognized in other comprehensive income	**(1,40,975)**	**1,31,979**	**(2,72,954)**
Contributions:			
Employers	–	6,38,687	(6,38,687)
Benefit payments	(5,34,805)	(5,34,805)	–
Closing balance as on March 31, 2017	**1,01,22,972**	**69,33,599**	**31,89,373**

Significant actuarial assumptions	**March 31, 2017**	March 31, 2016	April 1, 2015
Discount rate	**6.75%**	7.50%	7.75%
Salary increase rate	**Uniform 5.0%**	Uniform 5.0%	Uniform 5.0%
Attrition Rate	**Uniform 18.0%**	Uniform 18.0%	Uniform 18.0%
Retirement Age	**58**	58	58
Pre-retirement mortality	**Indian Assured Lives Mortality (2006-08) Ultimate**	Indian Assured Lives Mortality (2006-08) Ultimate	Indian Assured Lives Mortality (2006-08) Ultimate
Disability	**Nil**	Nil	Nil

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

Sensitivity analysis (the sensitivity of the defined benefit obligation to changes in the weighted principal assumptions)	**March 31, 2017**	March 31, 2016
Discount rate +100 basis points	**97,58,977**	88,45,835
Discount rate -100 basis points	**1,05,17,741**	95,41,880
Salary Increase Rate +1%	**1,04,11,031**	95,02,079
Salary Increase Rate -1%	**98,52,739**	88,77,419
Attrition Rate +1%	**1,01,66,738**	92,11,670
Attrition Rate -1%	**1,00,75,127**	91,44,904

The above sensitivity analysis provided by the actuary are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be corelated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (present value of the defnined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the defined benefit liability recognised in the balance sheet.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the prior period.

Components of Employer Expense:

(₹)

	March 31, 2017	March 31, 2016
Recognised in Profit or Loss		
Current service cost	**9,94,392**	9,44,777
Past service cost	**–**	–
Net interest cost	**1,72,670**	1,80,159
Total expense recognised in the Statement of Profit and Loss	**11,67,062**	11,24,936
Re-measurements recognised in Other Comprehensive Income		
Effect of changes in demographic assumptions	**–**	–
Effect of changes in financial assumptions	**1,23,488**	1,07,997
Effect of experience adjustments	**(3,96,442)**	(2,94,811)
Total loss/(gain) of re-measurements included in OCI	**(2,72,954)**	(1,86,814)
Total defined benefit cost recognised in Profit and Loss and Other Comprehensive Income	**8,94,108**	9,38,122

35. Reconciliation of tax expense and the accounting profit multiplied by India's tax rate:

	For the year ended March 31, 2017 (₹)	For the year ended March 31, 2016 (₹)
(Loss) before income tax expense	**(2,53,18,366)**	(2,24,69,283)
Indian tax rate	**33.06%**	33.06%
Tax based on Indian tax rate mentioned above	**(83,71,011)**	(74,29,019)
Tax effect of amounts which are not deductible in calculating taxable income	**14,12,493**	11,11,836
Tax losses for which no deferred income tax was recognised	**–**	31,67,488
Previously unrecognised tax losses now recouped to reduce current tax expense	**(31,67,488)**	–
Income tax expense	**(1,01,26,007)**	(31,49,695)

36. Use of Estimates and Judgements

The key estimates and assumptions used in the preparation of financial statements are set out below:

(i) The determination of Company's liability towards defined benefit obligation to employees is made through independent actuarial valuation including determination of amounts to be recognized in the income statement and in other comprehensive income. Such valuation depend upon assumptions determined after taking into account inflation, seniority, promotion and other relevant factors such as supply and demand factors in the employment market.

(ii) The Company has ongoing litigations with various regulatory authorities. Where an outflow of funds is believed to be probable and a reliable estimate of the outcome of the dispute can be made based on management's assessment of specific circumstances of each dispute and relevant external advice, management provides for its best estimate of the liability. Accruals so made are by nature complex and can take number of years to resolve and can involve estimation uncertainty.

(iii) The Company has significant carry forward unabsorbed depreciation for which deferred tax asset has been recognized since there is a reasonable certainty of significant profits in the near future.

37. Information in respect of Options granted under ITC's Employee Stock Option Schemes ('Schemes'):

The deputed employees of ITC Limited have been granted stock options by ITC Limited, the holding company, under the ITC Employee Stock Option Scheme (ITC ESOS). These options vest over a period of three years from the date of grant. Such options entitle the holder thereof to apply for and be allotted ten Ordinary Shares of ITC Limited of ₹ 1.00 each upon payment of the exercise price during the exercise period, within a period of 5 years from the date of vesting.

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

These Options have been granted at the 'market price' as defined under the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014. The fair value of the options granted is determined, using the Black Scholes Option Pricing model, by ITC Limited for all the Optionees covered under the Scheme as a whole.

The cost of options granted has been recognized as equity settled share based payment scheme in accordance with Ind AS 102 – Share Based Payment. The company accounts for its share of the cost of the fair value of the options granted based on the advice / on-charge by ITC Limited. Accordingly, an amount of ₹ 29,59,189 (March, 31, 2016: ₹ 24,96,307) which represents the on-charge from ITC Limited, being the fair value, has been recognized as employee benefits expense (Refer Note 21) and are considered as capital contribution, net of reimbursements, if any.

The summary of movement of share options outstanding is as under:

Particulars*	As at March 31, 2017	As at March 31, 2016
	No. of Options	No. of Options
Outstanding at the beginning of the year	17,750	13,130
Add: Granted during the year	16,669	5,320
Less: Lapsed during the year	–	–
Less: Exercised during the year	3,837	700
Outstanding at the end of the year	30,582	17,750
Options exercisable at the end of the year	15,960	10,157

*- The Weighted average exercise price of the options granted under the ITC ESOS is computed by ITC Limited for the group as a whole.

38. First Time Adoption of Ind AS

(i) The Company has prepared the opening balance sheet as per Ind AS as of April 1, 2015 (the transition date) by recognising all assets and liabilities whose recognition is required by Ind AS, not recognising items of assets or liabilities which are not permitted by Ind AS, by reclassifying items from previous Generally Accepted Accounting Principles (GAAP) to Ind AS as required under Ind AS, and applying Ind AS in measurement of recognised assets and liabilities.

(ii) **A. Reconciliation of the standalone financial results of those reported under previous GAAP are summarized below:**

Particulars	Year ended March 31, 2016 (₹)
Profit/(loss) after tax as reported under previous GAAP	**(1,65,73,467)**
Impact of measuring investments at fair value through profit or loss	(1,86,377)
Impact of recognising the cost of the employee share based payment at fair value	(24,96,307)
Reclassification of actuarial gains / losses, arising in respect of employee benefit schemes to Other Comprehensive Income	(1,86,814)
Tax adjustments	1,23,377
Profit/(loss) after tax as reported under Ind AS	**(1,93,19,588)**
Other Comprehensive Income (net of tax)	1,25,053
Total Comprehensive Income as reported under Ind AS	**(1,91,94,535)**

B. The reconciliation of total equity as previously reported under provisions of Indian GAAP to Ind AS is summarized as follows:

Particulars	As at April 1, 2015 (Date of Transition) (₹)	As at March 31, 2016 (end of last period presented under previous GAAP) (₹)
Equity as reported under previous GAAP	1,00,14,07,580	98,48,34,112
Impact of measuring financial instruments at fair value through profit or loss (FVTPL) (net of tax)	2,46,924	1,22,164
Equity as reported under Ind AS	1,00,16,54,504	98,49,56,276

(iii) Ind AS 101 allows first-time adopters exemptions from the retrospective application of certain requirements under Ind AS. The Company has applied the following exemptions and exceptions in the financial statements:

a. Property, Plant and Equipment and Intangible assets were carried in the statement of financial position prepared in accordance with previous GAAP on March 31, 2015. The Company has elected to regard such carrying values as deemed cost at the date of transition.

b. Under previous GAAP, the cost of options granted to managers under deputation under the ITC Employee Stock Option Scheme (ITC ESOS) [equity - settled] was recognised using the intrinsic value method. Under this method, no expenses were recognised in the statement of profit and loss as the fair value of the shares on the date of grant equalled the exercise price. Under Ind AS, the cost of options granted under ITC ESOS is recognised based the fair value of the options as on the grant date on a straight line basis over vesting/service period. The cost of ITC ESOS applicable to employees deputed by the parent company, net of reimbursements, have been considered as capital contribution, net of reimbursements, if any and shown as employee benefits expense.

c. Ind AS 103 (Business Combinations) has not been applied retrospectively to business combinations that occurred prior to 1st April, 2015. Use of this exemption means that in the opening balance sheet, goodwill and other assets and liabilities acquired in previous business combinations remain at the previous GAAP carrying values.

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

(iv) In addition to the above, the principal adjustments made by the Company in restating its previous GAAP financial statements, including the balance sheet as at April 1, 2015 and the financial statements as at and for the year ended March 31, 2016 are detailed below:

a. Under previous GAAP, leasehold properties were presented as Fixed Assets and amortized over the period of the lease. Under Ind AS, such properties have been classified as prepayments within Non-Current Assets (current portion presented as Other Current Assets) and have been amortised over the period of the lease, resulting in decrease in Property, Plant and Equipment (PPE) by ₹ 2.99 crores as at March 31, 2016 and by ₹ 3.06 crores as at April 1, 2015 and corresponding increase in Other Non-Current Assets by ₹ 2.92 crores as at March 31, 2016 and by ₹ 2.99 crores as at April 1, 2015 and in Other Current Assets by ₹ 0.07 crores as at March 31, 2016 and by ₹ 0.07 crores as at April 1, 2015.

   Such reclassification has resulted in decrease in depreciation and amortisation expense included under the land by Rs. 0.07 crores for the year ended March 31, 2016 and corresponding increase in Other Expenses, but does not affect profit before tax and total profit for the year ended March 31, 2016.

b. Under previous GAAP, current investments were stated at lower of cost and fair value. Under Ind AS, these financial assets have been classified as Fair Value through Profit or Loss (FVTPL) on the date of transition and fair value changes after the date of transition has been recognized in profit or loss. The same has resulted in an increase of Current Investments by ₹ 0.02 crores as at March 31, 2016 and ₹ 0.04 crores as at April 1, 2015. Such increase has led to a corresponding increase in deferred tax liability by ₹ 0.01 crores as at March 31, 2016 and as at April 1, 2015.

   The above classification has resulted in a decrease in other income by ₹ 0.02 crores for the year ended March 31, 2016.

c. Under previous GAAP, actuarial gains and losses related to the defined benefit/contribution schemes for Gratuity and liabilities towards gratuity were recognised in profit or loss. Under Ind AS, the actuarial gains and losses form part of remeasurement of the net defined benefit liability / asset which is recognised in OCI. Consequently, the tax effect of the same has also been recognised in OCI instead of profit or loss.

For Lovelock & Lewes
Chartered Accountants
Firm Registration Number: 301056E
Sunit Kumar Basu
Partner
Membership Number: 55000
Place: Gurugram
Date: April 21, 2017

On behalf of the Board

Gunupati Sivakumar Reddy	Chairman
Virender Razdan	Managing Director
Rakshit Kapoor	Chief Financial Officer
Sonali Grover	Company Secretary

REPORT OF THE DIRECTORS FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2017

1. Your Board of Directors ('the Board') hereby submits their Report for the financial year ended 31st March, 2017.

2. **PERFORMANCE OF THE COMPANY**

During the year, your Company recorded an operating income of ₹ 2,778 lakhs (previous year - ₹ 2,668 lakhs) registering a growth of 4%.The other income of the Company was ₹ 175 lakhs (previous year – ₹ 208 lakhs). All investment decisions in deployment of surplus funds continue to be guided by the tenets of Safety, Liquidity and Return. Pre-tax profit registered a growth of 16% while Profit for the year at ₹ 244 lakhs registered a growth of 14%.

The financial results of your Company, summarised, are as under:

		For the year ended 31st March, 2017 (₹)	For the year ended 31st March, 2016 (₹)
a.	Profit Before Tax	**6,07,44,936**	5,24,32,653
b.	Tax Expenses	**3,63,57,474**	3,09,80,604
c.	Profit for the year	**2,43,87,462**	2,14,52,049
d.	Add : Profit brought forward from previous years	**18,37,64,425**	29,26,99,175
e.	Items of other comprehensive income directly recognized in retained earnings	**(5,28,181)**	(28,55,968)
f.	Surplus available for appropriation	**20,76,23,706**	31,12,95,256
	Less:		
	Dividend Paid	–	10,59,76,884
	Dividend Distribution Tax	–	2,15,53,947
g.	Balance carried forward to the following years	**20,76,23,706**	18,37,64,425

3. **DIVIDEND**

The Board of Directors of the Company has recommended a dividend of ₹ 12.50/- (previous year - ₹ 223/-) per equity share of ₹ 10/- each for the year ended 31st March, 2017.

4. **OPERATIONAL PERFORMANCE**

The Company which caters to the 'mid-market to upscale' segment through a chain of Fortune hotels, continues to forge new alliances and expand its footprint. Currently, the Company has an aggregate inventory of nearly 5,000 rooms spread over 64 hotels of which 46 are operating hotels. Of the balance 18 properties, 6 hotels are slated to be commissioned in the ensuing year and 12 hotel projects are in various stages of development.

The Company is well known for providing quality products and services which have helped position 'Fortune' as the premier 'value' brand in the Indian hospitality sector. The brand remains a frontrunner in its operating segment and is well positioned to sustain its leadership position in the industry.

During the year, the Company bagged Today's Traveller Award 2016 for the 'Best First Class Business Hotel Chain', and Hospitality India & Explore The World Annual International Travel Award 2016 for 'Best First Class Business Hotel Chain'.

5. **DIRECTORS**

(a) **Changes in Directors**

During the year under review, there were no changes in Directors.

(b) **Retirement by rotation**

In accordance with the provisions of Section 152(6) of the Act and Articles 143 and 144 of the Articles of Association of the Company, Mr. Nakul Anand (DIN 00022279), Director, will retire by rotation at the ensuing AGM of the Company and, being eligible, offers himself for re-appointment. Your Board has recommended his re-appointment.

6. **BOARD AND BOARD COMMITTEES**

The two Board Committees of the Company and their present composition is as follows:

Corporate Social Responsibility Committee	New Alliance Approval Committee
Mr. N. Anand (Chairman)	Mr. J. Singh
Mr. S. Kumar	Mr. S. Kumar
Mr. J. Singh	

During the year ended 31st March 2017, the following meetings of the Board and Board Committees were held:

Board / Board Committee	Number of meetings held during the year	Date of meetings
Board	5	16th April, 2016
		11th August, 2016
		15th November, 2016
		27th December, 2016
		24th March, 2017
Corporate Social Responsibility Committee	1	24th March, 2017
New Alliance Approval Committee	4	22nd June, 2016
		25th July, 2016
		29th November, 2016
		11th January, 2017

The attendance of the Directors of the Company at the Board and Board Committee meetings held during the year is given below:

Sl. No.	Name of the Director / Committee Member	Number of meetings attended		
		Board	Corporate Social Responsibility Committee	New Alliance Approval Committee
1.	Mr. N. Anand	4	0	N.A.
2.	Mr. J. Singh	5	1	4
3.	Mr. S Kumar	5	1	4

7. **DIRECTORS' RESPONSIBILITY STATEMENT**

As required under Section 134(5) of the Act, your Directors confirm having:

i) followed in the preparation of the Annual Accounts, the applicable Accounting Standards with proper explanation relating to material departures, if any;

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 Act 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; and

v) devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems are adequate and operating effectively.

8. **SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES**

The Company does not have any subsidiary, associate or joint venture.

9. **PARTICULARS OF EMPLOYEE**

There were no employees who were employed throughout the year and were in receipt of remuneration aggregating ₹ 1.02 crore or more or were employed for part of the year and were in receipt of remuneration aggregating ₹ 8.5 lakhs per month or more during the financial year ended 31st March, 2017.

The information pursuant to Section 197 of the Companies Act, 2013 read with Rule 5(2) and 5(3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 containing the names of top 10 employees in terms of remuneration drawn is provided in the **Annexure 3** forming part of this report.

Your Company continues to attract and retain talent of the highest quality. Your Directors place on record their sincere appreciation of the efforts made and the support rendered by the employees of the Company. The Company provides a gender friendly workplace and no case of sexual harassment was reported during the year.

10. **RISK MANAGEMENT**

The Company's risk management framework, designed to bring robustness to the risk management processes in the Company, addresses risks intrinsic to operations, financials and compliances arising out of the overall strategy of the Company.

Management of risks vests with the executive management which is responsible for the day-to-day conduct of the affairs of the Company. The Internal Audit Department of ITC limited periodically carries out, at the request of the Company, risk focused audits with the objective of identifying areas where risk management processes could be strengthened. As required under the Risk Management Policy of the Company, a Risk Mitigation Report back was prepared on half-yearly basis and reviewed by the Fortune Management Committee. Further, an annual update was provided to the Board on the effectiveness of the Company's risk management systems and policies. The Board expressed satisfaction with the implementation of the risk mitigation strategies adopted by the Company against various risks.

11. **INTERNAL FINANCIAL CONTROLS**

There are adequate internal financial controls in your Company with respect to the financial statements, commensurate with the size and scale of the operations of the Company. The Board which provides guidance on internal controls, also reviews internal audit findings and implementation of internal audit recommendations.

During the year, the internal financial controls in the Company with respect to the financial statements were tested and no material weakness in the design or operation of such controls was observed. Nonetheless your Company recognises that any internal financial control framework, no matter how well designed, has inherent limitations and accordingly, regular audit and review processes ensure that such systems are reinforced on an ongoing basis.

12. **PARTICULARS OF LOANS, GUARANTEES AND INVESTMENTS**

During the year ended 31st March, 2017, the Company has neither given any loan or guarantee nor has made any investment under Section 186 of the Act.

13. **RELATED PARTY TRANSACTIONS**

During the year ended 31st March, 2017, the Company has not entered into any contract or arrangement with its related parties which is not on arm's length basis nor has the Company entered into any material contract or arrangements with them, in terms of Section 188 of the Act.

14. **CORPORATE SOCIAL RESPONSIBILITY (CSR)**

The Annual Report on CSR activities of the Company in terms of Section 135 of the Act read with the Companies (Corporate Social Responsibility Policy) Rules, 2014 is enclosed as **Annexure 1** to this Report.

15. **SIGNIFICANT AND MATERIAL ORDERS PASSED BY THE REGULATORS / COURTS / TRIBUNALS**

During the year under review, no significant or material orders were passed by the Regulators / Courts / Tribunals impacting the going concern status of the Company and its future operations.

16. **EXTRACT OF ANNUAL RETURN**

The extract of Annual Return in the prescribed Form No. MGT-9 is enclosed as **Annexure 2** to this Report.

17. **AUDITORS**

The Company's Statutory Auditors, Messrs Price Waterhouse Chartered Accountants LLP (PWCA), Chartered Accountants were appointed with your approval at the Nineteenth AGM to hold such office till the conclusion of the Twenty Fourth AGM. Your Board, in terms of Section 139 of the Act, has recommended for the ratification of the Members the appointment of PWCA from the conclusion of the ensuing AGM till the conclusion of the Twenty-Third AGM. The Board, in terms of Section 142 of the Act, has also recommended for the approval of the Members the remuneration of PWCA for the financial year 2017-18. Appropriate resolution in respect of the above is appearing in the Notice convening the ensuing AGM of the Company.

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

Conservation of Energy:

Steps taken on conservation of energy and impact thereof: NIL

Steps taken by the Company for utilizing alternate sources of energy: NIL

Capital investment on energy conservation equipment: NIL

Technology Absorption:

Efforts, in brief, made towards technology absorption and benefits derived as a result of the above efforts, e.g. product improvement, cost reduction, product development, import substitution, etc : NIL

The Company neither imported any technology during the year nor incurred any expenditure on research and development.

Foreign Exchange Earnings and Outgo:

During the year there were no foreign exchange earnings (previous year – Nil) but there was a foreign exchange outflow of ₹18 lakhs (previous year ₹18 lakhs).

On behalf of the Board

Dated : 21st April, 2017	Jagdish Singh	Director
Place : Gurugram	Suresh Kumar	Managing Director

Annexure 1 to the Report of the Board of Directors
Annual Report on CSR Activities of the Company for the financial year ended 31st March, 2017

[Section 135 of the Companies Act, 2013 read with the Companies (Corporate Social Responsibility Policy) Rules, 2014]

1.	A brief outline of the Company's CSR Policy including overview of projects or programs proposed to be undertaken		The Company, a wholly owned subsidiary of ITC Limited (ITC), discharges its corporate social responsibilities (CSR) by aligning itself with the CSR Policy of ITC. The Company undertakes its CSR activities: ● as listed in Schedule VII to the Companies Act, 2013, in line with the CSR initiatives of ITC and as approved by the CSR Committee of the Company; ● directly or through a registered trust or a registered society or a company established under Section 8 of the Companies Act, 2013. The Company may collaborate with ITC or other companies for undertaking CSR activities.
2.	Composition of CSR Committee		Mr. Nakul Anand (Chairman) Mr. Suresh Kumar Mr. Jagdish Singh
3.	Average net profit of the Company for last three financial years		₹ 9,59,37,917/-
4.	Prescribed CSR expenditure (two percent of the amount stated under 3 above)		₹ 19,18,759/-
5.	Details of CSR spent during the financial year 2016-17	Total amount spent for the financial year	₹ 19,20,000/-
		Total Amount unspent	NIL

Manner in which the amount spent during the financial year 2016-17 is detailed below:

Sl. No.	CSR Project or activity identified	Sector in which the project is covered	Projects or programs (1) Local area or other (2) Specify the State and district where projects or programs was undertaken	Amount outlay (Budget) project or program wise	Amount spent on the projects or programs Sub heads: 1. Direct expenditure on projects or programs 2. Overheads	Cumulative expenditure upto the reporting period	Amount spent: Direct or through implementing agency
1.	Contribution to ITC Rural Development Trust	Undertaking rural development projects [covered under Clause (x) of Schedule VII to the Companies Act, 2013]	Others	₹ 19,20,000	₹ 19,20,000	₹ 19,20,000	Implementing Agency - ITC Rural Development Trust, Kolkata

6. Responsibility Statement of the CSR Committee:

The CSR Committee affirms that the implementation and monitoring of the CSR Policy is in compliance with the CSR Policy and Objectives of the Company.

On behalf of the Board

Dated : 21st April, 2017	Nakul Anand	Jagdish Singh	Suresh Kumar
Place : Gurugram	Chairman - CSR Committee	Director	Managing Director

Annexure 2 to the Report of the Board of Directors
FORM NO. MGT-9
EXTRACT OF ANNUAL RETURN
as on the financial year ended on 31st March, 2017
[Pursuant to Section 92(3) of the Companies Act, 2013 and Rule 12(1) of the Companies (Management and Administration) Rules, 2014]

I. REGISTRATION AND OTHER DETAILS

i)	CIN	:	U55101HR1995PLC052281
ii)	Registration Date	:	26th July 1995
iii)	Name of the Company	:	Fortune Park Hotels Limited
iv)	Category / Sub-Category of the Company	:	Unlisted Public Company limited by shares
v)	Address of the Registered office and contact details	:	ITC Green Centre 10, Institutional Area Sector 32, Gurugram -122001 Phone: 0124 4171717 e-mail ID : fphl@fortunehotels.in
vi)	Whether listed company (Yes / No)	:	No
vii)	Name, Address and Contact details of Registrar and Transfer Agent, if any	:	N.A.

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

All the business activities contributing 10% or more of the total turnover of the Company shall be stated:-

Sl. No.	Name and Description of main products / services	NIC Code of the Product/ service	% to total turnover of the Company
1.	Hotel services	55101	94%

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES

Sl. No.	Name and Address of the Company	CIN/GLN	Holding/ Subsidiary/ Associate	% of shares held in the Company	Applicable Section
1.	ITC Limited Virginia House 37 Jawaharlal Nehru Road Kolkata – 700 071	L16005WB1910PLC001985	Holding company	100.00%	2(46)

IV. SHAREHOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity)

(i) Category-wise Shareholding:

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
A. Promoters									
(1) Indian									
a) Individual/HUF	–	–	–	–	–	–	–	–	N.A.
b) Central Govt.	–	–	–	–	–	–	–	–	N.A.
c) State Govt.(s)	–	–	–	–	–	–	–	–	N.A.
d) Bodies Corp.	–	4,50,008	4,50,008	100.00	–	4,50,008	4,50,008	100.00	Nil
e) Banks / FI	–	–	–	–	–	–	–	–	N.A.
f) Any Other	–	–	–	–	–	–	–	–	N.A.
Sub-total (A)(1)	**–**	**4,50,008**	**4,50,008**	**100.00**	**–**	**4,50,008**	**4,50,008**	**100.00**	**Nil**
(2) Foreign									
a) NRIs - Individuals	–	–	–	–	–	–	–	–	N.A.
b) Other – Individuals	–	–	–	–	–	–	–	–	N.A.
c) Bodies Corp.	–	–	–	–	–	–	–	–	N.A.
d) Banks / FI	–	–	–	–	–	–	–	–	N.A.
e) Any Other	–	–	–	–	–	–	–	–	N.A.
Sub-total (A)(2)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**N.A.**
Total shareholding of Promoter (A) = (A)(1)+(A)(2)	**–**	**4,50,008**	**4,50,008**	**100.00**	**–**	**4,50,008**	**4,50,008**	**100.00**	**Nil**
B. Public Shareholding									
1. Institutions									
a) Mutual Funds	–	–	–	–	–	–	–	–	N.A.
b) Banks / FI	–	–	–	–	–	–	–	–	N.A.
c) Central Govt.	–	–	–	–	–	–	–	–	N.A.
d) State Govt.(s)	–	–	–	–	–	–	–	–	N.A.
e) Venture Capital Funds	–	–	–	–	–	–	–	–	N.A.
f) Insurance Companies	–	–	–	–	–	–	–	–	N.A.
g) FIIs	–	–	–	–	–	–	–	–	N.A.
h) Foreign Venture Capital Funds	–	–	–	–	–	–	–	–	N.A.
i) Others (specify)	–	–	–	–	–	–	–	–	N.A.
Sub-total (B)(1):	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**N.A.**
2. Non-Institutions									
a) Bodies Corp.									
i) Indian	–	–	–	–	–	–	–	–	N.A.
ii) Overseas	–	–	–	–	–	–	–	–	N.A.
b) Individuals	–	–	–	–	–	–	–	–	N.A.
i) Individual shareholders holding nominal share capital upto ₹ 1 lakh									
ii) Individual shareholders holding nominal share capital in excess of ₹ 1 lakh									
c) Others (specify)	–	–	–	–	–	–	–	–	N.A.
Sub-total (B)(2)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**N.A.**
Total Public Shareholding (B)=(B)(1)+ (B)(2)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**N.A.**
C. Shares held by Custodian for GDRs & ADRs	–	–	–	–	–	–	–	–	N.A.
Grand Total (A+B+C)	**–**	**4,50,008**	**4,50,008**	**100.00**	**–**	**4,50,008**	**4,50,008**	**100.00**	**Nil**

(ii) Shareholding of Promoters:

Sl. No.	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in shareholding during the year
		No. of Shares	% of total Shares of the Company	% of Shares pledged / encumbered to total Shares	No. of Shares	% of total Shares of the Company	% of Shares pledged / encumbered to total Shares	
1.	ITC Limited	4,50,008	100.00	Nil	4,50,008	100.00	Nil	Nil

(iii) Change in Promoters' Shareholding (please specify, if there is no change):

Sl. No.		Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of Shares	% of total Shares of the Company	No. of Shares	% of total Shares of the Company
	At the beginning of the year	No change during the year			
	Date wise Increase / Decrease in Promoters Shareholding during the year				
	At the end of the year				

(iv) Shareholding Pattern of top ten Shareholders (other than Directors, Promoters and Holders of GDRs and ADRs): NOT APPLICABLE

(v) Shareholding of Directors and Key Managerial Personnel: None of the Directors and Key Managerial Personnel hold any share in the Company in their individual capacity.

V. INDEBTEDNESS

Indebtedness of the Company including interest outstanding / accrued but not due for payment : NIL

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

A. Remuneration to Managing Director, Whole-time Directors and/or Manager: (Amount in ₹)

Sl. No.	Particulars of Remuneration	Suresh Kumar (Managing Director) (refer Note 1)
1.	Gross salary	
	(a) Salary as per provisions contained in Section 17(1) of the Income-tax Act, 1961	65,17,833
	(b) Value of perquisites under Section 17(2) of the Income-tax Act, 1961	9,02,541
	(c) Profits in lieu of salary under Section 17(3) of the Income-tax Act, 1961	–
2.	Stock Option	–
3.	Sweat Equity	–
4.	Commission - as % of profit - others, specify	–
5.	Others, please specify	–
	Total Amount (A)	74,20,374
	Ceiling as per the Companies Act, 2013	84,00,000 per annum (refer Note 2)

Note 1 : Mr. Suresh Kumar is on deputation from ITC Limited (ITC) and has been granted Stock Options by ITC under its Employee Stock Option Scheme at 'market price' [within the meaning of the SEBI (Share Based Employee Benefits) Regulations, 2014]. Since such Options are not tradeable, no perquisite or benefit is immediately conferred upon him by such grant of Option, and accordingly the said grant has not been considered as remuneration.

Note 2 : Ceiling as per Part II of Schedule V to the Companies Act, 2013 has been disclosed, considering that the profits of the Company for the financial year ended 31st March, 2017 are inadequate.

B. Remuneration to other Directors: (Amount in ₹)

Sl. No.	Name of Directors	Particulars of Remuneration		Total Amount
		Fee for attending Board and Board Committee meetings	Commission	
1.	Other Non - Executive Directors			
	N. Anand	Nil	Nil	Nil
	J. Singh			
Total Amount (B)				Nil
Total Managerial Remuneration (A+B)				74,20,374
Overall ceiling as per the Companies Act, 2013				84,00,000 per annum (refer Note)

Note: Ceiling as per Part II of Schedule V to the Companies Act, 2013 has been disclosed, considering that the profits of the Company for the financial year ended 31st March, 2017 are inadequate.

C. Remuneration to Key Managerial Personnel other than MD/Manager/WTD: NOT APPLICABLE

VII. PENALTIES / PUNISHMENT / COMPOUNDING OF OFFENCES against the Company, Directors and other Officers in Default under the Companies Act, 2013: None

On behalf of the Board

Dated : 21st April, 2017 — Jagdish Singh, Director

Place : Gurugram — Suresh Kumar, Managing Director

Annexure 3 to the Report of the Board of Directors
For the financial year ended on 31st March, 2017
[Information pursuant to Section 197 of the Companies Act, 2013 read with Rules 5(2) and 5(3) of the Companies (Appointment and Remuneration of Managerial personnel) Rules, 2014]

Names of Employees	Age	Designation	Gross Remuneration (₹)	Net Remuneration (₹)	Qualifications	Experience (Years)	Date of Commencement of employment / deputation	Previous Employment / Position held
1	2	3	4	6	6	7	8	9
Suresh Kumar	59	Managing Director	77,97,013	35,99,754	B.Sc., AMP from Bond University, Australia	37	01.08.2006	* ITC Limited Vice President
Rohit Malhotra	60	V.P. – Operations	64,64,305	37,75,041	B.Sc., Diploma in Hotel Manage-ment	39	01.01.2007** 01.01.2017	*ITC Limited General Manager
Asjit Singh Shin***	60	V.P. – Finance	60,23,598	27,22,072	B.Com, ACA, ICSI	34	18.12.2013	*ITC Limited Manager Finance
Gokul Kaushik	43	HR Manager	42,88,451	19,30,173	MBA – HR	21	01.04.2015	* ITC Limited HR Manager
Vijay Jaiswal	52	G.M. - Sales	39,03,090	14,84,826	B. Sc.	28	01.12.2010	* ITC Limited Area Manager – Sales and Marketing
Raj Kamal Chopra	50	Corporate Chef	36,53,750	15,75,907	B.Com (P), Diploma in Hotel Management	30	01.04.2013	* ITC Limited Executive Chef
P P Srivastava	57	EHS Manager	30,77,140	15,54,981	B.E.	35	07.11.2015	* ITC Limited Chief Engineer
Ajay Joginderlal Sharma	51	General Manager	30,70,533	23,75,118	Diploma in Hotel Management	29	19.05.2015	Elixir Enterprises and Hotels Private Limited - Manager
Rajendra AJG Louzado	57	General Manager – Operations Support	31,53,261	23,47,100	Diploma in Hotel Management	35	17.03.2008	Prism Properties Private Limited - Manager
Saravanan Dhanabhalu	44	General Manager	28,73,189	22,37,722	BCA	23	05.09.2007	Auromatrix Hotels Private Limited - Manager

* On deputation from ITC Limited.

** Deputed till 18.12.2016 from ITC Limited. Effective 01.01.2017 on Company rolls.

*** Retired from ITC Limited on 10.11.2016.

Notes:

a. In respect of employees on deputation, gross remuneration disclosed as above is the deputation cost which is borne by the Company.
b. For other employees, gross remuneration includes salary, variable pay, Company's contribution to provident fund, allowances & other benefits / applicable perquisites except provisions for gratuity and leave encashment which are actuarially determined on an overall Company basis. The term 'remuneration' has the meaning assigned to it under the Companies Act, 2013.
c. Net remuneration comprises cash income less income tax & education cess deducted at source and employee's own contribution to provident fund.
d. Employees on deputation from ITC Limited (ITC) have been granted Stock Options by ITC under its Employees Stock Option Schemes at 'market price' [within the meaning of the SEBI (Share Based Employee Benefits) Regulations, 2014]. Since such Options are not tradeable, no perquisite or benefit is immediately conferred upon them by such grant of Options, and accordingly the said grant has not been considered as remuneration.
e. All appointments (except in case of employees on deputation) are contractual in accordance with terms and conditions as per Company's rules.
f. None of the above employees is a relative of any Director / Manager of the Company.
g. None of the above employees hold any share in the Company.

On behalf of the Board

Dated : 21st April, 2017 — Jagdish Singh, Director
Place : Gurugram — Suresh Kumar, Managing Director

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF Fortune Park Hotels Limited

Report on the Standalone Indian Accounting Standards (Ind AS) Financial Statements

1. We have audited the accompanying standalone financial statements of **Fortune Park Hotels Limited** ("the Company"), which comprise the Balance Sheet as at March 31, 2017 the Statement of Profit and Loss (including Other Comprehensive Income), the Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Standalone Ind AS Financial Statements

2. The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these standalone Ind AS financial statements to give a true and fair view of the financial position, financial performance (including other comprehensive income), cash flows and changes in equity of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards specified in the Companies (Indian Accounting Standards) Rules, 2015 (as amended) under Section 133 of the Act. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the standalone Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

3. Our responsibility is to express an opinion on these standalone Ind AS financial statements based on our audit.

4. We have taken into account the provisions of the Act and the Rules made thereunder including the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

5. We conducted our audit of the standalone Ind AS financial statements in accordance with the Standards on Auditing specified under Section 143(10) of the Act and other applicable authoritative pronouncements issued by the Institute of Chartered Accountants of India. Those Standards

and pronouncements require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the standalone Ind AS financial statements are free from material misstatement.

6. An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the standalone Ind AS financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the standalone Ind AS financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the standalone Ind AS financial statements that give a true and fair view, in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the standalone Ind AS financial statements.

7. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the standalone Ind AS financial statements.

Opinion

8. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone Ind AS financial statements 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, of the state of affairs of the Company as at March 31, 2017, and its profit (including other comprehensive income), its cash flows and the changes in equity for the year ended on that date.

Other Matter

9. The financial information of the Company for the year ended March 31, 2016 and the transition date opening balance sheet as at April 1, 2015 included in these standalone Ind AS financial statements, are based on the previously issued statutory financial statements for the years ended March 31, 2016 and March 31, 2015 prepared in accordance with the Companies (Accounting Standards) Rules, 2006 (as amended) which were audited by us, on which we expressed an unmodified opinion dated April 16, 2016 and April 13, 2015 respectively. The adjustments to those financial statements for the differences in accounting principles adopted by the Company on transition to the Ind AS have been audited by us.

Report on Other Legal and Regulatory Requirements

10. As required by the Companies (Auditor's Report) Order, 2016, issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act ("the Order"), 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 B a statement on the matters specified in paragraphs 3 and 4 of the Order.

11. As required by Section 143 (3) of the Act, we report that:

(a) We have sought and 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 it appears from our examination of those books.

(c) The Balance Sheet, the Statement of Profit and Loss (including other comprehensive income), the Cash Flow Statement and the Statement of Changes in Equity dealt with by this Report are in agreement with the books of account. The Company had provided requisite disclosures in its financial statements as to holding as well as dealings in Specified Bank Notes during the period from 8 November 2016 to 30 December 2016 and these are in accordance with the books of accounts maintained by the company.

(d) In our opinion, the aforesaid standalone Ind AS financial statements comply with the Indian Accounting Standards specified under Section 133 of the Act.

(e) On the basis of the written representations received from the directors as on March 31, 2017 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2017 from being appointed as a director in terms of Section 164 (2) of the Act.

(f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in Annexure A.

(g) With respect to the other matters to be included in the Auditors' Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our knowledge and belief and according to the information and explanations given to us:

i. The Company has disclosed the impact, if any, of pending litigations as at March 31, 2017 on its financial position in its standalone Ind AS financial statements – Refer Note [24];

ii. The Company has long-term contracts but no derivative contracts as at March 31, 2017 for which there were no material foreseeable losses.

iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company during the year ended March 31, 2017.

For Price Waterhouse Chartered Accountants LLP
Firm Registration Number: 012754N/N500016
Chartered Accountants

Ashok Narayanaswamy
Partner
Membership Number 095665

Gurugram
Date: April 21, 2017

Annexure A to Independent Auditors' Report

Referred to in paragraph 11 (f) of the Independent Auditors' Report of even date to the members of Fortune Park Hotels Limited on the financial statements for the year ended March 31, 2017

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Act

1. We have audited the internal financial controls over financial reporting of Fortune Park Hotels Limited ("the Company") as of March 31, 2017 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

2. The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India (ICAI). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

Auditors' Responsibility

3. Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing deemed to be prescribed under section 143(10) of the Act to the extent applicable to an audit of internal financial controls, both applicable to an audit of internal financial controls and both issued by the ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

4. Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

Meaning of Internal Financial Controls Over Financial Reporting

6. A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

7. Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of

the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

8. In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2017, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For Price Waterhouse Chartered Accountants LLP
Firm Registration Number: 012754N/N500016
Chartered Accountants

Ashok Narayanaswamy
Partner
Membership Number 095665

Gurugram
Date: April 21, 2017

Annexure B to Independent Auditors' Report

Referred to in paragraph 10 of the Independent Auditors' Report of even date to the members of Fortune Park Hotels Limited on the standalone financial statements as of and for the year ended March 31, 2017

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 by the Management during the year and no material discrepancies have been noticed on such verification. In our opinion, the frequency of verification is reasonable.

(c) The Company does not own any immovable properties as disclosed in Note [3] on fixed assets to the financial statements. Therefore, the provisions of Clause 3(i)(c) of the said Order are not applicable to the Company

ii. The Company is in the business of rendering services, and consequently, does not hold any inventory. Therefore, the provisions of Clause 3(ii) of the said Order are not applicable to the Company.

iii. The Company has not granted any loans, secured or unsecured, to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under Section 189 of the Act. Therefore, the provisions of Clause 3(iii), (iii)(a), (iii)(b) and (iii)(c) of the said Order are not applicable to the Company.

iv. The Company has not granted any loans or made any investments, or provided any guarantees or security to the parties covered under Section 185 and 186. Therefore, the provisions of Clause 3(iv) of the said Order are not applicable to the Company.

v. The Company has not accepted any deposits from the public within the meaning of Sections 73, 74, 75 and 76 of the Act and the Rules framed there under to the extent notified.

vi. The Central Government of India, has not specified maintenance of cost records under sub-section (1) of Section 148 of the Act, for the products of the Company.

vii. (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, service tax, value added tax, cess and other material statutory dues, as applicable, with the appropriate authorities.

(b) According to the information and explanations given to us and the records of the Company examined by us, there are no dues of sales tax, duty of customs, duty of excise or value added tax which have not been deposited on account of any dispute. The particulars of dues of income tax and service tax as at March 31, 2017 which have not been deposited on account of a dispute, are as follows:

Name of the statute	Nature of dues	Amount (₹)	Period to which the amount relates	Forum where the dispute is pending
Income Tax Act, 1961	Demand u/s 156 of Income Tax Act, 1961	17,29,041	Assessment Year 2001-02	Income Tax Appellate Tribunal
Income Tax Act, 1961	Demand u/s 143(3) of Income Tax Act, 1961	67,57,173	Assessment Year 2012-13	Commissioner of Income Tax (Appeals)

viii. As the Company does not have any loans or borrowings from any financial institution or bank or Government, nor has it issued any debentures as at the balance sheet date, the provisions of Clause 3(viii) of the Order are not applicable to the Company.

ix. The Company has not raised any moneys by way of initial public offer, further public offer (including debt instruments) and term loans. Accordingly, the provisions of Clause 3(ix) of the Order are not applicable to the Company.

x. 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 material fraud by the Company or on the Company by its officers or employees, noticed or reported during the year, nor have we been informed of any such case by the Management.

xi. As the Company is not a Nidhi Company and the Nidhi Rules, 2014 are not applicable to it, the provisions of Clause 3(xii) of the Order are not applicable to the Company.

xii. The Company has entered into transactions with related parties in compliance with the provisions of Section 188 of the Act. The details of such related party transactions have been disclosed in the financial statements as required under Indian Accounting Standard (IndAS) 24, Related Party Disclosures specified under Section 133 of the Act [Companies (Indian Accounting Standards) Rules, 2015]. Further, the Company is not required to constitute an Audit Committee under Section 177 of the Act, and accordingly, to this extent, the provisions of Clause 3(xiii) of the Order are not applicable to the Company.

xiii. The Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review. Accordingly, the provisions of Clause 3(xiv) of the Order are not applicable to the Company.

xiv. The Company has not entered into any non cash transactions with its directors or persons connected with him. Accordingly, the provisions of Clause 3(xv) of the Order are not applicable to the Company.

xv. The Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934. Accordingly, the provisions of Clause 3(xvi) of the Order are not applicable to the Company.

For Price Waterhouse Chartered Accountants LLP
Firm Registration Number: 012754N/N500016
Chartered Accountants

Ashok Narayanaswamy
Partner
Membership Number 095665

Gurugram
Date: April 21, 2017

Balance Sheet

(All amounts in rupees unless otherwise stated)

	Note	As at March 31, 2017	As at March 31, 2016	As at April 01, 2015
ASSETS				
Non-current assets				
Property, plant and equipment	3	46,19,764	34,60,878	29,87,239
Financial assets				
(i) Other financial assets	6(e)	–	–	4,00,78,904
Deferred tax assets (net)	4	1,75,66,767	2,06,94,368	1,89,55,798
Other non-current assets	5	3,06,05,770	2,54,60,485	2,28,85,527
Total non-current assets		5,27,92,301	4,96,15,731	8,49,07,468
Current assets				
Financial assets				
i. Investments	6(a)	20,12,75,112	9,25,98,290	15,80,87,576
ii. Trade receivables	6(b)	9,97,38,642	11,23,13,082	10,26,19,990
iii. Cash and cash equivalents	6(c)	1,75,21,447	3,21,58,581	1,27,60,471
iv. Bank balances other than (iii) above	6(d)	–	4,00,00,000	2,65,00,000
v. Other financial assets	6(e)	4,66,32,869	3,16,61,022	3,43,37,753
Other current assets	7	12,92,357	13,76,125	5,47,570
Total current assets		36,64,60,427	31,01,07,100	33,48,53,360
Total assets		41,92,52,728	35,97,22,831	41,97,60,828
EQUITY AND LIABILITIES				
Equity share capital	8(a)	45,00,080	45,00,080	45,00,080
Other equity	8(b)	24,43,71,705	26,32,40,076	32,94,47,174
Total equity		24,88,71,785	26,77,40,156	33,39,47,254
LIABILITIES				
Non-current liabilities				
Provisions	10	1,66,28,388	1,78,34,368	3,12,44,097
Other non-current liabilities	9	–	2,11,86,886	1,68,16,886
Total non-current liabilities		1,66,28,388	3,90,21,254	4,80,60,983
Current liabilities				
Financial liabilities				
i. Trade payables	11(a)	1,74,71,889	80,70,694	73,70,115
ii. Other financial liabilities	11(b)	9,70,99,219	2,72,64,538	52,98,730
Other Current Liabilities	9	3,17,19,284	1,10,89,858	1,45,07,830
Provisions	10	74,62,163	65,36,331	1,05,75,916
Total current liabilities		15,37,52,555	5,29,61,421	3,77,52,591
Total liabilities		17,03,80,943	9,19,82,675	8,58,13,574
Total equity and liabilities		41,92,52,728	35,97,22,831	41,97,60,828

The accompanying notes 1 to 28 are an integral part of the financial statements.
This is the Balance Sheet referred to in our report of even date.

For Price Waterhouse Chartered Accountants LLP
Registration No. : 012754N/N500016
Ashok Narayanaswamy
Partner
Membership Number : 095665
Place : Gurugram
Date : April 21, 2017

On behalf of the Board of Directors

Suresh Kumar
Managing Director
DIN No.02741371

Jagdish Singh
Director
DIN No.00042258

Statement of Profit and Loss

(All amounts in rupees unless otherwise stated)

	Note	For the year ended March 31, 2017	For the year ended March 31, 2016
Revenue from operations	12	27,78,36,811	26,68,14,273
Other income	13	1,74,68,810	2,08,48,409
Total income		29,53,05,621	28,76,62,682
Expenses			
Employee benefit expense	14	16,42,48,735	15,40,28,808
Depreciation expense		16,22,746	13,83,016
Other expenses	15	6,86,89,204	7,98,18,205
Total Expenses		23,45,60,685	23,52,30,029
Profit before tax		6,07,44,936	5,24,32,653
Tax expense			
-Current tax	16	3,30,29,000	3,12,07,684
-Deferred tax	16	33,28,474	(2,27,080)
Total tax expense		3,63,57,474	3,09,80,604
Profit for the year		2,43,87,462	2,14,52,049
Other comprehensive income			
Items that will not be reclassified to profit or loss			
-Remeasurements of post-employment benefit obligations		(7,29,054)	(43,67,458)
-Income tax relating to these items		2,00,873	15,11,490
Other comprehensive income for the year, net of tax		(5,28,181)	(28,55,968)
Total comprehensive income for the year		2,38,59,281	1,85,96,081
Earnings per equity share for profit from continuing operation			
Basic earnings per share	17	54.19	47.67
Diluted earnings per share	17	54.19	47.67

The accompanying notes 1 to 28 are an integral part of the financial statements.

This is the Statement of Profit and Loss referred to in our report of even date.

For Price Waterhouse Chartered Accountants LLP
Registration No. : 012754N/N500016
Ashok Narayanaswamy
Partner
Membership Number : 095665
Place : Gurugram
Date : April 21, 2017

On behalf of the Board of Directors

Suresh Kumar
Managing Director
DIN No.02741371

Jagdish Singh
Director
DIN No.00042258

Statement of changes in equity

(All amounts in rupees unless otherwise stated)

A. Equity Share Capital

As at April 01, 2015	45,00,080
Changes in Equity Share Capital	–
As at March 31, 2016	45,00,080
Changes in Equity Share Capital	–
Balance at March 31, 2017	45,00,080

B. Other Equity

	Reserves and Surplus				Total
	Capital Reserve	Retained Earnings	Capital Contribution for share based payments	General Reserve	
Balance as at 1st April, 2015	30,00,000	29,26,99,175	–	3,37,47,999	32,94,47,174
Profit for the year	–	2,14,52,049	–	–	2,14,52,049
Other Comprehensive Income (net of tax)	–	(28,55,968)	–	–	(28,55,968)
Total Comprehensive Income	–	1,85,96,081	–	–	1,85,96,081
Dividend paid	–	(10,59,76,884)	–	–	(10,59,76,884)
Income tax on Dividend paid	–	(2,15,53,947)	–	–	(2,15,53,947)
Value of share based payments recognised as capital contribution	–	–	4,27,27,652	–	4,27,27,652
Balance as at 31st March, 2016	30,00,000	18,37,64,425	4,27,27,652	3,37,47,999	26,32,40,076
Profit for the year	–	2,43,87,462	–	–	2,43,87,462
Other Comprehensive Income (Net of Tax)	–	(5,28,181)	–	–	(5,28,181)
Total Comprehensive Income	–	2,38,59,281	–	–	2,38,59,281
Less : Value of share based payments reimbursable to Parent company	–	–	(4,27,27,652)	–	–
Balance as at 31st March, 2017	30,00,000	20,76,23,706	–	3,37,47,999	24,43,71,705

- Capital Reserve represents amount received as compensation of rights under contract.
- Retained earnings represents the cumulative profits as well as measurement of defined benfit plans, distribution as per provisions of Companies Act, 2013.
- Capital contribution for share based payments : represents fair value of equity settled share based payments issued to deputed employees under Employee Stock Option Scheme granted by holding company, net of reimbursements, if any.
- General reserve is used for strengthening the financial position and meeting future contingencies and losses.

This is the Statement of changes in equity referred to in our report of even date attached.

For Price Waterhouse Chartered Accountants LLP
Registration No. : 012754N/N500016
Ashok Narayanaswamy
Partner
Membership Number : 095665
Place : Gurugram
Date : April 21, 2017

On behalf of the Board of Directors

Suresh Kumar
Managing Director
DIN No.02741371

Jagdish Singh
Director
DIN No.00042258

Cash Flow Statement

(all amounts in rupees unless otherwise stated)	For the Year ended March 31, 2017	For th Year ended March 31, 2016
Cash flow from operating activities		
Profit before income tax	6,07,44,936	5,24,32,653
Adjustments for		
Depreciation and amortisation expense	16,22,746	13,83,016
(Gain)/loss on disposal of property, plant and equipment	1,31,961	27,228
Provisions for doubtful debts	65,32,336	1,87,14,255
Bad debts written off	39,33,332	8,13,194
Profit on sale / redemption of current investment	(1,17,26,922)	(1,21,07,314)
Interest Income	(6,10,812)	(71,01,612)
Value of share based payments recognised as capital contribution	3,49,61,484	4,27,27,652
Value of share based payments reimbursable to Parent company	(4,27,27,652)	–
Remeasurements of post-employment benefit obligations	(7,29,054)	(43,67,458)
Operating profit before working capital changes	5,21,32,355	9,25,21,614
Change in operating assets and liabilities		
(Increase)/decrease in trade receivables	65,40,557	(2,54,47,369)
Increase/(decrease) in trade payables	94,01,195	7,00,579
(Increase)/decrease in other current financial assets	(2,28,41,261)	19,61,133
Increase/(decrease) in other current financial liabilities	3,48,73,197	2,19,65,808
Increase/(decrease) in other non-current liabilities	(2,11,86,886)	43,70,000
Increase/(decrease) in non current provisions	(12,05,980)	(1,34,09,729)
(Increase)/decrease in other current assets	83,768	(8,28,555)
Increase/(decrease) in other current liabilities	2,06,29,426	(34,17,972)
Increase/(decrease) in current provisions	9,25,832	(40,39,585)
Cash generated from operations	7,93,52,203	7,43,75,924
Income taxes paid	(3,81,74,286)	(3,37,82,643)
Net cash inflow from operating activities	4,11,77,917	4,05,93,281
Cash flows from investing activities		
Purchase of property, plant and equipment	(29,26,217)	(18,83,883)
Received from sale proceeds for property, plant and equipment	12,625	–
Purchases of current investment	(79,90,75,000)	(35,72,19,404)
Sale / redemption of current investment	70,21,25,100	43,48,16,005
Interest received	40,48,441	40,44,038
Proceeds from / (investment in) bank deposits	4,00,00,000	2,65,78,904
Net cash (outflow)/inflow from investing activities	(5,58,15,051)	10,63,35,660
Cash flows from financing activities		
Dividends paid	–	(10,59,76,884)
Dividend Tax	–	(2,15,53,947)
Net cash (outflow) from financing activities	–	(12,75,30,831)
Net increase (decrease) in cash and cash equivalents	(1,46,37,134)	1,93,98,110
Cash and cash equivalents at the beginning of the financial year	3,21,58,581	1,27,60,471
Cash and cash equivalents at end of the year [Refer note 6(c)]	1,75,21,447	3,21,58,581

1. The above cash flow statement has been prepared under the "Indirect Method" as set out in Indian Accounting Standard 7 "Statement of Cash flows".

2. The accompanying notes 1 to 28 are an integral part of the financial statements.

This is the cash flow statement referred to in our report of even date

For Price Waterhouse Chartered Accountants LLP
Registration No. : 012754N/N500016
Ashok Narayanaswamy
Partner
Membership Number : 095665
Place : Gurugram
Date : April 21, 2017

On behalf of the Board of Directors

Suresh Kumar	Jagdish Singh
Managing Director	Director
DIN No.02741371	DIN No.00042258

Notes forming part of the financial statements for the year ended 31st March, 2017

Note 1: BACKGROUND OF THE COMPANY

Fortune Park Hotels Limited, a 100% subsidiary of ITC Limited is in the business of operating hotels in the mid – market to upscale segment under 'Fortune' Brands. It currently operates 46 hotels.

Note 2: SIGNIFICANT ACCOUNTING POLICIES

This note provides a list of the significant accounting policies adopted in the preparation of these financial statements. These policies have been applied to all the years presented, unless otherwise stated.

a) BASIS OF PREPARATION

(i) Compliance with Ind AS

The financial statements comply in all material aspects with Indian Accounting Standards (Ind AS) notified under section 133 of the Companies Act, 2013 (the Act) [Companies (Indian Accounting Standards) Rules, 2015} and other relevant provisions of the Act.)

The financial statements up to year ended 31 March, 2016 were prepared in accordance with the accounting standards notified under Companies (Accounting Standards) Rules, 2006 as amended) and other relevant provisions of the Act.

These financial statements are the first financial statements of the company under Ind AS. Refer note 26 for an explanation of how the transition from previous GAAP to Ind AS has affected the company's financial position, financial performance and cash flows.

(ii) Historical Cost Convention

The financial statements have been prepared on a historical cost basis, except for the following:

- certain financial assets and liabilities are measured at fair value;
- defined benefit plans – plan assets measured at fair value.

All assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in the Schedule III to the Companies Act, 2013 based on the nature of services, the company has ascertained its operating cycle as twelve months for the purpose of current and non – current classification of assets and liabilities.

b) TANGIBLE ASSETS

Tangible assets are stated at cost of acquisition or construction less accumulated depreciation and impairment, if any.

Cost is inclusive of inward freight, duties and taxes and incidental expenses related to acquisition. Subsequent costs are included in the asset's carrying amount only when it is probable that future economic benefits associated with the item will be realized. The carrying amount of a replaced part is derecognized. All upgradations / enhancements are charged off as revenue expenditure unless they bring similar significant additional benefits.

On transition to Ind AS, it has been elected to continue with the carrying value of all the tangible assets recognised as at 1st April, 2015 measured as per previous GAAP and use that carrying value as the deemed cost of the tangible asset.

Losses arising from the retirement of, and gains or losses arising from disposal of fixed assets are recognised in the Statement of Profit and Loss.

c) DEPRECIATION / AMORTISATION

Depreciation of these assets commences when the assets are ready for their intended use which is generally on commissioning. Tangible assets are depreciated in a manner that amortises the cost of the assets after commissioning (or other amount substituted for cost), less its residual value, over their useful lives as specified in Schedule II of the Companies Act, 2013 on a straight line basis as summarized below:

Category of Tangible Assets	Useful life
Office equipment	5 Years
Computers end users devices	3 Years
Computer, network and servers	6 Years
Furniture and fixtures	10 Years
Vehicle	8 Years

d) IMPAIRMENT OF ASSETS

Impairment loss is provided, if any, to the extent, the carrying amount of assets exceed their recoverable amount.

Recoverable amount is higher of an asset's net selling price and its value in use. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

Impairment losses recognised in prior years are reversed when there is an indication that the impairment losses recognised no longer exist or have decreased. Such reversals are recognised as an increase in carrying amounts of assets to the extent that it does not exceed the carrying amounts that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised in previous years.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

e) FOREIGN CURRENCY TRANSACTIONS

The Company account for transactions in foreign currency at the exchange rate prevailing on the date of transactions. Gains/ Losses arising on settlement of such transactions as also the translation of monetary items at period ends due to fluctuations in the exchange rates are recognized in the Statement of Profit and Loss.

f) FINANCIAL INSTRUMENT, FINANCIAL ASSETS, FINANCIAL LIABILITIES AND EQUITY INSTRUMENTS

FINANCIAL ASSETS AND LIABILITIES

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the relevant instrument. Financial assets are derecognized when the rights to receive benefits have expired or been transferred, and the Company has transferred substantially all risks and rewards of ownership of such financial asset. Financial liabilities are derecognized when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires. Purchase or sale of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date when the Company commits to purchase or sell the asset.

g) INVESTMENTS

At initial recognition, the Company measures its investments at its fair value plus costs that are directly attributable to the acquisition of the financial asset. Investments are designated as subsequently measured at fair value through statement of profit or loss. The transaction costs are expensed immediately in statement of profit or loss. Movement in fair value of these assets are taken in profit or loss.

h) TRADE RECEIVABLES

Trade receivables are initially measured at transaction value, which is the fair value and subsequently retained at cost less provision for impairment. Impairment losses are recognized in the profit or loss where there is objective evidence that the Company will not be able to collect all the due amounts.

Notes forming part of the financial statements (Contd.)

i) **REVENUE**

To recognise revenue at fair value of amounts received and receivable from third parties in the period of rendering of services and is net off discounts. It excludes amounts collected on behalf of third parties such as Service tax.

j) **OTHER INCOME**

To account for income from investments and bank deposits on an accrual basis, inclusive of related tax deducted at source. To account for income from dividends when the right to receive such dividends is established.

k) **CLAIMS**

To disclose claims against the Company not acknowledged as debts after a careful evaluation of facts and legal aspects of the matter involved.

l) **EMPLOYEE BENEFITS**

The Company makes contributions to both defined benefit and defined contribution schemes.

Contributions to Provident Fund are in the nature of defined contribution scheme and such paid/payable amounts are charged against revenue. The contributions in respect of provident fund are statutorily deposited with the Government.

The contributions in respect of defined benefit gratuity fund are made to Life Insurance Corporation (LIC) under its Group Gratuity Scheme. The accounting charge for benefits under the defined benefit obligation is calculated by independent actuary using the projected unit credit method. Service costs and net interest expense or income is reflected in the statement of profit and loss. Gain or Loss on account of re measurements are recognized immediately through Other Comprehensive Income in the period in which they occur.

Eligible employees of the Company are also entitled to compensated leave for which the Company records the liability based on actuarial valuation computed under projected unit credit method similar to benefits of gratuity explained above. Gain or Loss on account of re measurements are recognized immediately through Other Comprehensive Income in the period in which they occur.

Eligible employees are also entitled to other benefits such as loyalty plan, which are in the nature of Long Term Benefits, and are estimated based on variable elements affecting the computations including performance ratings in the subsequent appraisal cycle. Such plans are unfunded and are recognized in the Statement of Profit and Loss.

m) **EMPLOYEE SHARE BASED COMPENSATION**

Equity-settled share-based payments with respect to Employees Stock Options of ITC Limited (parent Company) , granted to the entitled deputed employees are measured at the fair value of the equity instruments of the holding company at the grant date as recharged by the parent company. The fair value of equity-settled share-based payment transactions as recharged expenditure is recognised in the statement of profit and loss.

n) **LEASES**

Lease payables under operating leases are charged to the Statement of Profit and Loss on a straight-line basis over the term of the relevant lease unless the payments to the lessor are structured to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases.

o) **TAXES ON INCOME**

Taxes on income comprises of current taxes and deferred taxes. Current tax in the Statement of Profit and Loss is provided as the amount of tax payable in respect of taxable income for the period using tax rates enacted or substantively enacted during the period, together with any adjustment to tax payable in respect of previous years. Income tax, in so far as it relates to items disclosed under Other Comprehensive Income, are disclosed separately under Other Comprehensive Income, as applicable.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax assets are recognized for the future tax consequences to the extent it is probable that future taxable profits will be available against which the deductible temporary differences can be utilised.

p) **PROVISIONS AND CONTINGENT LIABILITIES**

Provisions are recognised when the company has a present obligation as a result of past events for which it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made. Provision required to settle the obligation are reviewed regularly and are adjusted where necessary to reflect the current best estimate of the obligation.

A disclosure of a contingent liability is made when there is possible obligation or a present obligation that may but probably will not require an outflow of resources. When there is a possible obligation or a present obligation in respect of which likelihood of outflow of resources is remote, no promise or disclosure is made. Contingent liabilities are not recognised in the financial statements.

q) **DIVIDEND DISTRIBUTION**

To recognise Dividends paid (including income tax thereon) in the financial statements in the period in which the related dividends are actually paid or, in respect of the Company's interim and final dividend for the year, when the same are approved by shareholders.

r) **CASH AND CASH EQUIVALENTS**

To disclose in the cash flow statement, cash and cash equivalents include cash in hand, demand deposits with banks, other short-term highly liquid investments with original maturities of three months or less.

s) **EARNINGS PER SHARE**

To disclose basic earnings per share computed by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period.

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period is adjusted for the effects of all dilutive potential equity shares.

Notes forming part of the financial statements (Contd.)

(all amounts in rupees unless otherwise stated)

Note 3 : Property Plant & Equipment

	Furniture and Fixture	Vehicles	Office Equipment	Computers end users devices	Computer, network and servers	Total
Year ended March 31, 2016						
Gross carrying amount						
Deemed cost as at April 1, 2015 [Refer note 2(b)]	3,72,690	46,069	3,37,093	16,74,539	5,56,848	29,87,239
Additions	–	–	1,01,249	17,82,634	–	18,83,883
Disposal/ Adjustments	–	–	–	(27,228)	–	(27,228)
	3,72,690	46,069	4,38,342	34,29,945	5,56,848	48,43,894
Accumulated depreciation						
Accumulated depreciation as at April 1, 2015 [Refer note 2(c)]	–	–	–	–	–	–
Depreciation charge during the year	1,64,342	6,015	67,567	10,32,020	1,13,072	13,83,016
Disposals	–	–	–	–	–	–
Closing accumulated depreciation	1,64,342	6,015	67,567	10,32,020	1,13,072	13,83,016
Net carrying amount	2,08,348	40,054	3,70,775	23,97,925	4,43,776	34,60,878
Year ended March 31, 2017						
Gross carrying amount						
Opening gross carrying amount	3,72,690	46,069	4,38,342	34,29,945	5,56,848	48,43,894
Additions	58,134	–	–	12,01,333	16,66,750	29,26,217
Disposals	–	–	–	(2,16,197)	–	(2,16,197)
Closing gross carrying amount	4,30,824	46,069	4,38,342	44,15,081	22,23,598	75,53,914
Accumulated depreciation						
Opening accumulated depreciation	1,64,342	6,015	67,567	10,32,020	1,13,072	13,83,016
Depreciation charge during the year	27,048	6,015	2,47,865	12,02,718	1,39,100	16,22,746
Disposals	–	–	–	(71,612)	–	(71,612)
Closing accumulated depreciation	1,91,390	12,030	3,15,432	21,63,126	2,52,172	29,34,150
Net carrying amount	2,39,434	34,039	1,22,910	22,51,955	19,71,426	46,19,764

Note 4: Deferred tax assets (net)

	Deferred tax assets				Deferred tax liabilities			
	On Employee benefit	On allowances for doubtful trade and other financial assets	Other timing differences	Deferred tax assets (A)	Property, plant and equipment	Financial assets at fair value through profit or loss	Deferred tax liabilities (B)	Net Deferred Tax Assets (A-B)
At April 1, 2015	1,42,71,733	47,75,909	9,22,043	1,99,69,685	(2,88,073)	(7,25,814)	(10,13,887)	1,89,55,798
(Charged)/credited:								
- to profit or loss	(61,08,560)	65,63,464	(6,79,376)	(2,24,472)	(37,454)	(4,89,006)	(4,51,552)	2,27,080
- to other comprehensive income	15,11,490	–	–	15,11,490	–	–	–	15,11,490
At March 31, 2016	**96,74,663**	**1,13,39,373**	**2,42,667**	**2,12,56,703**	**(3,25,527)**	**(2,36,808)**	**(5,62,335)**	**2,06,94,368**
(Charged)/credited:								
- to profit or loss	(30,42,254)	(5,11,925)	3,63,816	(31,90,363)	56,539	(1,94,650)	(1,38,111)	(33,28,474)
- to other comprehensive income	2,00,873	–	–	2,00,873	–	–	–	2,00,873
At March 31, 2017	**68,33,282**	**1,08,27,448**	**6,06,483**	**1,82,67,213**	**(2,68,988)**	**(4,31,458)**	**(7,00,446)**	**1,75,66,767**

Note 5: Other non - current assets	**As at March 31, 2017**	As at March 31, 2016	As at April 01, 2015
Advance tax (Net of provisions)	**3,06,05,770**	2,54,60,485	2,28,85,527
Total other non - current assets	**3,06,05,770**	2,54,60,485	2,28,85,527

Notes forming part of the financial statements (Contd.)
(all amounts in rupees unless otherwise stated)

Note 6(a) Investments

	As at March 31, 2017		As at March 31, 2016		As at April 01, 2015	
	Quoted	Unquoted	Quoted	Unquoted	Quoted	Unquoted
Investment in mutual funds measured at FVTPL						
DHFL Pramerica Fixed Maturity Plan Series 62 - Direct Plan - Growth [916.15 units March 31, 2017 : 916.15 units March 31, 2016 : 916.15 April 01, 2015] of ₹ 10/- each	11,778	–	10,866	–	9,998	–
ICICI Prudential Short Term - Direct Plan - Growth Option [Nil units March 31, 2017 : Nil units March 31, 2016 : 3,49,296.17 April 01, 2015] of ₹ 10/- each	–	–	–	–	–	1,01,26,236
ICICI Prudential Ultra Short Term - Direct Plan - Growth [Nil units March 31, 2017 : Nil units March 31, 2016 : 31,52,131.39 April 01, 2015] of ₹ 10/- each	–	–	–	–	–	4,51,22,130
ICICI Prudential Money - Market Fund - Direct Plan - Growth [Nil units March 31, 2017 : 15,645.896 units March 31, 2016 : Nil April 01, 2015] of ₹ 100/- each	–	–	–	32,78,853	–	–
HDFC High Interest Fund - Direct Plan - Short Term Plan - Growth Option [Nil units March 31, 2017 : Nil units March 31, 2016 : 3,63,553.08 April 01, 2015] of ₹ 10/- each	–	–	–	–	–	1,01,36,987
Franklin India Ultra Short Bond Fund Super Institutional Plan - Direct - Growth Plan [Nil units March 31, 2017 : Nil units March 31, 2016 : 8,10,223.95 April 01, 2015] of ₹ 10/- each	–	–	–	–	–	1,50,42,456
Reliance Liquid Fund - Treasury Plan - Direct Growth Plan - Growth Option [Nil units March 31, 2017 : 8,132.63 units March 31, 2016 : Nil April 01, 2015] of ₹ 1,000/- each	–	–	–	3,00,48,469	–	–
HDFC Liquid Fund - Direct Plan - Growth Option [Nil units March 31, 2017 : Nil units March 31, 2016 : 10,88,005.11 April 01, 2015] of ₹ 10/- each	–	–	–	–	–	3,00,42,867
Reliance Liquidity Fund - Direct Growth Plan - Growth Option [Nil units March 31, 2017 : 8,985.95 units March 31, 2016 : Nil April 01, 2015] of ₹ 1,000/- each	–	–	–	2,05,20,706		
TATA Money Market Fund Direct Plan - Growth [19,403.357 units March 31, 2017 : Nil units March 31, 2016 : 13,616.13 April 01, 2015 of ₹ 1,000/- each	–	4,97,31,555	–	–	–	3,00,25,887
UTI-Money Market Fund-Institutional Plan-DirectPlan-Growth [27,844.425 units March 31, 2017 : 22,804.416 units March 31, 2016 : Nil units April,01 2015] of ₹ 1,000/- each	–	5,07,94,435	–	3,87,39,396		
IDFC Cash Fund - Growth - (Direct Plan) [Nil units March 31, 2017 : Nil units March 31, 2016 : 4,530.84 April 01, 2015] of ₹ 1,000/- each	–	–	–	–	–	77,05,070
Kotak Floater Short Term - Direct Plan - Growth [Nil units March 31, 2017 : Nil units March 31, 2016 : 4,302.619 April 01, 2015] of ₹ 1,000/- each	–	–	–	–	–	98,75,945
Axis Liquid Fund - Direct Growth [28,119.615 units March 31, 2017 : Nil units March 31, 2016 : 13,616.13 April 01, 2015 of ₹ 1,000/- each	–	5,07,06,038	–	–	–	–
SBI Premier Liquid Fund - Direct Plan - Growth [19,602.305 units March 31, 2017 : Nil units March 31, 2016 : 13,616.13 April 01, 2015 of ₹ 1,000/- each	–	5,00,31,306	–	–	–	–
Aggregate amount of quoted and unquoted investments	11,778	20,12,63,334	10,866	9,25,87,424	9,998	15,80,77,578
Total current investments		20,12,75,112		9,25,98,290		15,80,87,576
Market Valve of quoted investment as per Schedule III	11,778		10,866		9,998	

Note 6(b) Trade receivables

	As at March 31, 2017	As at March 31, 2016	As at April 01, 2015
Current			
Unsecured, Considered Good	9,97,38,642	11,23,13,082	10,26,19,990
Considered Doubtful	2,87,26,071	2,66,25,520	1,16,84,437
Less: Allowance for doubtful debts	(2,87,26,071)	(2,66,25,520)	(1,16,84,437)
Total trade receivables	9,97,38,642	11,23,13,082	10,26,19,990

Note 6(c) Cash & Cash equivalents

	As at March 31, 2017	As at March 31, 2016	As at April 01, 2015
Balances with banks			
- in current accounts	1,73,66,747	3,21,28,959	1,26,22,446
Cash on hand	1,54,700	29,622	1,38,025
Total cash and cash equivalents	1,75,21,447	3,21,58,581	1,27,60,471

Notes forming part of the financial statements (Contd.)
(all amounts in rupees unless otherwise stated)

Note 6(d) Other Bank balances

	As at March 31, 2017	As at March 31, 2016	As at April 01, 2015
In Fixed Deposits (With Maturity of More Than Three Months and Less Than Twelve Months)	–	4,00,00,000	2,65,00,000
Total Other bank balances	–	4,00,00,000	2,65,00,000

Details of Specified Bank Notes (SBN) held and transacted during the period 08.11.2016 to 30.12.2016 are provided in table below:

	SBNs	Other denomination notes	Total
Closing cash in hand as on 08.11.2016	1,21,500	24,735	1,46,235
(+) Withdrawal from the bank		2,02,312	2,02,312
(-) Permitted payments	–	2,07,183	2,07,183
(-) Amount deposited in Banks	1,21,500	–	1,21,500
Closing cash in hand as on 30.12.2016	**–**	**19,864**	**19,864**

Note 6(e) Other financial assets

	As at March 31, 2017		As at March 31, 2016		As at April 01, 2015	
	Current	Non-current	Current	Non-current	Current	Non-current
Bank deposits with more than 12 months maturity	–	–	–	–	–	4,00,00,000
Other Financial assets						
- Security deposits	5,33,100	–	4,01,100	–	6,03,000	–
- interest accrued on fixed deposits	–	–	34,37,629	–	3,01,151	78,904
- Contractually reimbursable cost - considered Good	4,48,18,947	–	2,78,22,293	–	3,34,33,602	–
- Contractually reimbursable cost - considered doubtful	1,05,71,443		61,39,658		23,66,486	
Less: Allowance for doubtful Contractually reimbursable cost	(1,05,71,443)	–	(61,39,658)	–	(23,66,486)	–
Unbilled revenue	12,80,822		–		–	
Total other financial assets	4,66,32,869	–	3,16,61,022	–	3,43,37,753	4,00,78,904

Note 7: Other current assets

	As at March 31, 2017	As at March 31, 2016	As at April 01, 2015
Prepayment expenses	5,51,385	5,45,322	4,88,441
Advances to employees and vendors	62,225	2,18,419	44,147
Service tax recoverable	6,78,747	6,12,384	14,982
Total other current assets	12,92,357	13,76,125	5,47,570

Note 8(a) Equity share capital

	As at March 31, 2017	As at March 31, 2016	As at April 01, 2015
Authorised			
20,00,000 (2016: 20,00,000; 2015: 20,00,000) equity shares of ₹ 10 each	2,00,00,000	2,00,00,000	2,00,00,000
Issued, subscribed and paid up			
4,50,008 (2016: 4,50,008; 2015: 4,50,008) equity shares of ₹ 10 each	45,00,080	45,00,080	45,00,080
Total	45,00,080	45,00,080	45,00,080

(i) Movements in equity share capital

Particulars	Number of shares	Amount
As at April 1, 2015	4,50,008	45,00,080
Add: Increase / less changes during the year	–	–
As at March 31, 2016	4,50,008	45,00,080
Add: Increase / less changes during the year	–	–
As at March 31, 2017	**4,50,008**	**45,00,080**

The company has one class of equity shares having a par value of Rs. 10 per share. Each shareholder is eligible for one vote per share held. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company after distribution of all preferential amounts, in proportion to their shareholding.

(ii) Shares held by holding company

Particulars	As at March 31, 2017	As at March 31, 2016	As at April 01, 2015
Equity Shares of Rs. 10 each fully paid up held by:			
ITC Limited, the holding company	4,50,002	4,50,002	4,50,002
Held by management personnel as nominees of ITC Limited	6	6	6

(iii) Details of shareholders holding more than 5% shares in the company

Particulars	As at March 31, 2017		As at March 31, 2016		As at April 01, 2015	
	Number of shares	% holding	Number of shares	% holding	Number of shares	% holding
ITC Limited, the holding company	4,50,002	99.98%	4,50,002	99.98%	4,50,002	99.98%
Held by management personnel as nominees of ITC Limited	6	0.02%	6	0.02%	6	0.02%

Notes forming part of the financial statements (Contd.)

(all amounts in rupees unless otherwise stated)

Note 8(b) : Other Reserves : Reserves & Surplus

	As at March 31, 2017	As at March 31, 2016	As at April 01, 2015
Capital Reserve	30,00,000	30,00,000	30,00,000
General Reserve	3,37,47,999	3,37,47,999	3,37,47,999
Retained earnings	20,76,23,706	18,37,64,425	29,26,99,175
Capital contribution from parent company	–	4,27,27,652	–
Total reserves and surplus	24,43,71,705	26,32,40,076	32,94,47,174

(i) Capital reserve

	As at March 31, 2017	As at March 31, 2016
Opening balance	30,00,000	30,00,000
Closing balance	30,00,000	30,00,000

(ii) General reserves

	As at March 31, 2017	As at March 31, 2016
Opening Balance	3,37,47,999	3,37,47,999
Closing Balance	3,37,47,999	3,37,47,999

(iii) Capital contribution for share based payment

	As at March 31, 2017	As at March 31, 2016
Opening balance	4,27,27,652	–
Add : Employee Stock option charge debited by parent company	–	4,27,27,652
Less : Employee Stock option charge reimbursable to parent company	(4,27,27,652)	–
Closing Balance	–	4,27,27,652

(iv) Retained earnings

	As at March 31, 2017	As at March 31, 2016
Opening balance	18,37,64,425	29,26,99,175
Net profit for the period	2,43,87,462	2,14,52,049
Items of other comprehensive income recognised directly in retained earnings	(5,28,181)	(28,55,968)
Dividend*	–	(10,59,76,884)
Dividend distribution tax	–	(2,15,53,947)
Closing balance	20,76,23,706	18,37,64,425

*The Company had paid an interim dividend of Rs. 223/- per share and final divuidend of Rs. 12.50 per share (on equity shares of Rs. 10/- each aggregating to Rs. 10,03,51,784/- and Rs. 56,25,100/- respectively for the year eneded March 31, 2016 and March 31, 2015.

Note 9: Other liabilities

	As at March 31, 2017			As at March 31, 2016			As at April 01, 2015		
	Current	Non-current	Total	Current	Non-current	Total	Current	Non-current	Total
Deferred revenue received in advance	79,33,031	–	79,33,031	12,10,000	84,57,031	96,67,031	37,35,000	57,37,031	94,72,031
Advance from customers	1,89,42,535	–	1,89,42,535	53,12,680	1,27,29,855	1,80,42,535	68,62,680	1,10,79,855	1,79,42,535
Statutory dues including provident fund and tax deducted at source	48,43,718	–	48,43,718	45,67,178	–	45,67,178	39,10,150	–	39,10,150
Total other current liabilities	3,17,19,284	–	3,17,19,284	1,10,89,858	2,11,86,886	3,22,76,744	1,45,07,830	1,68,16,886	3,13,24,716

Note 10: Provisions

	As at March 31, 2017			As at March 31, 2016			As at April 01, 2015		
	Current	Non-current	Total	Current	Non-current	Total	Current	Non-current	Total
Leave obligations (Refer Note 14)	34,22,078	80,65,195	1,14,87,273	34,71,745	79,61,444	1,14,33,189	65,35,316	1,98,65,397	2,64,00,713
Provision for Loyalty Plan (Refer Note 14)	40,40,085	85,63,193	1,26,03,278	30,64,586	98,72,924	1,29,37,510	40,40,600	1,13,78,700	1,54,19,300
Total Employee benefit obligations	74,62,163	1,66,28,388	2,40,90,551	65,36,331	1,78,34,368	2,43,70,699	1,05,75,916	3,12,44,097	4,18,20,013

Note 11: Financial Liabilities

Note 11(a) : Trade payables (Current)

	As at March 31, 2017	As at March 31, 2016	As at April 01, 2015
Total Outstandng dues of micro and small enterprises#	–	–	–
Total outstanding dues of creditors other than micro and small enterprises	1,74,71,889	80,70,694	73,70,115
Total trade payables	1,74,71,889	80,70,694	73,70,115

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

Note 11(b) : Other financial liabilities (Current)

	As at March 31, 2017	As at March 31, 2016	As at April 01, 2015
Employee Benefits Payable	1,94,10,083	2,72,64,538	52,98,730
Payable to holding Company (Refer Note 21)	7,76,89,136	–	–
Total other current financial liabilities	9,70,99,219	2,72,64,538	52,98,730

Note 12: Revenue from operations

	For the year ended March 31, 2017	For the year ended March 31, 2016
Rendering of Services		
- Operating and Marketing Services	27,78,36,811	26,68,14,273
Total revenue from continuing operations	27,78,36,811	26,68,14,273

Note 13 : Other income

Interest Income		
- On Fixed Deposits	5,52,426	60,43,799
- On Income Tax Refund	58,386	10,57,813
Gain on financial assets mandatorily measured at fair value through profit or loss	15,65,950	6,84,258
Net gain on sale of investments	1,01,60,972	1,14,23,056
Liabilities no Longer Required Written-back	24,63,036	–
Net foreign exchange gains	6,865	–
Miscellaneous Income	26,61,175	16,39,483
Total other income	1,74,68,810	2,08,48,409

Notes forming part of the financial statements (Contd.)
(all amounts in rupees unless otherwise stated)

Note 14: Employee benefit expense

	For the year ended March 31, 2017	For the year ended March 31, 2016
Salary, Wages and Bonus*	21,24,70,223	19,97,80,067
Reimbursement of remuneration of deputed managers	3,64,68,848	3,11,20,751
Share based payments expense for deputed managers	3,49,61,484	4,27,27,652
Gratuity [Refer note [a] below] (after adjustment for movement in value of assets not recognised)	2,00,000	1,00,000
Contribution to Employees Provident and Other Funds	90,63,438	93,15,654
Staff Welfare Expenses	1,33,73,802	1,25,64,289
	30,65,37,795	29,56,08,413
Less: Recoveries**	14,22,89,060	14,15,79,605
Total employee benefit expense	16,42,48,735	15,40,28,808

* Net of Rs. Nil (P.Y.: ₹ 2,06,85,075) being provision for leave encashment written back during the year due to change in Company's leave encashment policy.

** Recoveries of salary cost of deputed personnel from alliances.

The Company has accounted for the defined benefit and retirement benefit plan and contribution scheme as under:

[a] Defined benefit plan / other long term retirement benefits:

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.

Other long term retirement benefits:

i) 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.

ii) Loyalty Plan : This plan applies to those employees who have participated in the appraisal process for a minimum of three years after confirmation. The employees would be eligible to receive the amount as a lumpsum at the end of a cycle of three successive years of being rated for his / her performance. An amount of ₹ 41,62,168 (Previous year: ₹ 28,05,410) has been charged to the Statement of Profit and Loss during the year.

a) The reconciliation of opening and closing balances of the present value of defined benefit obligations are as under :
Gratuity

	Present value of obligation	Fair value of plan assets	Total	Impact of asset ceiling	Net amount
April 01, 2015	85,69,001	(1,38,78,185)	(53,09,184)	53,09,184	–
Current service cost	30,65,992	–	30,65,992	–	30,65,992
Past service cost	–	–	–	–	–
Interest expense/(income)	6,42,073	(10,42,001)	(3,99,928)	(25,66,064)	(29,65,992)
Total amount recognised in profit or loss	37,08,065	(10,42,001)	26,66,064	(25,66,064)	1,00,000
Remeasurements					
Return on plan assets, excluding amounts included in interest expense/(income)	–	14,39,670	14,39,670	–	14,39,670
(Gain)/loss from change in demographic assumptions	–	–	–	–	–
(Gain)/loss from change in financial assumptions	62,938	–	62,938	–	62,938
Experience (gains)/losses	(5,11,427)	–	(5,11,427)	–	(5,11,427)
Change in asset ceiling, excluding amounts included in interest expense	–	–	–	(9,91,181)	(9,91,181)
Total amount recognised in other comprehensive income	(4,48,489)	14,39,670	9,91,181	(9,91,181)	–
Contributions:					
Employers					
Plan participants	–	(1,00,000)	(1,00,000)	–	(1,00,000)
Benefit payments	(5,68,364)	5,68,364	–	–	–
March 31, 2016	**1,12,60,213**	**(1,30,12,152)**	**(17,51,939)**	**17,51,939**	–

	Present value of obligation	Fair value of plan assets	Total	Impact of asset ceiling	Net amount
April 01, 2016	1,12,60,213	(1,30,12,152)	(17,51,939)	17,51,939	–
Current service cost	29,57,246	–	29,57,246	–	29,57,246
Past service cost	–	–	–	–	–
Interest expense/(income)	7,37,192	(9,09,089)	(1,71,897)	(25,85,350)	(27,57,246)
Total amount recognised in profit or loss	36,94,438	(9,09,089)	27,85,349	(25,85,350)	2,00,000
Remeasurements					
Return on plan assets, excluding amounts included in interest expense/(income)	–	29,048	29,048	–	29,048
(Gain)/loss from change in demographic assumptions	–	–	–	–	–
(Gain)/loss from change in financial assumptions	2,19,600	–	2,19,600	–	2,19,600
Experience (gains)/losses	1,86,142	–	1,86,142	–	1,86,142
Change in asset ceiling, excluding amounts included in interest expense	–	–	–	(4,34,790)	(4,34,790)
Total amount recognised in other comprehensive income	4,05,742	29,048	4,34,790	(4,34,790)	–
Contributions:					
Employers					
Plan participants	–	(2,00,000)	(2,00,000)	–	(2,00,000)
Benefit payments	(28,61,968)	28,61,968	–	–	–
March 31, 2017	1,24,98,426	(1,12,30,225)	12,68,201	(12,68,201)	–

Notes forming part of the financial statements (Contd.)
(all amounts in rupees unless otherwise stated)

The net liability disclosed above relates to funded and unfunded plans are as follows:

	March 31, 2017	March 31, 2016	April 01, 2015
Present value of funded obligations	1,24,98,426	1,12,60,213	85,69,001
Fair value of plan assets	(1,12,30,225)	(1,30,12,152)	(1,38,78,185)
Funded status	12,68,201	(17,51,939)	(53,09,184)
Effect of asset ceiling	–	–	–
Net defined benefit liability (asset)	12,68,201	(17,51,939)	(53,09,184)

Major Category of Plan Assets as a % of the Total Plan Assets

Life Insurance Corporation of India	100%	100%	100%

Post - Employment benefits (Gratuity)

Significant estimates: actuarial assumptions and sensitivity

The significant actuarial assumptions were as follows:

	March 31, 2017	March 31, 2016	April 01, 2015
Discount rate	6.75% p.a.	7.50% p.a.	7.75% p.a.
Salary Growth Rate	6.00% p.a.	6.00% p.a.	6.00% p.a.
Attrition Rate	25.00% p.a.	25.00% p.a.	25.00% p.a.

Sensitivity Analysis

The sensitivity analysis below has been determined based on reasonably possible change of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant. These sensitivities show the hypothetical impact of a change in each of the listed assumptions in isolation. While each of these sensitivities holds all other assumptions constant, in practice such assumptions rarely change in isolation and the asset value changes may offset the impact to some extent. For presenting the sensitivities, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the Defined Benefit Obligation presented above. There was no change in the methods and assumptions used in the preparation of sensitivity analysis from previous year.

	Defined Benefit Obligation	
	As At March 31, 2017	As At March 31, 2016
Discount Rate + 100 basis points	1,21,35,084	1,09,41,193
Discount Rate - 100 basis points	1,28,86,657	1,16,00,793
Salary Increase Rate + 1%	1,28,24,742	1,15,47,906
Salary Increase Rate – 1%	1,21,86,953	1,09,85,780
Attrition Rate + 1%	1,24,64,133	1,12,35,725
Attrition Rate – 1%	1,25,32,801	1,12,84,526

Leave encashment

	Present value of obligation	Fair value of plan assets	**Total**
April 01, 2015	2,64,00,713	–	2,64,00,713
Current service cost	12,73,939		12,73,939
Past service cost	(2,06,85,075)		(2,06,85,075)
Interest expense/(income)	19,72,569		19,72,569
Total amount recognised in profit or loss	(1,74,38,567)	–	(1,74,38,567)
Remeasurements			
Return on plan assets, excluding amounts included in interest expense/(income)	–	–	–
(Gain)/loss from change in demographic assumptions	–	–	–
(Gain)/loss from change in financial assumptions	25,88,881	–	25,88,881
Experience (gains)/losses	17,78,577	–	17,78,577
Change in asset ceiling, excluding amounts included in interest expense	–	–	–
Total amount recognised in other comprehensive income	43,67,458	–	43,67,458
Contributions:			
Employers			
Plan participants	–	–	–
Benefit payments	(18,96,415)	–	(18,96,415)
March 31, 2016	1,14,33,189	–	1,14,33,189

	Present value of obligation	Fair value of plan assets	**Total**
April 01, 2016	1,14,33,189	–	1,14,33,189
Current service cost	14,13,584	–	14,13,584
Past service cost	–	–	-
Interest expense/(income)	7,51,006	–	7,51,006
Total amount recognised in profit or loss	21,64,590	–	21,64,590
Remeasurements			
Return on plan assets, excluding amounts included in interest expense/(income)	–	–	–
(Gain)/loss from change in demographic assumptions	–	–	–
(Gain)/loss from change in financial assumptions	2,12,904	–	2,12,904
Experience (gains)/losses	5,16,150	–	5,16,150
Change in asset ceiling, excluding amounts included in interest expense	–	–	–
Total amount recognised in other comprehensive income	7,29,054	–	7,29,054
Contributions:			
Employers			
Plan participants	–	–	–
Benefit payments	(28,39,559)	–	(28,39,559)
March 31, 2017	**1,14,87,274**	**–**	**1,14,87,274**

Notes forming part of the financial statements (Contd.)
(all amounts in rupees unless otherwise stated)

Significant estimates: actuarial assumptions and sensitivity

The significant actuarial assumptions were as follows:

	March 31, 2017	March 31, 2016	April 01, 2015
Discount rate	**6.75% p.a.**	7.50% p.a.	7.75% p.a.
Salary Growth Rate	**6.00% p.a.**	6.00% p.a.	6.00% p.a.
Attrition Rate	**25.00% p.a.**	25.00% p.a.	25.00% p.a.

Sensitivity Analysis

	Defined Benefit Obligation	
	As At March 31, 2017	As At March 31, 2016
Discount Rate + 100 basis points	**1,11,07,162**	1,11,76,209
Discount Rate - 100 basis points	**1,17,34,434**	1,18,19,028
Salary Increase Rate + 1%	**1,16,81,026**	1,17,62,871
Salary Increase Rate – 1%	**1,11,52,890**	1,12,24,259
Attrition Rate + 1%	**1,14,29,592**	1,14,97,037
Attrition Rate – 1%	**1,13,91,014**	1,14,76,858

[b] State plans (contribution scheme)

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. 87,97,537/- (Previous year Rs. 88,92,169/-)

	For the year ended March 31, 2017	For the year ended March 31, 2016
Note 15: Other expense		
Repairs and Maintenance - Others	**29,30,503**	26,41,808
Power and Fuel	**13,46,146**	5,96,839
Rates and Taxes	**15,315**	28,641
Rent [Note 22 below]	**68,35,372**	66,87,622
Printing and stationery	**4,52,253**	4,92,250
Travelling and Conveyance	**1,45,84,356**	1,49,20,079
Advertisement / Sales promotion	**1,14,00,352**	1,42,25,954
Legal expenses	**12,80,431**	4,90,175
Consultancy / Professional fees	**61,20,794**	61,78,688
Postage and telephone	**29,25,341**	32,70,010
Insurance	**2,11,029**	2,19,502
Information technology services	**55,73,816**	55,65,419
Bad Debts Written-off	**39,33,332**	8,13,194
Allowance for bad and doubtful debts	**65,32,336**	1,87,14,255
Loss on sale of fixed assets	**1,31,961**	27,228
Payment to the Auditors [Note 15(a) below]	**4,69,207**	13,43,006
Expenditure towards Corporate Social Responsibility activities [Note 15 (b) below]	**19,20,000**	17,48,000
Miscellaneous	**20,26,660**	18,55,535
Total other expenses	**6,86,89,204**	7,98,18,205

	For the year ended March 31, 2017	For the year ended March 31, 2016
Note 15 (a): Details of payments to auditors		
Payment to auditors		
As auditor:		
Audit fees	**3,50,000**	3,50,000
Tax audit fees	**50,000**	50,000
Fees for other services	–	8,75,000
Re-imbursement of expenses	**69,207**	68,006
Total payments to auditors	**4,69,207**	13,43,006
Note 15 (b): Corporate social responsibility expenditure		
Contribution to ITC Rural Development Trust	**19,20,000**	17,48,000
Total	**19,20,000**	17,48,000
Amount required to be spent as per Section 135 of the Act	**19,18,759**	17,47,363
Amount spent during the year on		
(i) Construction/acquisition of an asset	–	–
(ii) On purposes other than (i) above	**19,20,000**	17,48,000
Note 16: (a) Income tax expense		
Current tax		
Current tax on profits for the year	**3,30,29,000**	3,12,07,684
Total current tax expense	**3,30,29,000**	3,12,07,684
Deferred tax		
Decrease / (increase) in deferred tax assets	**31,90,363**	2,24,472
(Decrease) / increase in deferred tax liabilities	**1,38,111**	(4,51,552)
Total deferred tax expense/(benefit)	**33,28,474**	(2,27,080)
Income tax expense	**3,63,57,474**	3,09,80,604

(b) Reconciliation of tax expense and the accounting profit multiplied by India's tax rate

	March 31, 2017	March 31, 2016
Profit before income tax expenses	**6,07,44,936**	5,24,32,653
Indian tax rate	**33.06%**	34.608%
Tax based on normal tax rate	**2,00,84,098**	1,81,45,893
Income Tax on items not considered while determining taxable profits	**1,18,76,720**	1,50,89,660
Effect of deferred tax balances due to changes in income tax rate notified under Income Tax Act, 1961	**43,96,656**	(22,54,949)
Total tax expense	**3,63,57,474**	3,09,80,604
Note 17: Earnings per equity share		
Profit after tax	**2,43,87,462**	2,14,52,049
Weighted average number of shares outstanding	**4,50,008**	4,50,008
Basic and diluted earnings per share	**54.19**	47.67

Note 18: Financial Instruments and Fair value Disclosures

Particulars	Note	As at 31st March, 2017		As at 31st March, 2016		As at 1st April, 2015	
		Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value
A. Financial Assets							
a) Measured at amortised cost							
i) Cash and Cash Equivalents	6 (c)	**1,75,21,447**	**1,75,21,447**	3,21,58,581	3,21,58,581	1,27,60,471	1,27,60,471
ii) Other Bank Balances	6 (c)	–	–	4,00,00,000	4,00,00,000	2,65,00,000	2,65,00,000
iii) Trade Receivables (net of allowances)	6 (b)	**9,97,38,642**	**9,97,38,642**	11,23,13,082	11,23,13,082	10,26,19,990	10,26,19,990
iv) Other Financial assets	6 (e)	**4,66,32,869**	**4,66,32,869**	3,16,61,022	3,16,61,022	3,43,37,753	3,43,37,753
Sub-total		**16,38,92,958**	**16,38,92,958**	21,61,32,685	21,61,32,685	17,62,18,214	17,62,18,214
B. Measured at Fair value through Profit or Loss							
i) Investment In Mutual Funds	6 (a)	**19,97,08,162**	**20,12,75,112**	9,11,47,172	9,25,98,290	15,59,52,200	15,80,87,576
Sub - total		**19,97,08,162**	**20,12,75,112**	9,11,47,172	9,25,98,290	15,59,52,200	15,80,87,576
Total financial assets		**36,36,01,120**	**36,51,68,070**	30,72,79,857	30,87,30,975	33,21,70,414	33,43,05,790
B. Financial liabilities							
a) Measured at amortised cost							
i) Trade Payables	11(a)	**1,74,71,889**	**1,74,71,889**	80,70,694	80,70,694	73,70,115	73,70,115
ii) Other financial liabilities	11(b)	**9,70,99,219**	**9,70,99,219**	2,36,80,247	2,36,80,247	51,30,707	51,30,707
Sub - total		**11,45,71,108**	**11,45,71,108**	3,17,50,941	3,17,50,941	1,25,00,822	1,25,00,822
Total financial liabilities		**11,45,71,108**	**11,45,71,108**	3,17,50,941	3,17,50,941	1,25,00,822	1,25,00,822

Notes forming part of the financial statements (Contd.)
(all amounts in rupees unless otherwise stated)

Fair value hierarchy

Fair value of the financial instruments is classified in various fair value hierarchies based on the following three levels:

Level 1: Quoted prices (unadjusted) in active market for identical assets or liabilities. The Mutual Funds are valued using the closing NAV.

Level 2: Inputs other than quoted price including within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximize the use of observable market data and rely as little as possible on entity-specific estimates. If significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

Level 3: Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs)

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case with listed instruments where market is not liquid and for unlisted instruments.

The fair value of trade receivables and payables is considered to be equal to the carrying amounts of these items due to their short – term nature.

The following table presents the fair value hierarchy of assets and liabilities measured at fair value on a recurring basis

Particulars	Fair Value Hierarchy (Level)	Fair Value		
		As at 31st March, 2017	As at 31st March, 2016	As at 1st April, 2015
A. Financial assets				
a) Measured at Fair value through Profit or Loss				
i) Investment In Mutual Funds	1	20,12,75,112	9,25,98,290	15,80,87,576
Sub – total		20,12,75,112	9,25,98,290	15,80,87,576
Total financial assets		20,12,75,112	9,25,98,290	15,80,87,576

There are no transfers between Level 1, Level 2 and Level 3 during the year.

Note 19: Financial risk management

The Company's activities expose it to primarily Credit Risk and Liquidity Risk, which are not material given the nature of business and limited risk undertaken by the Company.

The Company's risk management framework is designed to bring robustness to the risk management processes within the company and to address the risks intrinsic to operations, financials and compliances arising out of the overall strategy of the Company.

a) Liquidity risk

Liquidity risk is defined as the risk that the Company will not be able to settle or meet its obligations as they become due. The Company's investment decisions relating to deployment of surplus liquidity are guided by the tenets of safety, liquidity and return. The Company manages its liquidity risk by ensuring that it will always have sufficient liquidity to meet its liabilities when due. Investments are made with a range of maturities, generally matching the projected cash flows and spreading the same across wide range of counterparties.

The table below provides details regarding the remaining contractual maturities of significant financial liabilities at the reporting date.

Particulars	As at 31st March, 2017				
	Contractual Cash flows*				
	Carrying value	0 -1 month	1 - 3 months	More than 3 months	Total
Trade Payables	**1,74,71,889**	**1,74,71,889**	–	–	**1,74,71,889**
Other Financial Liabilities other than derivatives	**9,70,99,219**	**9,70,99,219**	–	–	**9,70,99,219**
	11,45,71,108	**11,45,71,108**	–	–	**11,45,71,108**

Particulars	As at 31st March, 2016				
	Contractual Cash flows*				
	Carrying value	0 -1 month	1 - 3 months	More than 3 months	Total
Trade Payables	80,70,694	80,70,694	–	–	80,70,694
Other Financial Liabilities other than derivatives	2,36,80,247	2,36,80,247	–	–	2,36,80,247
	3,17,50,941	3,17,50,941	–	–	3,17,50,941

Particulars	As at 31st March, 2015				
	Contractual Cash flows*				
	Carrying value	0 -1 month	1 - 3 months	More than 3 months	Total
Trade Payables	73,70,115	73,70,115	–	–	73,70,115
Other Financial Liabilities other than derivatives	51,30,707	51,30,707	–	–	51,30,707
	1,25,00,822	1,25,00,822	–	–	1,25,00,822

* The table has been drawn up based on undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The table includes both interest and principal cash flows.

b) Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a contract which may lead to a financial loss to the Company. The Company is exposed to credit risk from its operating activities (primarily trade receivables).

Notes forming part of the financial statements (Contd.)

(all amounts in rupees unless otherwise stated)

The Company has a policy of extending credit only after due approvals and evaluation in terms of the agreed terms. Based on negotiations, bank guarantee is also taken from some of the customers to whom credit is extended, but adjustment to the same are made only based on mutual agreement. Such credit limits extended to trade receivables are monitored by the management committee and protective action initiated to recover the amount. In view of the short nature of its trade receivables, the Company makes provision for bad and doubtful debts on an individual basis. Write offs are made with the approval of the Board of Directors.

Trade receivables are initially measured at transaction value, which is the fair value and subsequently retained at cost less provision for impairment. Impairment losses are recognized in the profit or loss where there is objective evidence that the Company will not be able to collect all the due amounts.

Interest is generally not charged and / or paid on customer balances.

There are no significant concentrations of credit risk. Credit risk with respect to trade receivables is not material and is limited due to the diverse customer base. Our historical experience of collecting receivables, supported by the level of default, is that credit risk is low and so trade receivables are considered to be a single class of financial assets. All Customer balances which are overdue for more than 180 days are evaluated for provision and considered for impairment on an individual basis. The Company has used practical expedient in computing allowance for doubtful receivables based on the ageing of the customer's balances and Company's historical and forward looking information.

Based on the historic trend and expected performance of the customers, the Company believes that the allowance for doubtful receivable sufficiently covers the risk of default. Movement in the provisions for impairment of trade receivables is as follows:

Description	As At March 31, 2017	As At March 31, 2016
Balance at the beginning of the year	(3,27,65,178)	(1,40,50,923)
Provided during the year	(2,54,28,362)	(1,87,14,255)
Adjusted during the year	1,88,96,026	–
Balance at the end of the year	(3,92,97,514)	(3,27,65,178)

Note 20: Capital Management

a) Risk Management

The Company's financial strategy aims to provide adequate capital for its growth plans in 'upscale to mid market segment' for generating superior returns and sustained stakeholder value. The Company funds its operations mainly through internal accruals. The Company does not have borrowings and continues to invest its surplus funds for its future growth as a going concern within the tenets of Safety, Liquidity and Returns.

b) Dividends

	As At March 31, 2017	As At March 31, 2016
(i) Equity Shares Final dividend for the year ended March 31, 2016 of Rs. 12.50) per fully paid up share	–	56,25,100
Interim dividend for the year ended March 31, 2016 of Rs. 223 per fully paid up share	–	10,03,51,784
(ii) Dividends not recognised at the end of the reporting period		
In addition to the above dividends, since year end the directors have recommended the payment of a final dividend of Rs.12.50 per fully paid equity share (March 31, 2016 – Rs.223). This proposed dividend is subject to the approval of shareholders in the ensuing annual general meeting. The tax impact of above dividend is Rs. 11,45,138/-.	56,25,100	–

Note 21 Related party disclosures

a) Names of related parties and nature of relationship:

i) Where control exists:
Holding Company — ITC Limited

ii) Key Management Personnel:
Suresh Kumar — Managing Director
Nakul Anand — Director
Jagdish Singh — Director

iii) Other related parties with whom transactions have taken place during the year :
Associates — International Travel House Limited

Entity under control of the ITC Group — ITC Infotech India Limited
Maharaja Heritage Resorts Limited

Notes forming part of the financial statements (Contd.)

(all amounts in rupees unless otherwise stated)

b) Summary of transactions / balances :

	Transactions / balances	Holding Company			Other Related Parties			Key Management Personnel		
		March 31, 2017	March 31, 2016	April 01, 2015	**March 31, 2017**	March 31, 2016	April 01, 2015	**March 31, 2017**	March 31, 2016	April 01, 2015
1	Operating and marketing fees [Inclusive of service tax - Rs.31,62,174/- (Previous year - Rs.24,10,788/-)]	**2,43,43,399**	1,96,13,742	–	–	–	–	–	–	–
2	Purchase of services									
	- ITC Limited	**4,72,006**	4,13,488	–	–	–	–	–	–	–
	- International Travel House Limited	–	–	–	**25,02,461**	32,16,891	–	–	–	–
	- ITC Infotech India Limited	–	–	–	**8,91,250**	–	–	–	–	–
3	Rent [Inclusive of service tax - Rs.2,21,888/- (Previous year - Rs.1,99,368/-)]	**17,09,408**	16,94,802	–	–	–	–	–	–	–
4	Remuneration of managers / staff on deputation recovered - ITC Limited *[Inclusive of service tax - Rs.26,66,048/- (Previous year - Rs. 16,59,780/-)]*	**2,05,22,588**	1,35,37,501	–	–	–	–	–	–	–
5	Remuneration of managers on deputation reimbursed ((including remuneration of Suresh Kumar - Managing Director) Rs. 65,17,833/- (Previous year - Rs. 50,59,362/-) as disclosed below)	**7,14,51,899**	3,11,20,751	–	–	–	–	–	–	–
6	Dividend payments	–	10,59,76,884	–	–	–	–	–	–	–
7	Expense recovered during the year (amount due on account of payments made on behalf of related parties)									
	- ITC Limited	**29,70,981**	8,13,747	–	–	–	–	–	–	–
	- Maharaja Heritage Resorts Limited	–	–	–	**34,729**	–	–	–	–	–
8	Expense reimbursed during the year (amount due to related parties on account of payments made by them on behalf of the Company) - ITC Limited (including remuneration of Suresh Kumar - Managing Director ₹ 6,00,000/- (Previous year - ₹ 6,00,000/-))	**1,78,87,831**	1,10,45,716	–	–	–	–	–	–	–
	- International Travel House Limited	–	–	–	**80,159**	67,580	–	–	–	–
9	Remuneration to Key Management Personnel - Suresh Kumar	–	–	–	–	–	–	**74,20,374**	70,16,637	–
10	Closing Balances: (i) Trade receivables - ITC Limited	**13,72,356**	23,61,080	10,61,729	–	–	–	–	–	–
	(ii) Other current assets - ITC Limited	**11,77,233**	17,13,382	10,80,803	–	–	–	–	–	–
	(iii) Trade payables - ITC Limited	**43,44,754**	31,14,563	22,95,113	–	–	–	–	–	–
	- International Travel House Limited	–	–	–	**1,40,666**	5,34,502	1,15,466	–	–	–
	(iv) Other financial liabilities - ITC Limited	**7,76,89,136**	–	–	–	–	–	–	–	–
	(v) Other current liabilities - Suresh Kumar	–	–	–	–	–	–	–	–	98,462

Note 22 Lease arrangements

The Company's significant leasing arrangements are in respect of operating leases for premises (residential, office etc.). These leasing arrangements which are cancellable range between 11 months and 2 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 Note 15.

Note 23 Segment reporting

The operating segment of the company has been identified in a manner consistant with the internal reporting provided to the Management Committee headed by the Managing Director. The Committee is the chief operating decision maker based on which there is only one operating segment in which the company operates i.e. operating hotels in the mid - market to upscale segment and within one geographical segment i.e. India. The Company is not reliant on revenues from operations with any single operating hotel customer and does not receive 10% or more of it's revenues from operating fee from any single external operating hotel. Total Non-current assets are located in India.

Note 24 Contingent Liability

	As at March 31, 2017	As at March 31, 2016	As at April 01, 2015
Claims against the Company not acknowledged as debts			
Service tax matter (refer (a) below)	–	45,70,992	45,70,992
Income tax matters (refer (b) below)	**67,57,173**	93,82,331	93,82,331

a) During the previous year the Company had received demand for service tax amounting to ₹ 45,70,992 (inclusive of cess and penalty) dated March 10, 2010 from Additional Commissioner, Service Tax pertaining to service tax on reimbursement of salary received by the Company during the period from 2003 to 2006. Central Excise and Service Tax Appellate Tribunal disposed off the demand in favour of the Company in 2016 - 2017.

b) Demands from income tax authorities under appeal:
- Rs. 67,57,173 for assessment year 2012 - 13 (March 31, 2016 : Rs. 67,57,173).
- Nil for assessment year 2012 - 13 (March 31, 2016 : Rs. 26,25,158).

Notes forming part of the financial statements (Contd.)
(all amounts in rupees unless otherwise stated)

c) It is not practicable for the company to estimate the timings or amount of cash outflows, if any, in respect of the above pending resolution of the respective proceedings.

Note 25 Employee stock option

Information in respect of Options granted under ITC's Employee Stock Option Schemes ('Schemes'):

The deputed employees of ITC Limited covered under ITC Employee Stock Option Scheme (ITC ESOS) are granted an option to purchase shares of ITC Limited in accordance with the terms and conditions of the scheme as approved by ITC Limited from time to time. Each Option entitles the holder thereof to apply for and be allotted ten Ordinary Shares of ITC Limited of ₹ 1.00 each upon payment of the exercise price during the exercise period. These options generally vest over a period of three years from the date of grant. The maximum contractual term for these stock option plans is 5 years from the date of vesting.

The Options have been granted at the 'market price' as defined from time to time under the erstwhile Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014. The fair value of the options granted is determined by ITC Limited using the Black Scholes Option Pricing model at the grant date for the Group as a whole.

The scheme has been recognized as equity settled share based payment scheme in accordance with Ind AS 102 – Share Based Payment. The company accounts for its share of the cost of the fair value of the options granted under the ITC ESOS based on the advice/on-charge by ITC Limited. Accordingly an amount of Rs. 3,49,61,484 (Refer note 14) (2016 - 4,27,27,652) which represents the on-charge from ITC Limited, being the approximate fair value. The fair value of options granted is recognized as employee benefits expense and are considered as capital contribution, net of reimbursements, if any.

The summary of movement of share options outstanding is as under:

Particulars	As at March 31, 2017 No. of Options	As at March 31, 2016 No. of Options
Outstanding at the beginning of the year	2,27,957	2,20,672
Add: Granted during the year @	37,800	45,825
Add : Effect of Bonus	1,06,681	–
Add / (Less) : Options due to transfer in and transfer out	(10,585)	–
Less: Lapsed during the year	–	–
Less: Exercised during the year	(49,867)	(38,540)
Outstanding at the end of the year	3,11,986	2,27,957
Options exercisable at the end of the year	1,96,813	1,24,183

Note: The Weighted average exercise price of the options granted under the ITC ESOS is computed by ITC Limited for the group as a whole.

Note 26 First time adoption of Ind AS

The Company has prepared the opening balance sheet as per Ind AS as of 1st April, 2015 (the transition date) by recognising all assets and liabilities whose recognition is required by Ind AS, not recognising items of assets or liabilities which are not permitted by Ind AS, by reclassifying items from previous Generally Accepted Accounting Principles (GAAP) to Ind AS as required under Ind AS, and applying Ind AS in measurement of recognised assets and liabilities.

Reconciliation of the standalone financial results of those reported under previous GAAP are summarized below:

Particulars	Notes	March 31, 2016
Profit After Tax as reported under previous GAAP		**6,22,85,846**
Fair Valuation of Investments	(iv)	(14,51,118)
Impact of recognising the cost of the employee stock options granted to the seconded employees by the Parent at fair value	(ii)	(4,27,27,652)
Remeasurement of post employment benefit obligations	(v)	43,67,458
Tax Adjustments		(10,22,485)
Profit After Tax as reported under Ind AS		**2,14,92,049**
Other Comprehensive Income for the year, net of tax		(28,55,968)
Total Comprehensive Income as reported under Ind AS		**1,85,96,081**

The reconciliation of total equity as previously reported under previous GAAP to Ind AS is summarized as follows:

Particulars	Notes	April 01, 2015 (Date of Transition)	March 31, 2016 (end of last period presented under previous GAAP)
Equity as reported under previous GAAP		32,12,87,830	26,27,92,627
Proposed dividend (including tax thereon) paid	(iii)	67,49,782	–
Fair Valuation of Investments	(iv)	14,09,562	4,47,449
Equity as reported under IND AS		32,94,47,174	26,32,40,076

Ind AS 101 allows first-time adopters exemptions from the retrospective application of certain requirements under Ind AS. The Company has applied the following exemptions and exceptions in standalone financial statements:

(i) Property, Plant and Equipment and Intangible assets were carried in the Balance Sheet prepared in accordance with previous GAAP on March 31, 2015.

The Company has elected to regard such carrying values as deemed cost at the date of transition.

(ii) Under previous GAAP, the cost of options granted to deputed employees under the ITC Employee Stock Option Scheme (ITC ESOS) [equity - settled] was recognised using the intrinsic value method by the parent company accordingly no expenditure was recognized in the statement of profit and loss as the fair value of the shares on the date of grant equalled the exercise price. Under Ind AS, the cost of options granted under ITC ESOS is recognised based on the fair value of the options as on the grant date and the amount charged by the parent company.

In addition to the above, the principal adjustments made by the Company in restating its previous GAAP financial statements, including the balance sheet as at 1st April, 2015 and the financial statements as at and for the year ended 31st March, 2016 are detailed below:

(iii) Under previous GAAP, dividend payable on equity shares (including the tax thereon) was recognised as a liability in the period to which it relates. Under Ind AS, dividends (including the tax thereon) to shareholders are recognised in accounting periods when approved by the Board for interim dividend and by the members in a general meeting for the final dividend; as the liability does not represent a present obligation.

(iv) Under previous GAAP, current investments were stated at lower of cost and fair value. Under Ind AS, these financial assets have been classified as Fair Value through Profit or Loss (FVTPL) on the date of transition and fair value changes after the date of transition has been recognized in profit or loss.

(v) Under previous GAAP, actuarial gains and losses related to the defined benefit / contribution schemes for Gratuity and liabilities towards employee leave encashment were recognised in profit or loss. Under Ind AS, the actuarial gains and losses form part of remeasurement of the net defined benefit liability / asset which is recognised in OCI. Consequently, the tax effect of the same has also been recognised in OCI instead of profit or loss.

Note 27 The Financial statements were authorised for issue by the directors on April 21, 2017

Note 28 As required by Ind AS, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

For **Price Waterhouse Chartered Accountants LLP**
Registration No. : 012754N/N500016
Ashok Narayanaswamy
Partner
Membership Number : 095665

Place : Gurugram
Date : April 21, 2017

On behalf of the Board of Directors

Suresh Kumar
Managing Director
DIN No.02741371

Jagdish Singh
Director
DIN No.00042258

REPORT OF THE BOARD OF DIRECTORS FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2017

1. Your Board of Directors ('the Board') hereby submit their Report for the financial year ended 31st March, 2017.

2. **FINANCIAL PERFORMANCE**

Your Company earned an operational revenue of ₹ 1.47 crores (previous year ₹ 1.28 crores) representing a growth of 15 %. The other income at ₹ 50.82 lakhs (previous year ₹ 47.29 lakhs) showed a growth of 7 % mainly due to accrued interest on fresh investment of ₹ 1.00 crore in Fixed Deposit during October 2016.

The financial results of your Company, summarized, are as under:

	For the year ended 31st March, 2017 (₹)	For the year ended 31st March, 2016 (₹)
a. Profit Before Tax	1,73,32,783	1,67,91,187
b. Tax Expenses		
Current Tax	59,00,000	53,61,396
Deferred Tax	38,43,171	4,04,860
c. Profit After Tax	75,89,612	1,10,24,931
d. Add : Profit brought forward from previous years	13,26,14,638	12,25,87,158
e. Surplus available for appropriation	14,02,04,250	13,36,12,089
Less:		
– Transfer to General Reserve	–	–
– Dividend Paid	8,31,250	8,31,250
– Dividend Distribution Tax on Dividend Paid	1,69,223	1,66,201
f. Balance carried forward to the following years	13,92,03,777	13,26,14,638

3. **DIVIDEND**

The Board of Directors of the Company has recommended a dividend of ₹ 70/- (previous year ₹ 70/-) per equity share of ₹ 100/- each for the year ended 31st March, 2017.

4. **OPERATIONAL PERFORMANCE**

The Company has an Operating License Agreement with its Holding Company ITC Limited which in turn has an Operating and Marketing Services Agreement with Fortune Park Hotels Limited, its wholly owned subsidiary and fellow subsidiary of your Company. Fortune Park Hotels Limited have expertise in operating and maintaining four / three star categories of hotels in India having a wide spread marketing and reservation network for the operations of the hotel.

The Company's hotel Fortune Resort Bay Island in Port Blair commands patronage in the city primarily due to its fabulous location and excellent architectural design.

During the year, renovations started in two clusters of 12 guest rooms each in February and March 2017 respectively. The work is expected to be completed by November 2017. The renovations of the remaining guest rooms and public areas shall be taken up in phases thereafter.

5. **DIRECTORS AND KEY MANAGERIAL PERSONNEL**

(a) Changes in Directors

During the year under review, there were no changes in Directors.

(b) Retirement by rotation

In accordance with the provisions of Section 152(6) of the Act and Article 143 and 144 of the Articles of Association of the Company, Mr. Nakul Anand (DIN 00022279), Director, will retire by rotation at the ensuing Annual General Meeting (AGM) of the Company and, being eligible, offers himself for re-appointment. Your Board has recommended his re-appointment.

6. **BOARD AND BOARD COMMITTEES**

The Company does not have any Board Committee. During the year ended 31st March, 2017, five meetings of the Board were held. The details of Director's attendance at the Board Meetings during the financial year are given below:

Date of Board Meetings	Directors			
	Nakul Anand	Suresh Kumar	G H C Jadwet	Jagdish Singh
16.04.2016	YES	YES	YES	YES
11.08.2016	YES	YES	NO	YES
13.10.2016	YES	YES	NO	YES
06.02.2017	YES	YES	NO	YES
24.03.2017	NO	YES	NO	YES
No. of meetings attended	4	5	1	5

7. **DIRECTORS' RESPONSIBILITY STATEMENT**

As required under Section 134(5) of the Act, your Directors confirm having:

i) followed in the preparation of the Annual Accounts, the applicable Accounting Standards with proper explanation relating to material departures, if any;

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 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 Act for safeguarding the assets of your Company and for preventing and detecting fraud and other irregularities;

iv) prepared the annual accounts on a going concern basis; and

v) devised proper systems to ensure compliance with the provisions of all applicable laws and that systems are adequate and operating effectively.

8. **SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES**

The Company does not have any subsidiary, associate or joint venture.

9. **PARTICULAR OF EMPLOYEES**

There were no employees who were employed throughout the year and were in receipt of remuneration aggregating ₹ 1.02 crore or more or were employed for part of the year and were in receipt of remuneration aggregating ₹ 8.5 lakhs per month or more during the financial year ended 31st March, 2017.

The information pursuant to Section 197 of the Companies Act, 2013 read with Rule 5(2) and 5(3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 containing the names of top 10 employees in terms of remuneration drawn is provided in the **Annexure 3** forming part of this report.

Your Company continues to attract and retain talent of the highest quality. Your Directors place on record their sincere appreciation for the efforts made and the support rendered by the employees of the Company. The Company provides a gender friendly workplace and no case of sexual harassment was reported during the year.

10. **RISK MANAGEMENT**

The Company's risk management framework, designed to bring robustness to the risk management processes in the Company, addresses risks intrinsic to operations, financials and compliances arising out of the overall strategy of the Company. Management of risks vests with the executive management which is responsible for the day-to-day conduct of the affairs of the Company. The Internal Audit Department of ITC Limited periodically carries out, at the request of the Company, risk focused audits with the objective of identifying areas where risk management processes could be strengthened. As required under the Risk Management Policy of the Company, significant risks are periodically reviewed by the General Manager of the Hotel. Further, an annual update was provided to the Board on the effectiveness of the Company's risk management systems and policies. The Board expressed satisfaction with the implementation of the risk mitigation strategies adopted by the Company against various risks.

11. **INTERNAL FINANCIAL CONTROLS**

There are adequate internal financial controls in your Company with respect to the financial statements, commensurate with the size and scale of the operations of the Company.

During the year, the internal financial controls in the Company with respect to the financial statements were tested and no material weakness in the design or operation of such controls was observed. Nonetheless your Company recognises that any internal financial control framework, no matter how well designed, has inherent limitations and accordingly, regular audit and review processes ensure that such systems are reinforced on an ongoing basis.

12. PARTICULARS OF LOANS, GUARANTEES AND INVESTMENTS

During the year ended 31st March, 2017, the Company has neither given any loan or guarantee nor has made any investment under Section 186 of the Act.

13. RELATED PARTY TRANSACTIONS

The details of related party transactions of the Company in the prescribed Form No. AOC-2 are enclosed under **Annexure 1** to this Report.

14. SIGNIFICANT AND MATERIAL ORDERS PASSED BY THE REGULATORS / COURTS / TRIBUNALS

During the year under review, no significant or material orders were passed by the Regulators / Courts / Tribunals impacting the going concern status of the Company and its future operations.

15. EXTRACT OF ANNUAL RETURN

The extract of the Annual Return in the prescribed Form No. MGT-9 is enclosed as **Annexure 2** to this Report.

16. STATUTORY AUDITORS

The Auditors, Messrs. S B Dandeker & Co., Chartered Accountants, were appointed with your approval at the Thirty Eighth AGM to hold such office for a period of three years till the conclusion of the Forty First AGM i.e. ensuing AGM.

Your Board has recommended the appointment of Messrs. S B Dandeker & Co. as Auditors of the Company for a period of five years in accordance with Section 139(1) of the Companies Act, 2013. Messrs. S B Dandeker & Co. have given their consent and certificate for appointment as the Auditors of the Company. Appropriate resolution in respect of the above appears in the Notice convening the ensuing AGM of the Company.

17. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION

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

18. FOREIGN EXCHANGE EARNINGS AND OUTGO

The foreign exchange earnings of the hotel during the year were ₹ 23.30 Lakhs as against (₹ 23.22 Lakhs in the previous year). There was no foreign exchange outgo during the year. (Previous year-Nil)

On behalf of the Board

Dated : 22nd April, 2017 — **Jagdish Singh** Director

Place : Gurugram — **Suresh Kumar** Director

Annexure 1 to the Report of the Board of Directors for the financial year ended 31st March, 2017

FORM NO. AOC-2

[Pursuant to Section 134(3)(h) of the Companies Act, 2013 and Rule 8(2) of the Companies (Accounts) Rules, 2014]

Form for disclosure of particulars of contracts/arrangements entered into by the Company with related parties referred to in sub-section (1) of Section 188 of the Companies Act, 2013 including certain arm's length transactions under third proviso thereto

1. Details of contracts or arrangements or transactions not at arm's length basis

a)	Name(s) of the related party and nature of relationship	NIL
b)	Nature of contracts / arrangements / transactions	
c)	Duration of the contracts / arrangements / transactions	
d)	Salient terms of the contracts or arrangements or transactions including the value, if any	
e)	Justification for entering into such contracts or arrangements or transactions	
f)	Date(s) of approval by the Board	
g)	Amount paid as advances, if any	
h)	Date on which the special resolution was passed in general meeting as required under first proviso to Section 188	

2. Details of material contracts or arrangement or transactions at arm's length basis

a)	Name(s) of the related party and nature of relationship	ITC Limited (ITC), Holding Company
b)	Nature of contracts / arrangements / transactions	Receipt of Licence fees
c)	Duration of the contracts / arrangements / transactions	50 years effective 15th March, 1993
d)	Salient terms of the contracts or arrangements or transactions including the value, if any	Licence to operate Hotel 'Fortune Resort Bay Island'. Value of the transaction during the year - ₹ 1,69,00,826/- (including Service Tax of ₹ 21,93,247)
e)	Date(s) of approval by the Board, if any	–
f)	Amount paid as advances, if any	–

On behalf of the Board

Dated : 22nd April, 2017 — **Jagdish Singh** Director

Place: Gurugram — **Suresh Kumar** Director

Annexure 2 to the Report of the Board of Directors

FORM NO. MGT-9

EXTRACT OF ANNUAL RETURN

as on the financial year ended on 31st March, 2017

[Pursuant to Section 92(3) of the Companies Act, 2013 and Rule 12(1) of the Companies (Management and Administration) Rules, 2014]

I. REGISTRATION AND OTHER DETAILS

i) CIN	:	U74899HR1976PLC052282
ii) Registration Date	:	24th March, 1976
iii) Name of the Company	:	Bay Islands Hotels Limited
iv) Category / Sub-Category of the Company	:	Unlisted Public Company limited by shares
v) Address of the Registered office and contact details	:	ITC Green Centre 10, Institutional Area, Sector 32, Gurugram 122001 Phone : 01244171717 Fax : 01244051734 E-mail ID : janakiaggarwal@ith.co.in
vi) Whether listed company (Yes / No)	:	No
vii) Name, Address and Contact details of Registrar and Transfer Agent, if any	:	N.A.

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

All the business activities contributing 10% or more of the total turnover of the Company shall be stated:-

Sl. No.	Name and Description of main products / services	NIC Code of the Product/ service	% to total turnover of the Company
1.	Hotel services	55101	100%

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES

Sl. No.	Name and Address of the Company	CIN/GLN	Holding/ Subsidiary/ Associate	% of shares held in the Company	Applicable Section
1.	ITC Limited Virginia House 37 Jawaharlal Nehru Road Kolkata – 700 071	L16005WB1910PLC001985	Holding company	100.00%	2(46)

IV. SHAREHOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity)

(i) Category-wise Shareholding:

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
A. Promoters									
(1) Indian									
a) Individual/HUF	–	–	–	–	–	–	–	–	N.A.
b) Central Govt.	–	–	–	–	–	–	–	–	N.A.
c) State Govt.(s)	–	–	–	–	–	–	–	–	N.A.
d) Bodies Corp.	–	11,875	11,875	100.00	–	11,875	11,875	100.00	Nil
e) Banks / FI	–	–	–	–	–	–	–	–	N.A.
f) Any Other	–	–	–	–	–	–	–	–	N.A.
Sub-total (A)(1)	**–**	**11,875**	**11,875**	**100.00**	**–**	**11,875**	**11,875**	**100.00**	**Nil**
(2) Foreign									
a) NRIs - Individuals	–	–	–	–	–	–	–	–	N.A.
b) Other – Individuals	–	–	–	–	–	–	–	–	N.A.
c) Bodies Corp.	–	–	–	–	–	–	–	–	N.A.
d) Banks / FI	–	–	–	–	–	–	–	–	N.A.
e) Any Other	–	–	–	–	–	–	–	–	N.A.
Sub-total (A)(2)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**N.A.**
Total shareholding of Promoter (A) = (A)(1)+(A)(2)	**–**	**11,875**	**11,875**	**100.00**	**–**	**11,875**	**11,875**	**100.00**	**Nil**
B. Public Shareholding									
1. Institutions									
a) Mutual Funds	–	–	–	–	–	–	–	–	N.A.
b) Banks / FI	–	–	–	–	–	–	–	–	N.A.
c) Central Govt.	–	–	–	–	–	–	–	–	N.A.
d) State Govt.(s)	–	–	–	–	–	–	–	–	N.A.
e) Venture Capital Funds	–	–	–	–	–	–	–	–	N.A.
f) Insurance Companies	–	–	–	–	–	–	–	–	N.A.
g) FIIs	–	–	–	–	–	–	–	–	N.A.
h) Foreign Venture Capital Funds	–	–	–	–	–	–	–	–	N.A.
i) Others (specify)	–	–	–	–	–	–	–	–	N.A.
Sub-total (B)(1):-	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**N.A.**
2. Non-Institutions									
a) Bodies Corp.									
i) Indian	–	–	–	–	–	–	–	–	N.A.
ii) Overseas	–	–	–	–	–	–	–	–	N.A.
b) Individuals	–	–	–	–	–	–	–	–	N.A.
i) Individual shareholders holding nominal share capital upto ₹ 1 lakh									
ii) Individual shareholders holding nominal share capital in excess of ₹ 1 lakh									
c) Others (specify)	–	–	–	–	–	–	–	–	N.A.
Sub-total (B)(2)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**N.A.**
Total Public Shareholding (B)=(B)(1)+(B)(2)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**N.A.**
C. Shares held by Custodian for GDRs & ADRs	–	–	–	–	–	–	–	–	Nil
Grand Total (A+B+C)	**–**	**11,875**	**11,875**	**100.00**	**-**	**11,875**	**11,875**	**100.00**	**Nil**

(ii) **Shareholding of Promoters:**

Sl. No.	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in shareholding during the year
		No. of Shares	% of total Shares of the Company	% of Shares pledged / encumbered to total Shares	No. of Shares	% of total Shares of the Company	% of Shares pledged / encumbered to total Shares	
1.	ITC Limited	11,875	100.00	Nil	11,875	100.00	Nil	Nil

(iii) **Change in Promoters' Shareholding (please specify, if there is no change):**

Sl. No.		Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of Shares	% of total Shares of the Company	No. of Shares	% of total Shares of the Company
	At the beginning of the year	No change during the year			
	Date wise Increase / Decrease in Promoters Shareholding during the year				
	At the end of the year				

(iv) **Shareholding Pattern of top ten Shareholders (other than Directors, Promoters and Holders of GDRs and ADRs):** NOT APPLICABLE

(v) **Shareholding of Directors and Key Managerial Personnel**: None of the Directors and Key Managerial Personnel hold any share in the Company in their individual capacity.

V. INDEBTEDNESS

Indebtedness of the Company including interest outstanding/accrued but not due for payment: NIL

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

A. Remuneration to Managing Director, Whole-time Directors and/or Manager: NOT APPLICABLE

B. Remuneration to other Directors:

(Amount in ₹)

Sl. No.	Particulars of Remuneration	Name of Directors				Total Amount
		Nakul Anand	Suresh Kumar	G H C Jadwet	Jagdish Singh	
1.	**Other Non-Executive Directors**					
	• Fee for attending Board and Board Committee meetings	–	–	–	–	–
	• Commission	–	–	–	–	–
	• Others, please specify	–	–	–	–	–
	Total (B)	–	–	–	–	–
	Total Managerial Remuneration					**N.A.**
Overall ceiling as per the Act (11% of the net profits of the Company computed in accordance with Section 198 of the Companies Act, 2013)						**18,04,856**

C. Remuneration to Key Managerial Personnel other than MD/Manager/WTD: NOT APPLICABLE

VII. PENALTIES / PUNISHMENT / COMPOUNDING OF OFFENCES

against the Company, Directors and other Officers in Default under the Companies Act, 2013: NONE

On behalf of the Board

Dated : 22nd April, 2017 — **Jagdish Singh** Director

Place : Gurugram — **Suresh Kumar** Director

Annexure 3 to the Report of the Board of Directors for the financial year ended 31st March, 2017

[Information pursuant to Section 197 of the Companies Act, 2013 read with Rules 5(2) and 5(3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]

Names of Employees	Age	Designation	Gross Remuneration (₹)	Net Remuneration (₹)	Qualifications	Experience (Years)	Date of Commencement of Employment	Previous Employment / Position held
1	2	3	4	5	6	7	8	9
Amitava Bhattacharya	39	Executive Chef	4,97,712	4,69,845	Diploma Hotel Management	17	01.03.2016	Hotel Sonar Tori (Agartala) - Sr. Sous Chef
Gaurav Sakkarwal	26	Jr. Sous Chef	4,60,743	4,39,323	Bachelor of Hotel Mangement	01	01.02.2016	FPHL - Jr. Sous Chef
Rajeesh	47	LPO	3,93,961	3,77,029	Army Graduation/Diploma in safety officer	15	25.09.2015	Sarovar Group - LPO
A. Kindo	51	Jr. Executive	3,57,001	3,38,257	XII th STD	31	01.07.1986	Nil
Johnson David	53	Jr. Executive	3,54,647	3,35,270	XII th STD	31	01.03.1986	Nil
Fabianous Kerketta	57	Sr.Supervisor	2,77,824	2,73,840	Under Matric	32	01.04.1985	Nil
Georgina Baa	40	Jr.Executive	2,78,124	2,61,540	Bachelor in Tourism Sector	17	16.08.2000	Nil
Abdul Rehman	52	Sr.Supervisor	2,77,404	2,51,424	Under Matric	32	16.09.1985	Nil
S.Nagaraj	34	Jr.Executive	2,66,496	2,44,644	Diploma in H.M.C.T	03	15.02.2016	TGS Emerald View-Port Blair, Jr. Executive
Joy Kutty	48	Sr.Captain	2,70,984	2,22,168	XII th STD	24	01.12.1993	Nil

Notes :

a. Remuneration includes salary, variable pay, Company's contribution to provident fund, allowances & other benefits / applicable perquisites except provisions for gratuity and leave encashment which are actuarially determined on an overall Company basis. The term 'remuneration' has the meaning assigned to it under the Companies Act, 2013.

b. Net remuneration comprises cash income less income tax, education cess deducted at source and employee's own contribution to Provident Fund.

c. All appointments are contractual in accordance with terms and conditions as per Company's rules.

d. None of the above employees is a relative of any Director / Manager of the Company.

e. None of the above employees hold any equity share in the Company.

On behalf of the Board

Place : Gurugram — **Jagdish Singh** Director

Dated : 22nd April, 2017 — **Suresh Kumar** Director

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF BAY ISLANDS HOTELS LIMITED

Report on the Ind AS Financial Statements

We have audited the accompanying Ind AS financial statements of Bay Islands Hotels Limited ("the Company"), which comprise the Balance Sheet as at 31st March, 2017, and the Statement of Profit and Loss (including Other Comprehensive Income), the Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Ind AS Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these Ind AS financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, cash flows and changes in equity of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) prescribed under Section 133 of the Act.

This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these Ind AS financial statements based on our audit.

In conducting our audit, we have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit of the Ind AS financial statements in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Ind AS financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the Ind AS financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Ind AS financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the standalone Ind AS financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the Ind AS financial statements.

We believe that the audit evidence obtained by us, is sufficient and appropriate to provide a basis for our audit opinion on the Ind AS financial statements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid Ind AS financial statements 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, of the state of affairs of the Company as at 31st March, 2017, and its profit, total comprehensive income, its cash flows and the changes in equity for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. As required by Section 143(3) of the Act, based on our audit we report, to the extent applicable that:
   a) We have sought and 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 it appears from our examination of those books.
   c) The Balance Sheet, the Statement of Profit and Loss including Other Comprehensive Income, the Cash Flow Statement and Statement of Changes in Equity dealt with by this Report are in agreement with the relevant books of account.
   d) In our opinion, the aforesaid Ind AS financial statements comply with the Indian Accounting Standards prescribed under Section 133 of the Act.
   e) On the basis of the written representations received from the directors as on 31st March, 2017 taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2017 from being appointed as a director in terms of Section 164(2) of the Act.
   f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure A". Our report expresses an unmodified opinion on the adequacy and operating effectiveness of the Company's internal financial controls over financial reporting.
   g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, as amended, in our opinion and to the best of our information and according to the explanations given to us:
      i. The Company has disclosed the impact of pending litigations on its financial position in its Ind AS financial statements.
      ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.
      iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.
      iv. The Company has provided requisite disclosures in the financial statements as regards its holding and dealings in Specified Bank Notes as defined in the Notification S.O. 3407(E) dated the 8th November, 2016 of the Ministry of Finance, during the period from 8th November, 2016 to 30th December, 2016; and such disclosures are in accordance with the books of accounts maintained by the Company.
2. As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government in terms of Section 143(11) of the Act, we give in "Annexure B" a statement on the matters specified in paragraphs 3 and 4 of the Order.

For and on behalf of
S.B.DANDEKER & CO.
Chartered Accountants
Firm Regn No.301009E
Kedarashish Bapat
Partner
M.No.- 057903

Place: Port Blair,
Date: 22nd April, 2017

Annexure A to Independent Auditors' Report

(Referred to in paragraph 1 (f) under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

Report on the Internal Financial Controls Over Financial Reporting under Clause (i) Section 143(3) of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls over financial reporting of Bay Islands Hotels Limited ("the Company") as of March 31, 2017 in conjunction with our audit of the Ind AS financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Company's management is responsible for establishing and maintaining internal financial controls based on "the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India". These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditor's Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls over Financial Reporting (the "Guidance Note") issued by the Institute of Chartered Accountants of India and the Standards on Auditing prescribed under Section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

Meaning of Internal Financial Controls Over Financial Reporting

A Company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A Company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, to the best of our information and according to the explanations given to us, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2017, based on "the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India".

For and on behalf of
S.B.DANDEKER & CO.
Chartered Accountants
Firm Regn No.301009E
Kedarashish Bapat
Partner
M.No.- 057903

Place: Port Blair
Date: 22nd April, 2017

Annexure B to Independent Auditors' Report

(Referred to in paragraph 2 under 'Report on Legal and Regulatory Requirements' section of our report of even date)

(i) In respect of its fixed assets:

(a) The Company has maintained proper records showing full particulars, including quantitative details and situation of the fixed assets.

(b) The fixed assets were physically verified during the year by the Management in accordance with a regular programme of verification which, in our opinion, provides for physical verification of all the fixed assets at reasonable intervals. According to the information and explanations given to us, the discrepancies noticed on physical verification of fixed assets as compared to book records were not material and have been properly dealt with in the books of account.

(c) According to the information and explanations given to us and the records examined by us and based on the examination of the registered sale deed and transfer deed provided to us, we report that, the title deeds, comprising all the immovable properties of land and buildings which are freehold, are held in the name of the Company as at the balance sheet date.

(ii) The Company did not hold any inventory during the year. Therefore, clause (ii) of para 3 of the order is not applicable.

(iii) The Company has not granted any loans, secured or unsecured, to companies, firms, Limited Liability Partnerships or other parties covered in the Register maintained under Section 189 of the Companies Act, 2013. Therefore clause (iii) of para 3 of the order is not applicable.

(iv) The Company has not granted any loans, made investments or provided guarantees under Section 185 and 186 of the Companies Act, 2013 and hence reporting under clause (iv) of the CARO 2016 is not applicable.

(v) According to the information and explanations given to us, the Company has not accepted any deposit during the year.

(vi) The maintenance of cost records has not been specified by the Central Government under Section 148(1) of the Companies Act, 2013.

(vii) According to the information and explanations given to us in respect of statutory dues:

(a) The Company has generally been regular in depositing undisputed statutory dues, including Provident fund, Employees' state insurance, Income tax, Service tax, Customs duty, Value added tax, Sales tax, Cess and other material statutory dues applicable with the appropriate authorities. We are informed that the Company's operations did not give rise to any dues on account of Excise duty.

(b) There were no undisputed amounts payable in respect of Provident fund, Employees' state insurance, Income tax, Service tax, Customs duty, Value added tax, Sales tax, Cess and other material statutory dues in arrears as at 31st March, 2017 for a period of more than six months from the date they became payable. We are informed that the Company's operations did not give rise to any dues on account of Excise duty.

(c) There are no disputed dues in respect of Sales tax, Service tax, Customs duty, Excise duty and Value added tax as at 31st March, 2017 which have not been deposited on account of dispute.

(viii) The Company has neither taken any loans or borrowings from financial institutions, banks and government nor has it issued any debentures. Hence reporting under clause (viii) of CARO 2016 is not applicable to the Company.

(ix) The Company has not raised moneys by way of initial public offer or further public offer (including debt instruments) or term loans and hence reporting under clause (ix) of the CARO 2016 Order is not applicable.

(x) To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company and no material fraud on the Company by its officers or employees has been noticed or reported during the year.

(xi) The Company has not paid any managerial remuneration so clause (xi) of para 3 of the order is not applicable.

(xii) The Company is not a Nidhi Company and hence reporting under clause (xii) of the CARO 2016 Order is not applicable.

(xiii) In our opinion and according to the information and explanations given to us the Company is in compliance with Section 177 and 188 of the Companies Act, 2013, where applicable, for all transactions with the related parties and the details of related party transactions have been disclosed in the financial statements etc. as required by the applicable accounting standards.

(xiv) During the year, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures and hence reporting under clause (xiv) of CARO 2016 is not applicable to the Company.

(xv) In our opinion and according to the information and explanations given to us, during the year the Company has not entered into any non-cash transactions with its Directors or Directors of its holding or persons connected with them and hence provisions of Section 192 of the Companies Act, 2013 are not applicable.

(xvi) The Company is not required to be registered under Section 45-I of the Reserve Bank of India Act, 1934.

For and on behalf of
S.B.DANDEKER & CO.
Chartered Accountants
Firm Regn No.301009E
Kedarashish Bapat
Partner
M.No.- 057903

Place: Port Blair
Date: 22nd April, 2017

BALANCE SHEET AS AT 31ST MARCH, 2017

	Note		As at 31st March, 2017 (₹)		As at 31st March, 2016 (₹)		As at 1st April, 2015 (₹)
ASSETS							
Non-Current assets							
(a) Property, Plant and Equipment	1		66,891,666		68,831,671		69,171,131
(b) Deferred tax assets (net)	2		-		345,218		750,078
(c) Other non-current assets	3		1,201,858		1,167,718		983,508
Non-Current Assets			68,093,524		70,344,607		70,904,717
Current assets							
Financial Assets							
(i) Investments	4	12,925,000		12,000,000		11,100,000	
(ii) Trade receivables	5	3,869,751		4,729,838		3,360,420	
(iii) Cash and cash equivalents	6	5,000,014		10,634,947		5,638,390	
(iv) Other Bank Balances	7	64,854,731		46,938,369		43,470,184	
(v) Others	8	2,347,837	88,997,333	2,239,549	76,542,703	2,185,074	65,754,068
Current Assets			88,997,333		76,542,703		65,754,068
Total Assets			157,090,857		146,887,310		136,658,785
EQUITY AND LIABILITIES							
Equity							
(a) Share Capital	9	1,187,500		1,187,500		1,187,500	
(b) Other Equity	10	151,036,070	152,223,570	144,446,931	145,634,431	134,419,451	135,606,951
Equity attributable to the owners			152,223,570		145,634,431		135,606,951
Liabilities							
Non-Current liabilities							
(a) Provisions	11		439,429		458,179		244,745
(b) Deferred tax liabilities (net)	2		3,497,953		–		–
Non-Current Liabilities			3,937,382		458,179		244,745
Current Liabilities							
(a) Financial Liabilities							
(i) Trade payables		33,621		27,766		20,064	
(ii) Other financial liabilities	12	704,923	738,544	637,366	665,132	–	20,064
(b) Other Current Liabilities	13		594		–		411
(c) Provisions	11		190,767		129,568		786,614
Non-Current Liabilities			929,905		794,700		807,089
Total Equity and Liabilities			157,090,857		146,887,310		136,658,785

The accompanying notes 1 to 25 are an integral part of the Financial Statements.

In terms of our Report of even date.
For S.B.Dandeker & Company
Chartered Accountants
Firm Registration No. : 301009E
KEDARASHISH BAPAT
Partner
(M.No.057903)
Place : Port Blair
Date : 22nd April, 2017

On behalf of the Board
JAGDISH SINGH Director
SURESH KUMAR Director
Place : Gurugram
Date: 21st April, 2017

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH, 2017

	Note	For the year ended 31st March, 2017 (₹)	For the year ended 31st March, 2016 (₹)
Revenue From Operations	14	14,707,579	12,795,471
Other Income	15	5,082,256	4,728,694
Total Income		19,789,835	17,524,165
EXPENSES			
Employee benefits expense	16	356,018	196,077
Depreciation and amortization expense		379,343	339,460
Loss on sale of property, plant & equipment-net		1,560,662	–
Other expenses	17	161,029	197,441
Total expenses		2,457,052	732,978
Profit before tax		17,332,783	16,791,187
Tax expense:			
Current Tax	18	5,900,000	5,361,396
Deferred Tax	18	3,843,171	404,860
Profit for the year (A)		7,589,612	11,024,931
Other Comprehensive Income (B)		–	–
Total Comprehensive Income (A+B)		7,589,612	11,024,931
Profit for the year		7,589,612	11,024,931
Earnings per equity share (for continuing operations):			
(1) Basic (in ₹)	19	639	928
(2) Diluted (in ₹)	19	639	928

The accompanying notes 1 to 25 are an integral part of the Financial Statements.
In terms of our Report of even date.

For S.B.Dandeker & Company
Chartered Accountants
Firm Registration No. : 301009E
KEDARASHISH BAPAT
Partner
(M.No.057903)
Place : Port Blair
Date : 22nd April, 2017

On behalf of the Board
JAGDISH SINGH Director
SURESH KUMAR Director
Place : Gurugram
Date: 21st April, 2017

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2017

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

			For the year ended 31st March, 2017		For the year ended 31st March, 2016
		(₹)	(₹)	(₹)	(₹)
A.	**NET PROFIT BEFORE TAX**		**17,332,783**		16,791,187
	ADJUSTMENTS FOR :				
	Depreciation	**379,343**		339,460	
	Loss on Assets written off	**1,560,662**		–	
	Interest income	**(5,082,256)**		(4,728,694)	
			(3,142,251)		(4,389,234)
	OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES		**14,190,532**		12,401,953
	ADJUSTMENTS FOR :				
	Trade Receivables, Loans & Advances and Other Current Assets	**1,121,467**		(1,729,393)	
	Trade Payables & Other Liabilities	**116,455**	**1,237,922**	201,045	(1,528,348)
	CASH GENERATED FROM OPERATIONS		**15,428,454**		10,873,605
	Income Tax Paid		**(5,934,140)**		(5,145,281)
	NET CASH FROM OPERATING ACTIVITIES		**9,494,314**		5,728,324
B.	**CASH FLOW FROM INVESTING ACTIVITIES :**				
	Investments made	**–**		–	
	Interest Received	**3,787,588**	**3,787,588**	3,733,869	3,733,869
	NET CASH FROM INVESTING ACTIVITIES		**3,787,588**		3,733,869
C.	**CASH FLOW FROM FINANCING ACTIVITIES :**				
	Dividend Paid	**(831,250)**		(831,250)	
	Income Tax on Dividend Paid	**(169,223)**	**(1,000,473)**	(166,201)	(997,451)
	NET CASH USED IN FINANCING ACTIVITIES		**(1,000,473)**		(997,451)
	NET INCREASE IN CASH AND CASH EQUIVALENTS		**12,281,429**		8,464,742
	OPENING CASH AND CASH EQUIVALENTS		**57,573,316**		49,108,574
	CLOSING CASH AND CASH EQUIVALENTS		**69,854,745**		57,573,316

Notes: 1. The above Cash Flow Statement has been prepared under the "Indirect Method" as set out in the Ind AS - 7 Cash Flow Statements.
2. Cash Balances are as per Note 6 and 7

The accompanying notes 1 to 25 are an integral part of the Financial Statements.

In terms of our Report of even date.
For S.B.Dandeker & Company
Chartered Accountants
Firm Registration No. : 301009E
KEDARASHISH BAPAT
Partner
(M.No.057903)
Place : Port Blair
Date : 22nd April, 2017

On behalf of the Board

JAGDISH SINGH Director
SURESH KUMAR Director
Place : Gurugram
Date: 21st April, 2017

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31ST MARCH, 2017

A. Equity Share Capital (₹)

Balance at 1st April, 2015	1,187,500
Changes in Equity Share Capital during the year	–
Balance at 31st March, 2016	1,187,500
Changes in Equity Share Capital during the year	–
Balance at 31st March, 2017	**1,187,500**

B. Other Equity (₹)

Particulars	Retained Earnings	Subsidy Reserve	General Reserve	Total
Balance as at 1st April, 2015	122,587,158	4,338,099	7,494,194	134,419,451
Profit for the year	11,024,931			11,024,931
Total Comprehensive Income	133,612,089	4,338,099	7,494,194	145,444,382
Dividend paid	831,250			831,250
Income tax on Dividend paid	166,201			166,201
Balance as at 31st March, 2016	132,614,638	4,338,099	7,494,194	144,446,931
Profit for the year	7,589,612			7,589,612
Total Comprehensive Income	140,204,250	4,338,099	7,494,194	152,036,543
Dividend paid	831,250			831,250
Income tax on Dividend paid	169,223			169,223
Balance as at 31st March, 2017	**139,203,777**	**4,338,099**	**7,494,194**	**151,036,070**

Retained Earnings - It represents the cumulative profits attributable to shareholder of the parent.

Subsidy Reserve - It represents Central Subsidy received from Andaman & Nicobar Administration.

General Reserve- It is used for strengthening the financial position and meeting future contingencies and losses.

The Board of Directors recommended a dividend of ₹ 70 per share (2016- ₹ 70 per share) be paid on fully paid equity shares. This equity dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in financial statements. The total estimated equity dividend to be paid is ₹ 8,31,250 (2016- ₹ 8,31,250). Income tax on proposed dividend being ₹ 1,69,223 (2016- ₹ 1,69,223)

In terms of our Report of even date.
For S.B.Dandeker & Company
Chartered Accountants
Firm Registration No. : 301009E
KEDARASHISH BAPAT
Partner
(M.No.057903)
Place : Port Blair
Date : 22nd April, 2017

On behalf of the Board
JAGDISH SINGH Director
SURESH KUMAR Director
Place : Gurugram
Date: 21st April, 2017

NOTES TO THE FINANCIAL STATEMENTS

1. Property, Plant and Equipment (₹)

	Gross Block							Depreciation							Net Book Value		
Particulars	As at 1 April, 2015 (Note 1)	Additions during the year 2015-16	Withdrawals and Adjustments	As at 31 March, 2016	Additions during the year 2016-17	Withdrawals and Adjustments	As at 31 March, 2017	Upto 1 April, 2015	For the year 2015-16	On Withdrawals and Adjustments	Upto 31 March, 2016	For the year 2016-17	On Withdrawals and Adjustments	Upto 31 March, 2017	As at 31 March, 2017	As at 31 March, 2016	As at 1 April, 2015
Freehold Land	57,000,000	-	-	57,000,000	-	-	57,000,000	-	-	-	-	-	-	-	57,000,000	57,000,000	57,000,000
Buildings	12,171,131	-	-	12,171,131	-	1,644,806	10,526,325	-	339,460	-	339,460	379,343	84,144	634,659	9,891,666	11,831,671	12,171,131
Plant and Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Furniture and Fixtures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Office Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	**69,171,131**	-	-	**69,171,131**	-	**1,644,806**	**67,526,325**	-	**339,460**	-	**339,460**	**379,343**	**84,144**	**634,659**	**66,891,666**	**68,831,671**	**69,171,131**

Notes

1. Represents Deemed cost on Transition to Indian Accounting Standards, Refer Note on First Time Adoption.
2. All Assets mentioned above have been given under an Operating Lease to the Holding Company.

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

	As at 31st March, 2017 (₹)	As at 31st March, 2016 (₹)	As at 1st April, 2015 (₹)
2. Deferred tax assets/ (liabilities) (net)			
Deferred tax assets	–	1,006,478	1,113,771
Deferred tax liabilities	(3,497,953)	(661,260)	(363,693)
Total	(3,497,953)	345,218	750,078

Movement in deferred tax assets/ (liabilities) balances (₹)

2016-17	Opening Balance	Recognized in profit or (loss)	Recognized in OCI	Recognized directly in Equity	Reclassified to profit or (loss)	Closing Balance
Deferred Tax assets/ (liabilities) in relation to:						
Mtm Of Investment	(661,260)	(144,651)				(805,911)
Fiscal Allowance on PPE		(2,692,042)				(2,692,042)
Total deferred tax liabilities	(661,260)	(2,836,693)	–	–	–	(3,497,953)
Fiscal Allowance on PPE	1,006,478	(1,006,478)				–
Total deferred tax assets	1,006,478	(1,006,478)	–	–	–	–
Deferred tax asset / (liabilities) - net	345,218	(3,843,171)	–	–	–	(3,497,953)

2015-16	Opening Balance	Recognized in profit or (loss)	Recognized in OCI	Recognized directly in Equity	Reclassified to profit or (loss)	Closing Balance
Deferred Tax assets/ (liabilities) in relation to:						
Mtm Of Investment	(363,693)	(297,567)				(661,260)
Total deferred tax liabilities	(363,693)	(297,567)	–	–	–	(661,260)
Fiscal Allowance on PPE	1,113,771	(107,293)				1,006,478
Total deferred tax assets	1,113,771	(107,293)	–	–	–	1,006,478
Deferred tax assets / (liabilities) - net	750,078	(404,860)	–	–	–	345,218

	As at 31st March, 2017 (₹)	As at 31st March, 2016 (₹)	As at 1st April, 2015 (₹)
3. Other non-current assets			
Advance Tax (net of provisions)	1,201,858	1,167,718	983,508
TOTAL	1,201,858	1,167,718	983,508
4. Investments			
Current investments (at fair value through profit or loss, unless otherwise stated)	Quoted	Quoted	Quoted
INVESTMENT IN MUTUAL FUNDS			
ICICI Prudential Fixed Maturity Plan- Series 72- Direct Plan			
Cumulative - 10,00,000 units of ₹ 10 each (P Y - 10,00,000 units)	12,925,000	12,000,000	11,100,000
TOTAL	12,925,000	12,000,000	11,100,000

Amount Reported represents the market value as on Reporting date.

5. Trade Receivables			
Unsecured, considered good	3,869,751	4,729,838	3,360,420
Less: Expected credit loss allowance	–	–	–
TOTAL	3,869,751	4,729,838	3,360,420

Trade receivables are initially recognized at fair value plus any directly attributable transaction costs. The net carrying value of trade receivables is not significantly different from their carrying values due to the short - term duration of trade receivables. Further, there is no significant credit risk involved with trade receivable since all the receivables are from Holding Company.

6. Cash and cash equivalents@			
Balances with Banks			
Current accounts	5,000,014	6,089,436	1,358,563
Deposit accounts	-	4,545,511	4,279,827
TOTAL	5,000,014	10,634,947	5,638,390

@ Cash and cash equivalents include cash at bank and deposits with banks with original maturity of 3 months or less.

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

	As at 31st March, 2017 (₹)	As at 31st March, 2016 (₹)	As at 1st April, 2015 (₹)
7. Other bank balances			
In Deposit accounts *	64,854,731	46,938,369	43,470,184
TOTAL	64,854,731	46,938,369	43,470,184

* Represents deposits with original maturity of more than 3 months but remaining maturity of less than 12 months from Balance Sheet Date.

	Current	Current	Current
8. Other Current Financial assets - Unsecured			
1) Interest accrued on Deposits with Bank	1,812,647	1,442,979	1,748,479
2) Others*	535,190	796,570	436,595
TOTAL	2,347,837	2,239,549	2,185,074

* Others comprise of amount recoverable from the Holding Company

	As at 31st March, 2017 (No. of Shares)	As at 31st March, 2017 (₹)	As at 31st March, 2016 (No. of Shares)	As at 31st March, 2016 (₹)	As at 1st April, 2015 (No. of Shares)	As at 1st April, 2015 (₹)
9. Share Capital						
Authorised						
Equity Share of ₹ 100 each	90,000	9,000,000	90,000	9,000,000	90,000	9,000,000
13.5% Redmeemable Cumulative Preference Shares of ₹ 100 each	30,000	3,000,000	30,000	3,000,000	30,000	3,000,000
Issued and Subscribed						
Ordinary Equity Shares of ₹ 100 each, fully paid	11,875	1,187,500	11,875	1,187,500	11,875	1,187,500
A) Reconciliation of number of Ordinary Equity Shares Outstanding						
As at beginning of the year	11,875	1,187,500	11,875	1,187,500		
As at end of the year	11,875	1,187,500	11,875	1,187,500		

	As at 31st March, 2017 (No. of Shares)	As at 31st March, 2017 %	As at 31st March, 2016 (No. of Shares)	As at 31st March, 2016 %	As at 1st April, 2015 (No. of Shares)	As at 1st April, 2015 %
B) Shareholders holding more than 5% of the Ordinary Shares in the Company						
ITC Ltd.	11,875	100	11,875	100	11,875	100

Terms/Rights Attached to Equity Shares

The ordinary equity shares of company, having par value of ₹ 100 per share, rank pari passu in all respects including entitlement to dividend.

	As at 31st March, 2017 (₹)	As at 31st March, 2016 (₹)	As at 1st April, 2015 (₹)
10. Other Equity			
Other equity excluding non-controlling interests			
Subsidy Reserve	4,338,099	4,338,099	4,338,099
General Reserve	7,494,194	7,494,194	7,494,194
Retained Earnings	139,203,777	132,614,638	122,587,158
TOTAL	151,036,070	144,446,931	134,419,451

The detail of movement of other equity is detailed below:

A. Reserves and Surplus		As at 31st March, 2017 (₹)		As at 31st March, 2016 (₹)
Subsidy Reserve :				
At the beginning and at the end of the year		4,338,099		4,338,099
General Reserve :				
At the beginning of the year	7,494,194		7,494,194	
Add: Transfer from Retained Earnings	–		–	
At the end of the year		7,494,194		7,494,194
Retained Earnings :				
At the beginning of the year	132,614,638		122,587,158	
Add: Profit for the year	7,589,612		11,024,931	
Add: Transfer from Revaluation Reserve	–		–	
Less: Transfer to General Reserve	–		–	
Less: Dividend Paid	(831,250)		(831,250)	
Less: Income Tax on Dividend Paid	(169,223)		(166,201)	
At the end of the year		139,203,777		132,614,638

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

	As at 31st March, 2017 (₹)		As at 31st March, 2016 (₹)		As at 1st April, 2015 (₹)	
	Current	Non-Current	Current	Non-Current	Current	Non-Current
11. Provisions						
Provision for employee benefits						
Other than Retirement benefits	190,767	439,429	129,568	458,179	786,614	244,745
TOTAL	190,767	439,429	129,568	458,179	786,614	244,745

	As at 31st March, 2017 (₹)	As at 31st March, 2016 (₹)	As at 1st April, 2015 (₹)
12. Other financial liabilities			
Other Payables	704,923	637,366	–
Total	704,923	637,366	–
13. Other current liabilities			
Statutory liabilities			
- Taxes payable (other than income taxes)	594	–	411
Total	594	–	411

	For the year ended 31st March, 2017 (₹)	For the year ended 31st March, 2016 (₹)
14. Revenue From Operations		
Operating Licence Fee	14,707,579	12,795,471
TOTAL	14,707,579	12,795,471
15. Other Income		
Interest income	4,157,256	3,828,694
Other gains and losses	925,000	900,000
TOTAL	5,082,256	4,728,694
Interest income comprises interest from:		
a) Deposits with Banks / Financial Institutions - carried at amortized cost	4,157,256	3,828,694
b) Investments measured at FVTPL	–	–
c) Investments measured at amortized cost	–	–
d) Others	–	–
TOTAL	4,157,256	3,828,694
Other gains and losses		
Net Gain / (Loss) arising on financial assets designated at FVTPL*	925,000	900,000
Net Gain / (Loss) arising on financial assets mandatorily measured at FVTPL	–	–
Other items	–	–
TOTAL	925,000	900,000
* Gain or Loss on Disposal of Asset is NIL		
16. Employee benefits expense		
Salaries and wages	11,193,047	9,490,887
Contribution to Provident and other funds	1,433,114	919,946
Staff welfare expenses	737,199	699,475
	13,363,360	11,110,308
Less: Recoveries made / reimbursements received	(13,007,342)	(10,914,231)
TOTAL	356,018	196,077
17. Other expenses		
Consumption of stores and spare parts	36,000	36,000
Travelling and conveyance	48,000	42,000
Miscellaneous expenses	77,029	119,441
TOTAL	161,029	197,441
Miscellaneous expenses include :		
(1) Auditors' remuneration and expenses		
Audit fees	15,000	15,000
Tax audit fees	7,000	7,000
Others	4,000	4,000

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

	For the year ended 31st March, 2017 (₹)	For the year ended 31st March, 2016 (₹)
18. Tax expense		
A. Amount Recognized in profit and loss		
Current tax		
Income tax for the year		
Current tax	5,900,000	5,361,396
Total Current tax	5,900,000	5,361,396
Deferred tax		
Deferred tax for the year	3,843,171	404,860
Total Deferred tax	3,843,171	404,860
Income Tax Expense relating to continuing operations	9,743,171	5,766,256
Income Tax attributable to		
Profit from continuing operations	9,743,171	5,766,256
	9,743,171	5,766,256
B. Reconciliation of effective tax rate		
The income tax expense for the year can be reconciled to the accounting profit as follows:		
Profit before tax	17,332,783	16,791,187
Income Tax expense calculated at 31.9609% (2016- 33.063%)	5,539,713	5,551,670
Effects of:		
– Deferred Tax Recognised (not recognised in earlier years)	4,203,458	214,586
Income Tax recognised in profit or loss	9,743,171	5,766,256
19. Earnings per equity share (for continuing operations)		
Earnings per share has been computed as under:		
(a) Profit for the year	₹ 75,89,612	₹ 1,10,24,931
(b) Weighted average number of Ordinary shares outstanding for the purpose of basic earnings per share	11,875	11,875
(c) Weighted average number of Ordinary shares in computing diluted earnings per share	11,875	11,875
(d) Earnings per share on profit for the year (Face Value ₹ 100 per share)		
- Basic [(a)/(b)]	639	928
- Diluted [(a)/(c)]	639	928

20. Additional Notes to the Financial Statements

(i) Bay Islands Hotels Limited, a wholly owned subsidiary of ITC Limited, owns a hotel in Port Blair known as "Fortune Resort Bay Island". The hotel operations are under an Operating License Agreement with ITC Limited.

(ii) Related Party Transactions

Holding Company- ITC Limited

Key Management Personnel - Board of Directors
Nakul Anand
GHC Jadwet
Suresh Kumar
Jagdish Singh

Summary of Transactions during the period

(a) Transactions with Holding Company

S. No.	Particulars	2016-17 (₹)	2015-16 (₹)
1.	Operating Licence Fee (Rent Received)*	1,69,00,826	1,46,29,921
2.	Expenses Reimbursed	13,80,150	11,57,629
3.	Expenses Recovered **	1,30,07,342	1,17,71,446
4.	Dividend Payment	8,31,250	8,31,250
5.	Balance as at period end		
	Trade Receivables	38,69,751	47,29,838
	Other Recoverables	5,35,190	7,96,750

*Includes Service Tax - ₹ 21,93,247 (2015-16 ₹ 18,34,451)

** represents recovery of staff salaries (2015-16 ₹ 1,09,14,231)

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

(b) Transaction with Key Management Personnel- NIL (PY- NIL)

(iii) There are no Micro, Small and Medium Enterprises, to whom the company owes dues, which are outstanding for more than 45 days during the period and also as on 31.03.2017. This information which is required to be disclosed under the Micro, Small and Medium Enterprises Development Act, 2006 has been determined to the extent such parties have been identified on the basis of information available with the Company.

(iv) The operating segment of the Company has been identified in a manner consistent with the internal reporting provided to the Board, who is the Chief Operating Decision Maker, based on which there is only one operating segment in which the Company operates i.e. Leisure and Hospitality within one geographical segment i.e. India.

(v) Contingent Liabilities/claims against the Company not acknowledged as debt – Income tax matters for the A.Y. 2014-15 ₹ 5,86,630/- (PY Nil), which is current under Appeal with the Commissioner of Income-tax Appeals.

(vi) Long Term Compensated Absences - As per Actuarial Valuations as on March 31, 2017 and recognised in the financial statements in respect of Employee Benefit Scheme.

21. Use of Estimates and Judgments

The key estimates and assumptions used in the preparation of financial statements is the determination of Company's liability towards leave obligation, which is in the nature of long term employee benefit.

22. First Time Adoption of Ind AS

(i) The Company has prepared the opening balance sheet as per Ind AS on 1st April, 2015 (the transition date) by recognising all assets and liabilities whose recognition is required by Ind AS, not recognising items of assets or liabilities which are not permitted by Ind AS, by reclassifying items from previous Generally Accepted Accounting Principles (GAAP) to Ind AS required under Ind AS, and applying Ind AS in measurement of recognised assets and liabilities.

(ii) A. Reconciliation of the standalone financial results of those reported under previous GAAP are summarized below:

Particulars	Year ended 31/03/2016 (₹)
Profit After Tax as reported under previous GAAP	**1,04,22,497**
Impact of measuring investments at Fair Value through Profit or Loss (FVTPL)	9,00,000
Tax Adjustments	(2,97,566)
Profit After Tax as reported under Ind AS	**1,10,24,931**
Other Comprehensive Income (net of tax)	NIL
Total Comprehensive Income as reported under Ind AS	**1,10,24,931**

B. The reconciliation of total equity as previously reported under Indian GAAP to Ind AS is summarized as follows:

Particulars	As at 01/04/2015 (Date of Transition) (₹)	As at 31/3/2016 (end of last period presented under previous GAAP) (₹)
Equity as reported under previous GAAP	**13,53,69,321**	**14,47,91,346**
Proposed Dividend (including tax thereon)	9,97,451	10,00,473
Reversal of DTA with respect to Revaluation Reserve	(14,96,129)	(14,96,129)
Impact of measuring investments at Fair Value through Profit or Loss (FVTPL) or OCI (net of tax)	7,36,308	13,38,741
Equity as reported under Ind AS	**13,56,06,951**	**14,56,34,431**

(iii) Ind AS 101 allows first-time adopters exemptions from the retrospective application of certain requirements under Ind AS. The Company has applied the following exemptions and exceptions in standalone financial statements:

Property, Plant and Equipment and Intangible assets were carried in the statement of financial position prepared in accordance with previous GAAP on 31st March, 2015. The Company has elected to regard such carrying values as deemed cost at the date of transition.

(iv) In addition to the above, the principal adjustments made by the Company in restating its previous GAAP financial statements, including the balance sheet as at 1st April, 2015 and the financial statements as at and for the year ended 31st March, 2016 are detailed below:

a. Under previous GAAP, dividend payable on equity shares (including the tax thereon) was recognised as a liability in the period to which it relates. Under Ind AS, dividends (including the tax thereon) to shareholders are recognised in accounting periods when approved by the Board for interim dividend and by the members in a general meeting for the final dividend; as the liability does not represent a present obligation.

b. Under previous GAAP, current investments were stated at lower of cost and fair value. Under Ind AS, these financial assets have been classified as Fair Value through Profit or Loss (FVTPL) on the date of transition and fair value changes after the date of transition has been recognized in profit or loss.

c. The Company had revalued certain Freehold land and buildings based on professional valuation as at 31.03.1999 and had a balance of ₹ 6,10,80,586 in Revaluation Reserve as on the date of transition. Under Ind AS, the Company has elected to continue with the carrying value, as recognized in its previous GAAP financials, as deemed cost at the transition date for all of its Property, Plant and Equipment. Accordingly, the Revaluation Reserve as at 1st April, 2015 (₹ 6,10,80,586) has been adjusted in Retained Earnings (Net of Deferred Tax on Revaluation Reserve pertaining to building ₹ 14,96,129).

23. As per the notification of Ministry of Corporate Affairs (MCA) dated March 30, 2017, the details in respect of specified bank notes (SBN) is NIL

Particulars	SBNs	Other denomination notes	Total
Closing cash in hand as on November 8, 2016	–	–	–
(+) Permitted receipts	–	–	–
(-) Permitted payments	–	–	–
(-) Amount deposited in Banks	–	–	–
Closing cash in hand as on December 30, 2016	–	–	–

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

24. SIGNIFICANT ACCOUNTING POLICIES

(i) **Statement of Compliance**

These financial statements have been prepared in accordance with Indian Accounting Standards (Ind AS) notified under section 133 of the Companies Act, 2013. The financial statements have also been prepared in accordance with the relevant presentation requirements of the Companies Act, 2013. The Company adopted Ind AS from 1st April, 2016.

Up to the year ended 31st March, 2016, the Company prepared its financial statements in accordance with the requirements of previous GAAP, which includes Standards notified under the Companies (Accounting Standards) Rules, 2006. These are the Company's first Ind AS financial statements. Details of the exceptions and optional exemptions availed by the Company and principal adjustments along with related reconciliations are detailed in Note 21 (First Time Adoption).

(ii) **Basis of Preparation**

The financial statements are prepared in accordance with the historical cost convention, except for certain items that are measured at fair values, as explained in the accounting policies below. The financial statements are presented in Indian Rupees (INR) which is also the Company's functional currency. The financial statements are presented in Rupees.

Fair Value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

The preparation of financial statements in conformity with Ind AS requires management to make judgements, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period; they are recognised in the period of the revision and future periods if the revision affects both current and future periods.

All assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in the Schedule III to the Companies Act, 2013 based on the nature of products and the time between the acquisition of assets for processing and their realisation in cash and cash equivalents.

(iii) **Property, Plant & Equipment – Tangible Assets**

Property, plant & equipment are stated at cost of acquisition or construction less accumulated depreciation and impairment, if any.

Cost is inclusive of inward freight, duties and taxes and incidental expenses related to acquisition. Subsequent costs are included in the asset's carrying amount only when it is probable that future economic benefits associated with the item will be realized. The carrying amount of a replaced part is derecognized. All other repairs and maintenance are charged to the statement of Profit & Loss.

Depreciation of these assets commences when the assets are ready for their intended use which is generally on commissioning. Items of Property, Plant and Equipment are depreciated in a manner that amortises the cost of the assets after commissioning (or other amount substituted for cost), less its residual value, over their useful lives as specified in Schedule II of the Companies Act, 2013 on a straight line basis. Useful life of building is 60 years. Land is not depreciated. Property, plant and equipments' residual values and useful lives are reviewed, and are treated as changes in accounting estimates, at each balance sheet date.

(iv) **Impairment of Assets**

Impairment loss is provided, if any, to the extent, the carrying amount of assets exceed their recoverable amount.

Recoverable amount is higher of an asset's net selling price or its value in use. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

Impairment losses recognised in prior years are reversed when there is an indication that the impairment losses recognised no longer exist or have decreased. Such reversals are recognised as an increase in carrying amounts of assets to the extent that it does not exceed the carrying amounts that would have been determined (net of Depreciation) had no impairment loss been recognised in previous years.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

(v) **Financial instruments**

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the relevant instrument and are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issues of financial assets and financial liabilities (other than financial assets and financial liabilities measured at fair value through profit or loss) are added to or deducted from the fair value measured on initial recognition of financial assets or financial liabilities. Purchase or sale of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date when the Company commits to purchase or sell the asset.

Financial assets

The financial assets are classified at initial recognition in the following measurement categories as:

- those subsequently measured at amortised cost.
- those to be subsequently measured at fair value [either through other comprehensive income (OCI), or through profit or loss], and

Financial assets measured at fair value through profit or loss

Financial assets are measured at fair value through profit or loss unless it is measured at amortised cost or at fair value through other comprehensive income on initial recognition. Movements in fair value of these instruments are taken in profit or loss.

Financial liability

Financial liabilities are classified according to the substance of the contractual arrangements entered into. Financial liabilities are classified, at initial recognition, as subsequently measured at amortized cost unless they fulfill the requirement of measurement at fair value through profit or loss. Where the financial liability has been measured at amortised cost, the difference between the initial carrying amount of the financial liabilities and their redemption value is recognized in the statement of profit and loss over the contractual terms using the effective interest rate method. Financial liabilities at fair value through profit or loss are carried at fair value with changes in fair value recognized in the finance income or finance cost in the statement of profit or loss.

Derecognition of financial assets and financial liabilities

Financial assets are derecognized when the rights to receive benefits have expired or been transferred, and the Company has transferred substantially all risks and rewards of ownership of such financial asset. Financial liabilities are derecognized when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

Income recognition on financial assets

Interest income from financial assets is recognised in profit or loss using effective interest rate method, where applicable.

(vi) Revenue Recognition

Income from operating license fees is recognized at fair value of amount received or receivable in the Statement of Profit and Loss in accordance with the provision of Operating License agreement with licensee viz. ITC Limited.

(vii) Employee Benefits

(i) Provident Fund: Contribution towards provident fund for employees is made to the regulatory authorities, where the Company has no further obligations. Such benefits are classified as Defined Contribution Schemes as the Company does not carry any further obligations, apart from the contributions made on a monthly basis. The contributions are charged to the Statement of Profit and Loss of the year, when the contributions to the respective funds are due.

(ii) Gratuity: The Company has taken a Policy with Life Insurance Corporation of India (LIC) to cover the gratuity liability with respect to the employees and the premium paid to LIC is charged to Statement of Profit & Loss.

(iii) Compensated Absences: Short term compensated absences and long term compensated absences are provided for based on actuarial valuation at the year end. The actuarial valuation is done as per projected unit credit method and impact of such valuation is recognised in Profit and Loss account.

(viii) Leases

The Company is a lessor under an operating lease, the asset is capitalized within property, plant and equipment and depreciated over its useful economic life. Payments received under operating leases are recognized in the income statement on a straight-line basis over the term of the lease.

(ix) Taxes on Income

Taxes on income comprises of current taxes and deferred taxes. Current tax in the Statement of Profit and Loss is provided as the amount of tax payable in respect of taxable income for the period using tax rates enacted or substantively enacted during the period, together with any adjustment to tax payable in respect of previous years. Income tax, in so far as it relates to items disclosed under Other Comprehensive Income or Equity, are disclosed separately under Other Comprehensive Income or Equity, as applicable.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax assets are recognized for the future tax consequences to the extent it is probable that future taxable profits will be available against which the deductible temporary differences can be utilised.

(x) Dividend Distribution

To recognized Dividends paid (including income tax thereon) in the financial statements in the period in which the related dividends are actually paid or, in respect of the Company's final dividend for the year, when the same are approved by shareholders.

25. Financial Instruments and Related Disclosures

1. Capital Management

The Company's financial strategy aims to foster its strategic priorities and provide adequate capital to its businesses to grow. The Company funds its operations mainly through internal accruals and has no borrowings. The Company aims at maintaining adequate capital so as to maintain adequate supply of funds towards future growth of its businesses as a going concern.

2. Categories of Financial Instruments

Particulars	(₹)	As at 31st March, 2017		As at 31st March, 2016		As at 1st April, 2015	
	Note	Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying value	Fair Value
A. Financial Assets							
a) Measured at amortised cost							
i) Cash and Cash Equivalents	6	5,000,014	5,000,014	10,634,947	10,634,947	5,638,390	5,638,390
ii) Trade Receivables	5	3,869,751	3,869,751	4,729,838	4,729,838	3,360,420	3,360,420
iii) Other Financial Assets	8	2,347,837	2,347,837	2,239,549	2,239,549	2,185,074	2,185,074
Sub Total		11,217,602	11,217,602	17,604,334	17,604,334	11,183,884	11,183,884
b) Measured at Fair value through Profit or Loss							
i) Investment in Mutual Fund	4	12,925,000	12,925,000	12,000,000	12,000,000	11,100,000	11,100,000
Total Financial Assets		24,142,602	24,142,602	29,604,334	29,604,334	22,283,884	22,283,884
B. Financial Liability							
a) Measured at amortised cost							
i) Trade Payables		33,621	33,621	27,766	27,766	20,064	20,064
ii) Others	7	704,923	704,923	637,366	637,366	–	–
Total Financial Liability		738,544	738,544	665,132	665,132	20,064	20,064

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

3. **Financial risk management objectives**

The Company's activities expose it to minimal financial risks such as market risk, credit risk and liquidity risk.

a) Market risk

The Company's business operations are limited to receipt of operating license fees and investment activities. These activities does not expose significant risk to the Company except interest rate and price risk.

The Company invests its surplus funds in debt mutual funds and fixed deposits measured either at fair value through profit/loss or at amortized cost. Aggregate value of such investments as at 31st March, 2017 is ₹ 7.77 Crore (2016 - ₹ 6.35 Crore; 2015 - ₹ 5.89 Crores).

Investments in the mutual fund schemes and bonds / debentures which are current in nature have short tenor. Accordingly, these do not pose any significant price risk.

Interest rate risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As majority of the financial assets and liabilities of the Company are either non-interest bearing or fixed interest bearing instruments, the Company's net exposure to interest risk is negligible.

b) **Liquidity risk**

Liquidity risk is defined as the risk that the Company will not be able to settle or meet its obligations as they become due. On account of insignificant payables, the exposure to liquidity risk in negligible.

c) **Credit risk**

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument which may lead to a financial loss to the Company. Apart from its operating activities, the Company is also exposed to credit risk from its investing and financing activities.

Trade receivables are initially recognized at fair value plus any directly attributable transaction costs. The net carrying value of trade receivables is not significantly different from their carrying values due to the short - term duration of trade receivables. Further, there is no significant credit risk involved with trade receivable since all the receivables are from Holding Company.

Investments in deposits / bonds etc. are made with banks and institutions, which are of investment grade and are managed by the Company through regular monitoring of balances. Similarly, investment in debt mutual funds are made only with approved mutual funds and credit risk in such funds are limited because the underlying investments are diversified and the Company's investment framework considers the credit quality of the underlying investments made by the fund house. There are limits for any exposure to financial institutions.

4. **Fair value measurement**

Fair value hierarchy

Fair value of the financial instruments is classified in various fair value hierarchies based on the following three levels:

Level 1: Quoted prices (unadjusted) in active market for identical assets or liabilities.

Level 2: Inputs other than quoted price including within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximize the use of observable market data and rely as little as possible on entity-specific estimates. If significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

Level 3: Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

The fair value of trade receivables and payables is considered to be equal to the carrying amounts of these items due to their short – term nature. Further, debt mutual funds have been considered at level 1 and there is no change in classification of instruments between the periods covered in the financial statements.

On behalf of the Board

Place : Gurugram
Date: 21st April, 2017

JAGDISH SINGH Director
SURESH KUMAR Director

ANNUAL REPORT OF WELCOMHOTELS LANKA (PRIVATE) LIMITED FOR THE FINANCIAL YEAR ENDED 31ST MARCH 2017

The Board of Directors of WelcomHotels Lanka (Private) Limited hereby submit their fifth Annual Report for the financial year ended 31st March, 2017.

Nature of Business

As reported in the previous years, the Company, a wholly-owned subsidiary of ITC Limited, India, was incorporated on 23rd April, 2012 with the objective of constructing, building and operating a mixed use development project ('Project') including a luxury hotel and a premium residential condominium at Colombo. The Board of Investment of Sri Lanka provided the Company about 5.86 acres of prime sea facing land in Colombo on a 99 year lease for this purpose. The lease provides for transfer of freehold rights of the proportionate share of the residential condominium property area in favour of purchasers of the residential units subject to fulfilment of certain conditions stipulated in the Lease Deed. The Project which was approved as a Strategic Development Project has been accorded fiscal concessions by the Government of Sri Lanka and has also been exempted from Sri Lankan foreign exchange regulations.

Project Status

The excavation and allied works were completed during the year and the main construction activities were taken up by Larsen and Toubro Limited, India appointed by the Company as the General Contractors for the project. The construction work has been taken up simultaneously for the main complex as well as the customer experience centre for the residential apartments. Work is progressing on schedule.

The overall business environment has improved and the outlook for Sri Lanka has been revised by the rating agency, Fitch from negative (in Feb 2016) to stable (in Feb 2017). The Government continues to focus on foreign direct investment, infrastructure and private sector partnership as the key drivers of economic growth in a stable political environment. The Government is appropriately addressing the country's debt servicing burden with assistance from the IMF and is engaged with various reforms for the purpose. The city of Colombo is witnessing a construction boom with many new projects in progress and on the anvil.

The Financial Statements, including the Auditor's Report thereon, for the year ended 31st March 2017, are attached to this Report.

Accounting Policies

The Accounting Policies adopted in the preparation of the Financial Statements are provided in the attached Financial Statements.

Entries made in the Interests Register

The Directors had no interest in any contract with the Company during the year ended 31st March, 2017.

Remuneration of Directors

The Non-executive Directors were not entitled to any remuneration or other benefit from the Company during the year ended 31st March 2017.

Mr. A. Pathak, Managing Director, whose services have been seconded to the Company by ITC Limited, the Holding Company, with effect from 1st February, 2016 is entitled to remuneration as approved by the shareholder on the recommendation of the Board of Directors.

Donations

The Company has not made any donation during the year ended 31st March, 2017.

Directors of the Company

The Directors of the Company, as at 31st March, 2017, are as follows:

1. Mr. Nakul Anand	Chairman & Non-Executive Director
2. Mr. Arun Pathak	Managing Director
3. Mr. Biswa Behari Chatterjee	Non-Executive Director
4. Mr. Alwyn R Noronha	Non-Executive Director
5. Mr. Supratim Dutta	Non-Executive Director
6. Ms. Devkanya Roy Choudhury	Non-Executive Director

Audit Fees

The Audit Fees of the Company Auditors, Messrs. SJMS Associates, Chartered Accountants, 11, Castle Lane, Colombo 4, Sri Lanka for Statutory Audit of the Accounts of the Company for the year 2016/17 is set out in Note 4 to the attached Financial Statements.

The Auditors were not engaged for rendering any other services to the Company and accordingly there were no other fees paid or payable to them.

The Auditors do not have any other relationship (other than as Statutory Auditors) with the Company.

Arun Pathak
Managing Director

Nakul Anand
Chairman

Corporate Services (Private) Limited
Secretaries
On this 24th day of April, 2017

INDEPENDENT AUDITOR'S REPORT

TO THE MANAGEMENT OF WELCOMHOTELS LANKA (PRIVATE) LIMITED

Report on the Financial Statements

We have audited the accompanying financial statements of WelcomHotels Lanka (Private) Limited, ("the Company"), which comprise the statement of financial position as at March 31, 2017, statement of comprehensive income, statement of changes in equity, statement of cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board's Responsibility for the Financial Statements

The Board of Directors ("Board") is responsible for the preparation of these financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Sri Lanka Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at March 31, 2017, and of its financial performance and cash flow for the year then ended in accordance with Sri Lanka Accounting Standards.

Report on Other Legal and Regulatory Requirements

As required by section 163 (2) of the Companies Act No. 07 of 2007, we state the following:

a) The basis of opinion and scope and limitations of the audit are as stated above

b) In our opinion:

- we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company,
- the financial statements of the Company comply with the requirements of section 151 of the Companies Act.

SJMS ASSOCIATES
Chartered Accountants
Colombo
24th April 2017

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31ST MARCH, 2017

	Note	2016/2017 Rs.	2016/2017 INR	2015/2016 Rs.	2015/2016 INR
Revenue		–	–	–	–
Cost of sales		–	–	–	–
Gross profit		–	–	–	–
Other income	3	674,497	2,487,699	12,036,988	5,545,441
Administrative expenses	4	(1,874,832)	(821,926)	(1,478,809)	(681,288)
Pre operating profit / (loss) before tax	5	3,799,665	1,665,773	10,558,179	4,864,153
Taxation	6	–	–	–	–
Pre operating profit / (loss) for the year		3,799,665	1,665,773	10,558,179	4,864,153
Other comprehensive income					
Other comprehensive income		–	–	–	–
Total comprehensive income / (loss) for the year		3,799,665	1,665,773	10,558,179	4,864,153
Earnings per share	7	0.03	0.01	0.09	0.04

The accounting policies and notes from 1 to 19 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION AS AT 31ST MARCH, 2017

	Note	31.03.2017 Rs.	31.03.2017 INR	31.03.2016 Rs.	31.03.2016 INR
Assets					
Non Current Assets					
Capital work in progress	8	3,960,348,489	1,684,138,195	2,465,708,010	1,113,267,166
Prepaid lease rental	9	9,318,363,160	3,962,633,934	9,318,363,160	4,207,240,967
		13,278,711,649	5,646,772,129	11,784,071,170	5,320,508,133
Current Assets					
Prepayments	10	1,727,570,755	734,649,464	48,532,429	21,912,392
Cash and bank balances	11	421,374,643	179,189,567	196,478,818	88,710,186
		2,148,945,398	913,839,031	245011,247	110,622,578
Total Assets		15,427,657,047	6,560,611,160	12029082,417	5,431,130,711
Equity and Liabilities					
Capital and Reserves					
Stated capital	12	15,271,666,002	6,977,166,891	1,213,2641,002	5,579,179,561
Accumulated loss		(186,568,907)	(562,229,351)	(190,368,572)	(187,243,559)
		15,085,097,095	6,414,937,540	11,942,272,430	5,391,936,002
Current Liabilities					
Other payables	13	342,559,952	145,673,620	86,809,987	39,194,709
Total Liabilities		342,559,952	145,673,620	86,809,987	39,194,709
Total Equity and Liabilities		15,427,657,047	6,560,611,160	12,029,082,417	5,431,130,711

I certify that the financial statements have been prepared in compliance with the requirements of the Companies Act No. 07 of 2007.

Abhijeet Sreenivasan
Financial Controller

The Board of Directors is responsible for the preparation and presentation of these financial statements.

Signed for and on behalf of the Board.

Arun Pathak
Managing Director

Nakul Anand
Chairman

24th April 2017

The accounting policies and notes from 1 to 19 form an integral part of these financial statements.

Figures in brackets indicate deductions.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31ST MARCH, 2017

	Stated Capital	Stated Capital	Retained Earnings	Retained Earnings	Total	Total
	Rs.	INR	Rs.	INR	Rs.	INR
Balance as at 1st April 2015	10,577,430,682	4,845,135,506	(200,926,751)	31,821,342	10,376,503,931	4,876,956,848
Shares issued during the year	1,560,136,000	736,268,000	–	–	1,560,136,000	736,268,000
Pre operating profit for the year	–	–	10,558,179	4,864,153	10,558,179	4,864,153
Share issue cost	(4,925,680)	(2,223,945)	–	–	(4,925,680)	(2,223,945)
Foreign Exchange Translation Reserve				(223,929,054)		(223,929,054)
Balance as at 31st March 2016	12,132,641,002	5,579,179,561	(190,368,572)	(187,243,559)	11,942,272,430	5,391,936,002
Shares issued during the year						
- Equity Shares	1,773,275,000	812,495,300	–	–	1,773,275,000	812,495,300
- 13.5% Cumulative Non Convertible Preference Shares redeemable at the option of the issuer	1,365,750,000	585,492,030	–	–	1,365,750,000	585,492,030
Pre operating profit for the year	–	–	3,799,665	1,665,773	3,799,665	1,665,773
Share issue cost	–	–	–	–	–	–
Foreign Exchange Translation Reserve				(376,651,565)		(376,651,565)
Balance as at 31st March 2017	15,271,666,002	6,977,166,891	(186,568,907)	(562,229,351)	15,085,097,095	6,414,937,540

The accounting policies and notes from 1 to 19 form an integral part of these financial statements.

STATEMENT OF CASH FLOW FOR THE YEAR ENDED 31ST MARCH, 2017

	2016/2017 Rs.	2016/2017 INR	2015/2016 Rs	2015/2016 INR
Cash Flows From Operating Activities				
Pre operating profit / (loss) before tax	3,799,665	1,665,773	10,558,179	4,864,153
Changes in Working Capital				
(Increase) / decrease in trade & other receivables	(1,679,038,326)	(714,011,048)	87,063,996	39,309,394
(Decrease) / increase in trade and other payables	255,749,965	108,757,672	78,936,767	35,639,950
Net cash flow generated from / (used in) operating activities	(1,419,488,696)	(603,587,603)	176,558,942	79,813,497
Cash Flows From Investing Activities				
Capital work in progress	(1,494,640,479)	(635,595,863)	(1,639,791,686)	(740,365,946)
Net cash flow from / (used in) investing activities	(1,494,640,479)	(635,595,863)	(1,639,791,686)	(740,365,946)
Cash Flows From Financing Activities				
Proceeds from issue of shares	3,139,025,000	1,397,987,330	1,560,136,000	736,268,000
Share issue cost	–	–	(4,925,680)	(2,223,945)
Net cash flow from / (used in) financing activities	3,139,025,000	1,397,987,330	1,555,210,320	734,044,055
Net increase / (decrease) in cash and cash equivalents	224,895,825	158,803,864	91,977,576	73,491,606
Cash and cash equivalents at the beginning of the period	196,478,818	88,710,186	104,501,242	49,115,584
Foreign Exchange Translation (Gain) / Loss		(68,324,483)		(33,897,004)
Cash and cash equivalents at the end of the period (Note 14.1)	421,374,643	179,189,567	196,478,818	88,710,186

The accounting policies and notes from 1 to 19 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2017

1. Company Information

1.1. Domicile and Legal Form

WelcomHotels Lanka (Private) Limited is a limited liability company incorporated in Sri Lanka on April 23, 2012 under the Companies Act No.07 of 2007. The registered office of the Company is at 216, De Saram Place, Colombo 10.

1.2. Principal activity and nature of operations

WelcomHotels Lanka (Private) Limited is in the business of hospitality trade and currently is engaged in developing a mixed use project comprising hotel, residential condominium, retail space, etc. on a plot of land in Colombo leased from the Board of Investment of Sri Lanka for 99 years.

1.3. Parent Entity

The Company's parent entity is ITC Limited which is incorporated in India.

1.4. Date of Authorisation for issue

The financial statements of the Company for the year ended 31st March 2017 were authorised for issue by the Board of Directors on 24th April 2017.

2. Summary of Key Accounting Policies

2.1. Statement of Compliance

The Statement of Financial Position, Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flow and Notes together with the Summary of Significant Accounting Policies (being the "Financial Statements") of the Company have been prepared in accordance with Sri Lanka Financial Reporting Standards (SLFRSs/LKAS) as issued by The Institute of Chartered Accountants of Sri Lanka (CA) which is based on International Financial Reporting Standards and International Accounting Standards ("IFRSs" & "IAS"), as issued by the International Accounting Standards Board.

2.2. Basis of Preparation

The financial statements, presented in Sri Lankan Rupees, have been prepared on a historical cost basis, except where otherwise stated in the accounting policies below.

2.3. Significant Accounting Policies

The accounting policies have been consistently applied by the Company with those of the previous financial year.

2.4. Comparative Information

Previous year's figures and phrases are rearranged, wherever necessary, to conform to the current year's presentation.

2.5. Going Concern

When preparing the financial statements the Directors have assessed the ability of the Company to continue as a going concern. The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company does not foresee a need for liquidation or cessation of business activities taking into account all available information about the future. Accordingly, the Company continues to adopt the going concern basis in preparing the financial statements.

2.6. Use of Estimates and Judgments

The preparation of the Company's financial statements require management to make judgments, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities and the disclosure of contingent liabilities at the reporting date. Actual results may differ from these estimates.

2.7. Functional and Presentation Currency

These financial statements are being presented in Sri Lankan Rupees which is the Company's functional currency.

2.8. Events after the date of Statement of Financial Position

All material events after the Statement of Financial Position date have been considered and appropriate adjustments or disclosures have been made in the respective notes to the financial statements.

2.9. Foreign Currency Transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing on the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognised in Statement of Comprehensive Income.

2.10. Leased Assets

Leasing contracts which transfers substantially all the risks and rewards incidental to ownership of the assets are treated as finance lease. All other leases are classified as operating lease. Payments made under operating leases are charged to the Statement of Comprehensive Income on a straight-line basis over the period of the lease unless another systematic basis is more representative of the time pattern of the user's benefit.

2.11. Taxation

Current Taxes

The provision for income taxes are based on the elements of income and expenditure as reported in the financial statements and computed in accordance with provisions of the Inland Revenue Act, No. 10 of 2006 and amendments thereto. The Company is exempted from income tax for a period of ten years as described in Note 6 to the financial statements.

2.12 Property, Plant and Equipment

2.12.1 Cost

Property, Plant and equipment, including owner-occupied property, is stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment losses, if any. Replacement or major inspection costs are capitalised when incurred and if it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably.

The cost of property, plant and equipment is the cost of acquisition or construction together with any expenses incurred in bringing the asset to its condition for its intended use.

2.12.2 Depreciation

Depreciation is charged to Statement of Comprehensive Income so as to write off the cost or valuation of assets (other than freehold land) less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at each year-end, with the effect of any change in estimate accounted for on a prospective basis.

2.12.3 Capital Work In Progress

All expenses which are directly related to the project are reflected in capital work-in-progress till it is ready for the intended use.

2.13 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined by the weighted average method. The cost of the inventory comprises purchase price, taxes (other than those subsequently recoverable by the Company from the tax authorities), and transport, handling and other costs directly attributable to the acquisition of finished goods. It excludes borrowing costs. Trade discounts, rebates and other similar items are deducted in determining the costs of purchase.

Net realisable value is the estimate of the selling price in the ordinary course of business, less the costs of completion and selling expenses.

2.14 Cash and Cash Equivalents

Cash and cash equivalents, for the purpose of statement of cash flow, are defined as cash in hand, demand deposits, and short term highly liquid investments which are readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

2.15 Stated Capital

Ordinary shares are classified as equity.

Preference shares are classified as equity and are entitled to a dividend determined at the time of issue of the preference shares, the quantum and timing of such pay-out, subject to adequacy of profits, being at the discretion of the issuer. The preference shares are cumulative, non-convertible, and redeemable at the option of the issuer.

Incremental costs directly attributable to the issue of ordinary shares and preference shares are recognised as a deduction from equity, net of any tax effects.

2.16 Financial Instruments

Trade and other receivables are initially recognised at the transaction price. All sales are made on the basis of normal credit terms, and the receivables do not bear interest. At the end of each reporting period, the carrying amounts of trade and other receivables are reviewed to determine whether there is any objective evidence that the amounts are not recoverable. If so, an impairment loss is recognised immediately in Statement of Comprehensive Income.

Financial liabilities are initially recognised at the fair value of consideration received less directly attributable transaction costs.

Subsequent to initial measurement, financial liabilities are recognised at amortised cost unless they are a part of a fair value hedge relationship. The difference between the initial carrying amount of the financial liability and their redemption value is recognised in the Statement of Comprehensive Income over the contractual terms using the effective interest rate.

Financial liabilities at amortised cost are further classified as current and non-current depending whether these will fall due within 12 months after the date of statement of financial position or beyond.

Financial liabilities are derecognised when either the Company is discharged from its obligation; they expire, are cancelled or replaced by a new liability with substantially modified terms.

Financial liabilities include trade and other payables, and other financial liabilities.

2.17 Provisions, Contingent Assets and Contingent Liabilities

Provisions are made for all obligations existing as at the date of statement of financial position when it is probable that such an obligation will result in an outflow of resources and a reliable estimate can be made of the quantum of the outflow.

Contingent liabilities are possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. All contingent liabilities are disclosed as a note to the financial statements unless the outflow of resources is remote.

Contingent assets are disclosed where inflow of economic benefits is probable.

2.18 Borrowing Costs

Borrowing costs are recognised as an expense in the period in which they are incurred, except to the extent where borrowing costs that are directly attributable to the acquisition, construction, or production of a Qualifying Asset that takes a substantial period of time to get ready for its intended use or sale, are capitalised as part of that asset.

2.19 Statement of Cash Flow

The statement of cash flow has been prepared using the "indirect method".

2.20 Revenue Recognition

2.20.1 Revenue from operations

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue and associated costs incurred or to be incurred can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable net of trade discounts and sales taxes.

2.20.2 Interest Income

Interest income is recognised using the Effective Interest Rate (EIR) method.

2.20.3 Other Income

Other income is recognised on an accrual basis.

2.21 Expenditure Recognition

Expenses are recognised in the Statement of Comprehensive Income on the basis of a direct association between the cost incurred and the earning of specific items of income. The remuneration of the Managing Director is recognised upon its determination by the Board of Directors. All expenditure incurred in running the business and in maintaining property, plant and equipment in a state of efficiency has been charged to the Statement of Comprehensive Income.

For the purpose of presentation of the Statement of Comprehensive Income, the "function of expenses" method has been adopted, on the basis that it presents fairly the elements of the Company's performance.

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

		2016/2017 Rs.	2016/2017 INR	2015/2016 Rs.	2015/2016 INR
3.	**Other Income**				
	Foreign exchange gain	5,674,497	2,487,699	12,036,988	5,545,441
4.	**Administrative Expenses**				
	(a) Auditor's remuneration and expenses				
	Audit fees*	445,000	195,088	425,000	195,798
	Reimbursement of expenses and taxes	65,638	28,776	59,500	27,412
	(b) Secretarial remuneration and expenses				
	Secretarial fees*	60,000	26,304	60,000	27,642
	Reimbursement of expenses and taxes	46,946	20,581	46,859	21,588
	(c) Tax consultancy fees	1,197,248	524,873	872,655	402,032
	(d) Company annual registration levy	60,000	26,304	14,795	6,816
		1,874,832	821,926	1,478,809	681,288

*Excluding taxes

5.	Pre-operating Profit / (Loss)				
	The following items have been charged in arriving at the pre-operating profit / (loss)				
	Auditor's remuneration and expenses	510,638	223,864	484,500	223,209
	Secretarial remuneration and expenses	106,946	46,885	106,859	49,230
	Tax consultancy fees	1,197,248	524,873	872,655	402,032
	Company annual registration levy	60,000	26,304	14,795	6,816

6. **Taxation**

The Company had entered into a Project Agreement with the Board of Investment of Sri Lanka on 04th May 2012. Thereafter, the mixed use project of the Company has been duly declared a Strategic Development Project under the Strategic Development Projects Act, 2008. By virtue of the same, the provisions of the Inland Revenue Act 2006 relating to the imposition of income tax on the Company on the profit and income from the mixed use project shall not apply for a period of 10 years (tax exemption period). The tax exemption period shall commence from the first year in which the Company makes taxable profits or three years after commencement of commercial operations, whichever falls first. After the expiration of the aforesaid tax exemption period, the profits and income of the Company shall be charged at a concessionary tax rate which shall be the lower of 6% or 50% of the prevailing tax rate for the hotel industry, for a period of 15 years immediately succeeding the last date of the tax exemption period.

7. **Earnings Per Share**

Earnings per share is calculated by dividing the net profit for the year attributable to ordinary shareholders by the weighted average number of shares in issue during the year.

	2016/2017	2016/2017	2015/2016	2015/2016
Amount used as the Numerator				
Profit / (Loss) attributable to ordinary shareholders	3,799,665	1,665,773	10,558,179	4,864,153
Amount used as the Denominator				
Weighted average number of ordinary shares in issue	128,643,509	128,643,509	112,494,722	112,494,722
Earnings Per Share	0.03	0.01	0.09	0.04

		31.03.2017	31.03.2017	31.03.2016	31.03.2016
8.	**Capital Work In Progress**				
	Project consultancy charges	885,426,655	376,527,685	702,783,788	317,306,880
	Interest on loan	411,633,591	175,047,185	411,633,591	185,852,566
	Site development, Excavation, and Piling charges	1,916,215,488	814,870,636	1,288,329,721	581,680,869
	Structural and Civil Works	409,751,493	174,246,822	–	–
	Rates and taxes	15,646,318	6,653,597	13,197,402	5,958,627
	Project management expenses	321,674,944	136,792,270	49,763,508	22,468,224
		3,960,348,489	1,684,138,195	2,465,708,010	1113,267,166

		31.03.2017 Rs.	31.03.2017 INR	31.03.2016 Rs.	31.03.2016 INR
9.	**Prepaid Lease Rental**				
	Prepaid lease rentals (note 9.1)	9,318,363,160	3,962,633,934	9,318,363,160	4,207,240,967

9.1 **Prepaid Lease Rental**

Prepaid lease rentals amounting to LKR 9,224,250,000 (USD 73,500,000) was paid to the Board of Investment of Sri Lanka (BOI) on 4th May 2012 for 5.86 acres of land taken on a 99 year lease for developing a mixed use project.

On completion of the project, the prepaid lease rentals for the leasehold land area will be amortised on a straight line basis over the balance period of the lease. The details of the land and stamp duty on lease are as follows:

	Prepaid lease premium for land	9,224,250,000	3,922,612,313	9,224,250,000	4,164,748,875
	Stamp duty on lease of land	94,113,160	40,021,621	94,113,160	42,492,092
		9,318,363,160	3,962,633,934	9,318,363,160	4,207,240,967
10.	**Prepayments**				
	Capital advances	1,714,319,165	729,014,225	34,109,050	15,400,236
	Security deposit	4,656,112	1,980,012	4,031,530	1,820,236
	Other advances	8,595,478	3,655,227	10,391,849	4,691,920
		1,727,570,755	734,649,464	48,532,429	21,912,392
11.	**Cash and Bank balances**				
	Citibank - Foreign Currency Banking Unit Account	417,185,828	177,408,273	196,329,238	88,642,651
	Citibank - Domestic Banking Unit Account	4,188,815	1,781,294	149,580	67,535
		421,374,643	179,189,567	196,478,818	88,710,186
12.	**Stated Capital**				
	Equity Capital				
	Opening balance	12,132,641,002	5,579,179,561	10,577,430,682	4,845,135,506
	Issued during the year	1,773,275,000	812,495,300	1,560,136,000	736,268,000
	Share issue cost	–	–	(4,925,680)	(2,223,945)
	Closing balance	139,05,916,002	6,391,674,861	12,132,641,002	5,579,179,561
	No. of Shares issued:- 2016/ 2017 - 17,732,750 and 2015/2016 - 15,601,360				
	Preference Shares				
	Opening balance	–	–	–	–
	Issued during the year	1,365,750,000	585,492,030	–	–
	Share issue cost	–	–	–	–
	Closing balance	1,365,750,000	585,492,030	–	–
	No. of Shares issued:- 2016/17 - 13,657,500 and 2015/16 - NIL				
	The preference shares are entitled to a dividend of 13.5% and are cumulative, non-convertible, and redeemable at the option of the issuer.				
	Total Stated Capital	15,271,666,002	6,977,166,891	12,132,641,002	5,579,179,561
13.	**Other Payables**				
	Auditor's remuneration and expenses	510,638	217,149	484,500	218,752
	Retention - Contractor	106,266,843	45,189,975	76,845,323	34,695,663
	Tax consultancy fees	–	–	685,750	309,616
	Sundries*	235,782,471	100,266,496	8,794,414	3,970,678
		342,559,952	145,673,620	86,809,987	39,194,709

* Includes payables to related parties (refer note 18)

14.	**Notes to the Cash Flow Statement**				
14.1	**Cash and Cash Equivalents at the End of the Year**				
	Cash at bank	421,374,643	179,189,567	196,478,818	88,710,186
		421,374,643	179,189,567	196,478,818	88,710,186
15.	**Operating Lease**				
	Lease rental for land payable to Board of Investment of Sri Lanka.				
	Not later than one year	22,147	9,418	21,487	9,701
	Later than one year and not later than five years	88,589	37,672	85,949	38,806
	Later than five years	1,971,098	838,209	1,912,357	863,429

16. **Contingencies and Commitments**

Capital Commitments pending as at Balance Sheet date is Rs. 22,804,418,862, INR 9,697,579,121 (LY: Rs. 1,299,508,179, INR 586,727,943)

There were no significant contingent liabilities as at the date of statement of financial position other than those disclosed above.

17. **Events after the date of Statement of Financial Position**

There were no significant events occurring after the date of statement of financial position.

18. Related Party Transactions

18.1 The Company had the following transactions with it's related parties during the financial year.

Related Party	Nature of Relationship	Nature of Transaction	Transaction Value (Rs)	Transaction Value (INR)	Outstanding Balance as at the date of Statement of Financial Position Rs.*	Outstanding Balance as at the date of Statement of Financial Position (INR)*
ITC Ltd	Parent Company	Share issue	3,139,025,000 (1,560,136,000)	1,397,987,330 (736,268,000)	15,329,976,000 (12,190,951,000)	7,009,547,089 (5,611,537,232)
ITC Ltd	Parent Company	Purchase of Services	1,768,549 (3,858,448)	775,332 (1,777,598)	1,269,841 (2,024,818)	540,000 (914,205)
ITC Ltd	Parent Company	Technical Service fee	8,831,286 (13,331,500)	3,871,636 (6,141,822)	2,246,125 (2,179,187)	955,165 (983,903)
ITC Ltd	Parent Company	Reimbursement of Expenses #	105,794,425 (11,212,684)	46,380,276 (5,165,684)	95,006,329 (2,267,781)	40,401,441 (1,023,903)

Note: Figures in brackets relate to the previous year

* The amounts are classified as other payables except share issue which is classified as stated capital.

\# - includes compensation costs charged to the Company by the parent company (Rs. 87,939,899, INR 37,396,442 LY - Rs NIL, INR NIL) for the employees of the Company who are covered under the share based compensation plans of the parent company. These plans are assessed, managed, and administered by the parent company.

19. Transactions with the Key Management Personnel of the Company

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company. Key management personnel include members of the Board of Directors of the Company.

	2016/2017 Rs.	2016/2017 INR	2015/2016 Rs.	2015/2016 INR
Key Management Personnel Compensation				
Short term employee benefits	24,142,842	10,584,222	Nil	Nil

REPORT OF THE BOARD OF DIRECTORS FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2017

1. Your Board of Directors ('the Board') hereby submits their Report for the financial year ended 31st March, 2017.

2. **PERFORMANCE OF THE COMPANY**

During the year, your Company recorded Total Revenue of ₹ 2,174.68 lakhs (previous year ₹ 1,886.07 lakhs), representing an increase of 15.30 % over the previous year. The Company recorded a Net Profit of ₹ 210.49 lakhs (previous year ₹ 91.87 lakhs) during the financial year ended 31st March, 2017 registering a growth of 129.12% over the last year.

The Company continues to own and operate the 'Classic Golf and Country Club', a Jack Nicklaus Signature Golf Course. During the year, 16 weekend tournaments and 18 weekday tournaments took place. Your Company's Golf course was the venue for various professional tournaments such as Indian Golf Union, Professional Golf Tour of India, Professional Management Group Pvt. Ltd. and Women's Golf Association of India. It was also a venue for high profile tournaments sponsored by Living Media India Ltd., KPMG, Nimbus Communications Ltd., PMG, The Doon School Old Boys Society, Turkish Airlines, etc., which were also covered extensively by the electronic media.

The Company's destination luxury retreat 'ITC Grand Bharat - A Luxury Collection Retreat' is licensed to and operated by ITC Limited (ITC), the Holding Company.

3. **DIRECTORS AND KEY MANAGERIAL PERSONNEL**

(a) Changes in Directors and Key Managerial Personnel during the year

During the year under review, Mr. Aragula Anand Rao (DIN 07107955) Managing Director, resigned effective 4th December, 2016. Your Directors would like to place on record their appreciation of the services rendered by him during his tenure.

Mr. Bhagwateshwaran Hariharan (DIN 02953902) was appointed as the Managing Director effective 4th December, 2016. Resolution proposing the appointment and remuneration of Mr. Hariharan as Managing Director of the Company from the said date is placed before the members at the ensuing Annual General Meeting ('AGM').

(b) Retirement by rotation

In accordance with the provisions of Section 152(6) of the Companies Act, 2013 ('the Act') and Articles 106, 107 and 108 of the Articles of Association of the Company, Mr. Bhagwateshwaran Hariharan (DIN 02953902), Managing Director, will retire by rotation at the ensuing AGM of the Company and, being eligible, offers himself for re-election. Your Board has recommended his re-election.

(c) Declaration of Independence by the Independent Directors

The Independent Directors of your Company have confirmed that they meet the criteria of Independence as prescribed under Section 149(6) of the Act read with Rule 5 of the Companies (Appointment and Qualification of Directors) Rules, 2014.

(d) Attributes, qualifications and appointment of Directors

As reported in earlier years, the attributes and qualifications of the Independent Directors provided in Section 149(6) of the Act and Rule 5 of the Companies (Appointment and Qualification of Directors) Rules, 2014 were adopted by the Nomination and Remuneration Committee. The attributes and qualifications, as applicable, were also adopted in respect of the other Directors.

The Directors of the Company, other than Independent Directors, are executives of ITC Limited, Holding Company, and fulfil the fit and proper criteria for appointment as Directors. The Directors, other than the Independent Directors, are liable to retire by rotation and one-third of them retire every year and are eligible for re-election.

(e) Remuneration Policy

The Remuneration Policy for the Directors, Key Managerial Personnel and other employees of the Company, as approved by the Board, is enclosed as **Annexure 1** to this Report.

(f) Board Evaluation

The Board carried out annual performance evaluation of its own performance and that of the individual Directors as also functioning of the Board Committees, as required in terms of Section 134(3)(p) of the Act. The performance evaluation of the Board and individual Directors was based on criteria approved by the Nomination and Remuneration Committee. The Directors expressed their satisfaction with the overall evaluation process.

4. **BOARD AND BOARD COMMITTEES**

The two Board Committees of the Company and their present composition is as follows:

Audit Committee	Nomination and Remuneration Committee
Mr. R. Tandon (Chairman)	Mr. R. Tandon (Chairman)
Mr. H. M. Jha	Mr. N. Anand
Ms. R. Chadha	Mr. H. M. Jha
	Ms. R. Chadha

During the year ended 31st March, 2017, the following meetings of the Board and Board Committees were held:

Board / Board Committee	Number of meetings held during the year	Dates of meetings
Board	4	21st April, 2016 17th August, 2016 3rd December, 2016 28th March, 2017
Audit Committee	4	21st April, 2016 17th August, 2016 3rd December, 2016 28th March, 2017
Nomination and Remuneration Committee	2	21st April, 2016 3rd December, 2016

The attendance of the Directors of the Company at the Board and Board Committee meetings held during the year is given below:

Sl. No.	Name of the Director / Committee Member	Number of meetings attended		
		Board	Audit Committee	Nomination and Remuneration Committee
1.	Mr. N. Anand	4	N.A.	2
2.	Mr. R. Tandon	4	4	N.A.
3.	Mr. H. M. Jha	3	3	1
4.	Ms. R. Chadha	3	3	2
5.	Mr. B. Hariharan	4	N.A.	1
6.	Mr. A. Anand Rao	3	N.A.	N.A.

5. **DIRECTORS' RESPONSIBILITY STATEMENT**

As required under Section 134(5) of the Act, your Directors confirm having: -

i) followed in the preparation of the Annual Accounts, the applicable Accounting Standards with proper explanation relating to material departures, if any;

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 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 Act for safeguarding the assets of your Company and for preventing and detecting fraud and other irregularities;

iv) prepared the annual accounts on a going concern basis; and

v) devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems are adequate and operating effectively.

6. **SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES**

The Company does not have any subsidiary, associate or joint venture.

7. **PARTICULARS OF EMPLOYEES**

There were no employees who were employed throughout the year and were in receipt of remuneration aggregating ₹ 1.02 crore or more or were employed for part of the year and were in receipt of remuneration aggregating ₹ 8.5 lakhs per month or more during the financial year ended 31st March, 2017.

The information pursuant to Section 197 of the Companies Act, 2013 read with Rule 5(2) and 5(3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 containing the names of top 10 employees in terms of remuneration drawn is provided in the **Annexure 2** forming part of this report.

Your Company continues to attract and retain talent of the highest quality. Your Directors place on record their sincere appreciation for the efforts made and the support rendered by the employees of the Company. The Company provides a gender friendly workplace and no case of sexual harassment was reported during the year.

8. **RISK MANAGEMENT**

The Company's risk management framework, designed to bring robustness to the risk management processes in the Company, addresses risks intrinsic to operations, financials and compliances arising out of the overall strategy of the Company.

Management of risks vests with the executive management which is responsible for the day-to-day conduct of the affairs of the Company. The Internal Audit Department of ITC Limited periodically carries out, at the request of the Company, risk focused audits with the objective of identifying areas where risk management processes could be strengthened. As required under the Risk Management Policy of the Company, a Risk Mitigation Reportback was prepared on half-yearly basis and reviewed by the Managing Director of the Company. Further, an annual update was provided to the Audit Committee on the effectiveness of the Company's risk management systems and policies. The Board expressed satisfaction with the implementation of the risk mitigation strategies adopted by the Company against various risks.

9. INTERNAL FINANCIAL CONTROLS

Your Company has in place adequate internal financial controls with respect to the financial statements, commensurate with the size and scale of the operations. The Audit Committee which provides guidance on internal controls, also reviews internal audit findings and implementation of internal audit recommendations.

During the year, the internal financial controls in the Company with respect to the financial statements were tested and no material weakness in the design or operation of such controls was observed. Nonetheless your Company recognises that any internal financial control framework, no matter how well designed, has inherent limitations and accordingly, regular audit and review processes ensure that such systems are reinforced on an ongoing basis.

10. PARTICULARS OF LOANS, GUARANTEES AND INVESTMENTS

During the year ended 31st March, 2017, the Company has neither given any loan or guarantee nor has made any investment under Section 186 of the Act.

11. RELATED PARTY TRANSACTIONS

The details of related party transactions of the Company in the prescribed Form No. AOC-2 are enclosed under **Annexure 3** to this Report.

12. SIGNIFICANT AND MATERIAL ORDERS PASSED BY THE REGULATORS / COURTS / TRIBUNALS

During the year under review, no significant or material orders were passed by the Regulators / Courts / Tribunals impacting the going concern status of the Company and its future operations.

13. EXTRACT OF ANNUAL RETURN

The extract of Annual Return in the prescribed Form No. MGT-9 is enclosed as **Annexure 4** to this Report.

14. AUDITORS

(a) Statutory Auditors

The Company's Statutory Auditors, Messrs. Deloitte Haskins & Sells LLP ('DHS'), Chartered Accountants, were appointed with your approval at the Twenty-Second AGM to hold such office till the conclusion of the Twenty-Seventh AGM. Your Board, in terms of Section 139 of the Act, has recommended for the ratification of the Members the appointment of DHS from the conclusion of the ensuing AGM till the conclusion of the Twenty-Sixth AGM. The Board, in terms of Section 142 of the Act, has also recommended for the approval of the Members the remuneration of DHS for the financial year 2017-18. Appropriate resolution in respect of the above is appearing in the Notice convening the ensuing AGM of the Company.

(b) Secretarial Auditor

Your Board, during the year, appointed Messrs. PB & Associates, Company Secretaries, to conduct secretarial audit of the Company for the financial year ended 31st March, 2017. The Secretarial Audit Report for the financial year 2016-17 by Messrs. PB & Associates, Company Secretaries, in terms of Section 204 of the Act is enclosed as **Annexure 5** to this Report.

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

Conservation of Energy

Steps taken on conservation of energy and impact thereof: 150 compact fluorescent lamps (CFLs) were replaced with light-emitting diodes (LEDs) to conserve energy.

Steps taken by the Company for utilizing alternate sources of energy: NIL

Capital investment on energy conservation equipment: NIL

Technology Absorption

Efforts, in brief, made towards technology absorption and benefits derived as a result of the above efforts, e.g. product improvement, cost reduction, product development, import substitution, etc.: NIL

The Company neither imported any technology during the year nor incurred any expenditure on research and development.

Foreign Exchange Earnings and Outgo

During the year, the Company had foreign exchange earnings of ₹ 83.05 lakhs (previous year ₹ 69.19 lakhs) and foreign exchange outflow of ₹ 46.86 lakhs (previous year ₹ 155.62 lakhs).

On behalf of the Board

Dated : 21st April, 2017 — **N. Anand** — **Chairman**
Place : Gurugram — **B. Hariharan** — **Managing Director**

Annexure 1 to the Report of the Board of Directors for the financial year ended 31st March, 2017
Remuneration Policy

The Company's Remuneration Strategy is designed to attract and retain quality talent that gives its business a competitive advantage and enables the Company to achieve its objectives.

The Company's Remuneration Strategy, whilst focusing on remuneration and related aspects of performance management, is aligned with and reinforces the employee value proposition of a superior quality of work life, that includes an enabling work environment, an empowering and engaging work culture and opportunities to learn and grow.

The Compensation approach endeavours to align each employee with the Company's goals.

POLICY

It is the Company's Policy:

1. To ensure that its Remuneration practices support and encourage meritocracy.
2. To ensure that Remuneration is market-led and takes into account the competitive context of the Company's business.
3. To leverage Remuneration as an effective instrument to enhance performance and therefore to link the Remuneration to both individual and collective performance outcomes.
4. To adopt a comprehensive approach to Remuneration in order to support a superior quality of personal and work life, in a manner so as to judiciously balance short term with long term priorities.
5. To design Remuneration practices such that they reinforce the Company's values and culture and to implement them in a manner that complies with all relevant regulatory requirements.

Remuneration of Key Managerial Personnel (KMP)

1. Remuneration of KMP is determined and recommended by the Nomination and Remuneration Committee and approved by the Board. Remuneration of the Managing Director / Wholetime Director / Manager is also subject to the approval of the shareholders.
2. Remuneration is reviewed and revised periodically, when such a revision is warranted by the market.
3. Apart from fixed elements of Remuneration and benefits, the KMP are also eligible for Variable Pay / Performance Bonus which is linked to their individual performance and the overall performance of the Company.
4. Remuneration of KMP on deputation from the Holding Company / subsidiary / fellow subsidiary / associate companies, is aligned to the Remuneration Policy of that Company.

Remuneration of Independent Directors

Independent Directors are entitled to sitting fees for attending meetings of the Board and Board Committees, the quantum of which is determined by the Board, within the limits prescribed under the Companies Act, 2013 and the Rules thereunder. Independent Directors are also entitled to reimbursement of expenses for attending meetings of the Board and Board Committees and General Meetings.

Remuneration of employees other than KMP

1. Remuneration of employees other than KMP is approved by the Board.
2. Remuneration is reviewed and revised periodically, when such a revision is warranted by the market. The quantum of revision is linked to market trends, the competitive context of the Company's business, as well as the track record of the individual employee.
3. Variable Pay cognises for the performance rating of the individual employee and the overall performance of the Company.

Annexure 2 to the Report of the Board of Directors for the financial year ended 31st March, 2017

[Information pursuant to Section 197 of the Companies Act, 2013 read with Rules 5(2) and 5(3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]

Names of employees	Age	Designation	Gross Remuneration (₹)	Net Remuneration (₹)	Qualifications	Experience (Years)	Date of commencement of employment	Previous Employment / Position held
1	2	3	4	5	6	7	8	9
ANAND RAO#	59	MANAGING DIRECTOR	37,84,867	17,61,658	Master in Hospitality Management	36	12-Mar-15	* ITC Ltd. / General Manager
RAVI KHYANI	34	CHIEF FINANCE OFFICER	32,35,765	20,89,312	B. Com, ACA	10	01-Mar-16	* ITC Ltd. / Finance Controller
B HARIHARAN	54	MANAGING DIRECTOR	20,00,813	10,01,248	Post Graduate in Management	31	04-Dec-16	* ITC Ltd. / Vice President Marketing
PRADEEP SINGH	52	VICE PRESIDENT- HR & LIAISON	18,95,015	14,40,865	B.Com, LLB, MBA	28	10-Nov-06	Amira Foods (India) Ltd. / Sr. Manager-HR & IR
SHIV CHARAN	45	MANAGER - ENGINEERING	11,05,090	8,82,022	MBA, B.E.	27	16-May-11	* ITC Ltd. / Asst. Manager Engineering
VIKAS KUMAR	42	D.G.M. MAINTENANCE	10,03,983	8,10,317	B.Sc, M.Sc, P.G.D in Plantation Technology	15	05-Oct-06	Soka Bodhi Tree Garden / Horticulturist
KESHAV KUMAR	40	SR. MANAGER	8,62,797	6,60,872	B.Com	9	17-Apr-09	Golden Greens Golf & Resorts Ltd. / Manager-Golf Operations
PRAMOD SHARMA	48	MANAGER	8,11,524	6,74,566	Diploma in Industrial Security & Safety Management, B.A, M.A (Pol. Science)	29	15-Dec-16	PSRI Hospital, New Delhi / Manager-Security & Liaison
RAJBIR SINGH	49	SR. OFFICER	8,04,531	7,14,111	Matriculation	25	01-Apr-08	Central Park, Unitech/ Land Officer
PRIYA PURI	30	DEPUTY MANAGER	6,89,974	5,85,227	B.A	9	04-Jul-09	Watsono Wyatt Worldwide / Junior Analyst

* On deputation from ITC Limited.

\# Services reverted to ITC Ltd. effective 4th December, 2016.

Notes:

a. In respect of employees on deputation, gross remuneration disclosed as above is the deputation cost which is borne by the Company.

b. For other employees, gross remuneration includes salary, variable pay, Company's contribution to provident fund, allowances & other benefits / applicable perquisites except provisions for gratuity and leave encashment which are actuarially determined on an overall Company basis. The term 'remuneration' has the meaning assigned to it under the Companies Act, 2013.

c. Net remuneration comprises cash income less income tax & education cess deducted at source and employee's own contribution to provident fund.

d. Mr. B. Hariharan, Mr. A. Rao and Mr. R. Khyani were / are on deputation from ITC Limited (ITC) and have been granted Stock Options by ITC under its Employees Stock Option Schemes at 'market price' [within the meaning of the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014]. Since such Options are not tradeable, no perquisite or benefit is immediately conferred upon them by such grant of Options, and accordingly the said grant has not been considered as remuneration.

e. All appointments (except in case of employees on deputation) are contractual in accordance with terms and conditions as per Company's rules.

f. None of the above employees is a relative of any Director / Manager of the Company.

g. None of the above employees hold any share in the Company.

On behalf of the Board

N. Anand Chairman
B. Hariharan Managing Director

Dated : 21st April, 2017
Place : Gurugram

Annexure 3 to the Report of the Board of Directors for the financial year ended 31st March, 2017

FORM NO. AOC-2

[Pursuant to Section 134(3)(h) of the Companies Act, 2013 and Rule 8(2) of the Companies (Accounts) Rules, 2014]

Form for disclosure of particulars of contracts / arrangements entered into by the Company with related parties referred to in sub-section (1) of Section 188 of the Companies Act, 2013 including certain arm's length transactions under third proviso thereto

1. Details of contracts or arrangements or transactions not at arm's length basis

a)	Name(s) of the related party and nature of relationship	NIL
b)	Nature of contracts / arrangements / transactions	
c)	Duration of the contracts / arrangements / transactions	
d)	Salient terms of the contracts or arrangements or transactions including the value, if any	
e)	Justification for entering into such contracts or arrangements or transactions	
f)	Date(s) of approval by the Board	
g)	Amount paid as advances, if any	
h)	Date on which the special resolution was passed in general meeting as required under first proviso to Section 188	

2. Details of material contracts or arrangements or transactions at arm's length basis

a)	Name(s) of the related party and nature of relationship	ITC Limited (ITC), the Holding Company
b)	Nature of contracts / arrangements / transactions	Receipt of License fees
c)	Duration of the contracts / arrangements / transactions	99 years with effect from 14th November, 2014.
d)	Salient terms of the contracts or arrangements or transactions including the value, if any	Licence to operate Hotel 'ITC Grand Bharat' and certain additional land and building. Value of the transaction during the year – ₹ 5,16,93,750/- (inclusive of taxes)
e)	Date(s) of approval by the Board, if any	–
f)	Amount paid as advances, if any	–

On behalf of the Board

Dated : 21st April, 2017 **N. Anand** Chairman
Place : Gurugram **B. Hariharan** Managing Director

Annexure 4 to the Report of the Board of Directors

FORM NO. MGT-9

EXTRACT OF ANNUAL RETURN

as on the financial year ended on 31st March, 2017

[Pursuant to Section 92(3) of the Companies Act, 2013 and Rule 12(1) of the Companies (Management and Administration) Rules, 2014]

I. REGISTRATION AND OTHER DETAILS

i)	CIN	:	U74899HR1992PLC052412
ii)	Registration Date	:	24th January, 1992
iii)	Name of the Company	:	Landbase India Limited
iv)	Category / Sub-Category of the Company	:	Unlisted Public Company limited by shares
v)	Address of the Registered office and contact details	:	ITC Green Centre, Plot No.10, Institutional Area, Sector-32, Gurugram – 122001 Phone: 09971674503 e-mail ID: Lbase.cgr@itchotels.in
vi)	Whether listed company (Yes / No)	:	No
vii)	Name, Address and Contact details of Registrar and Transfer Agent, if any	:	MCS Share Transfer Agent Limited F – 65, Okhla Industrial Area, Phase – I, New Delhi – 110020 Phone : (011) 41406149-52

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

All the business activities contributing 10% or more of the total turnover of the Company shall be stated:-

Sl. No.	Name and Description of main products / services	NIC Code of the Product/ service	% to total turnover of the Company
1.	Sports & recreational sports facility operation services - Golf	93110 & 93120	79%
2.	Hotels - Licence fee	55101	21%

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES

Sl. No.	Name and Address of the Company	CIN/GLN	Holding/ Subsidiary/ Associate	% of shares held in the Company	Applicable Section
1.	ITC Limited Virginia House 37 Jawaharlal Nehru Road Kolkata – 700 071	L16005WB1910PLC001985	Holding company	100%	2(46)

IV. SHAREHOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity)

(i) Category-wise Shareholding:

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
A. Promoters									
(1) Indian									
a) Individual/HUF	–	–	–	–	–	–	–	–	N.A.
b) Central Govt.	–	–	–	–	–	–	–	–	N.A.
c) State Govt.(s)	–	–	–	–	–	–	–	–	N.A.
d) Bodies Corp.	18,70,00,000	13,00,00,000	31,70,00,000	100.00	18,70,00,000	13,00,00,000	31,70,00,000	100.00	Nil
e) Banks / FI	–	–	–	–	–	–	–	–	N.A.
f) Any Other	–	–	–	–	–	–	–	–	N.A.
Sub-total (A)(1)	**18,70,00,000**	**13,00,00,000**	**31,70,00,000**	**100.00**	**18,70,00,000**	**13,00,00,000**	**31,70,00,000**	**100.00**	**Nil**
(2) Foreign									
a) NRIs - Individuals	–	–	–	–	–	–	–	–	N.A.
b) Other – Individuals	–	–	–	–	–	–	–	–	N.A.
c) Bodies Corp.	–	–	–	–	–	–	–	–	N.A.
d) Banks / FI	–	–	–	–	–	–	–	–	N.A.
e) Any Other	–	–	–	–	–	–	–	–	N.A.
Sub-total (A)(2)	–	–	–	–	–	–	–	–	**N.A.**
Total shareholding of Promoter (A) = (A)(1)+(A)(2)	**18,70,00,000**	**13,00,00,000**	**31,70,00,000**	**100.00**	**18,70,00,000**	**13,00,00,000**	**31,70,00,000**	**100.00**	**Nil**
B. Public Shareholding									
1. Institutions									
a) Mutual Funds	–	–	–	–	–	–	–	–	N.A.
b) Banks / FI	–	–	–	–	–	–	–	–	N.A.
c) Central Govt.	–	–	–	–	–	–	–	–	N.A.
d) State Govt.(s)	–	–	–	–	–	–	–	–	N.A.
e) Venture Capital Funds	–	–	–	–	–	–	–	–	N.A.
f) Insurance Companies	–	–	–	–	–	–	–	–	N.A.
g) FIIs	–	–	–	–	–	–	–	–	N.A.
h) Foreign Venture Capital Funds	–	–	–	–	–	–	–	–	N.A.
i) Others (specify)	–	–	–	–	–	–	–	–	N.A.
Sub-total (B)(1)	–	–	–	–	–	–	–	–	**N.A.**

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
2. **Non-Institutions**									
a) Bodies Corp.									
i) Indian	–	–	–	–	–	–	–	–	N.A.
ii) Overseas	–	–	–	–	–	–	–	–	N.A.
b) Individuals	–	–	–	–	–	–	–	–	N.A.
i) Individual shareholders holding nominal share capital upto ₹ 1 lakh	–	–	–	–	–	–	–	–	N.A.
ii) Individual shareholders holding nominal share capital in excess of ₹ 1 lakh	–	–	–	–	–	–	–	–	N.A.
c) Others (specify)	–	–	–	–	–	–	–	–	N.A.
Sub-total (B)(2)	–	–	–	–	–	–	–	–	**N.A.**
Total Public Shareholding (B)= (B)(1)+ (B)(2)	–	–	–	–	–	–	–	–	**N.A.**
C. Shares held by Custodian for GDRs & ADRs	–	–	–	–	–	–	–	–	N.A.
Grand Total (A+B+C)	**18,70,00,000**	**13,00,00,000**	**31,70,00,000**	**100.00**	**18,70,00,000**	**13,00,00,000**	**31,70,00,000**	**100.00**	**Nil**

(ii) Shareholding of Promoters:

Sl. No.	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in shareholding during the year
		No. of Shares	% of total Shares of the Company	% of Shares pledged / encumbered to total Shares	No. of Shares	% of total Shares of the Company	% of Shares pledged / encumbered to total Shares	
1.	ITC Limited	31,70,00,000	100.00	Nil	31,70,00,000	100.00	Nil	Nil

(iii) Change in Promoters' Shareholding (please specify, if there is no change):

Sl. No.		Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of Shares	% of total Shares of the Company	No. of Shares	% of total Shares of the Company
	At the beginning of the year	No Change during the year			
	Date wise Increase / Decrease in Promoters Shareholding during the year				
	At the end of the year				

(iv) **Shareholding Pattern of top ten Shareholders (other than Directors, Promoters and Holders of GDRs and ADRs):** NOT APPLICABLE

(v) **Shareholding of Directors and Key Managerial Personnel:** None of the Directors and Key Managerial Personnel hold any share in the Company in their individual capacity.

V. INDEBTEDNESS

Indebtedness of the Company including interest outstanding / accrued but not due for payment: NIL

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

A. Remuneration to Managing Director, Wholetime Directors and / or Manager: (Amount in ₹)

Sl. No.	Particulars of Remuneration	B. Hariharan * (Managing Director) (refer Note 1)
1.	Gross Salary	
	(a) Salary as per provisions contained in Section 17(1) of the Income-tax Act, 1961	16,93,975
	(b) Value of perquisites under Section 17(2) of the Income-tax Act, 1961	3,28,954
	(c) Profits in lieu of salary under Section 17(3) of the Income-tax Act, 1961	–
2.	Stock Option	–
3.	Sweat Equity	–
4.	Commission - as % of profit - others, specify	 – –
5.	Others, please specify	–
Total Amount (A)		**20,22,929**
Ceiling as per the Companies Act, 2013		1,20,00,000 per annum (refer Note 2)

* Appointed as the Managing Director with effect from 4th December, 2016.

Note 1: Mr. B. Hariharan is on deputation from ITC Limited (ITC). Mr. Hariharan has been granted Stock Options by ITC at 'market price' [within the meaning of the SEBI (Share Based Employee Benefits) Regulations, 2014] under the ITC Employee Stock Option Schemes. Since such Options are not tradeable, no perquisite or benefit is immediately conferred upon him by such grant of Option, and accordingly the said grant has not been considered as remuneration.

Note 2: Ceiling as per Part II of Schedule V to the Companies Act, 2013 has been disclosed, considering that the profits of the Company for the financial year ended 31st March, 2017 are inadequate.

B. Remuneration to other Directors: (Amount in ₹)

Sl. No.	Name of the Directors	Particulars of Remuneration			Total Amount
		Fee for attending Board and Board Committee meetings	Commission	Independent Directors' Meeting Fee	
1.	**Independent Directors**				
	R. Chadha	1,10,000	Nil	10,000	1,20,000
	H. M. Jha	1,00,000		10,000	1,10,000
	Total Amount (B)(1)	**2,10,000**		**20,000**	**2,30,000**
2.	**Other Non-Executive Directors**				
	N. Anand	Nil	Nil	Nil	Nil
	R. Tandon				
	B. Hariharan				
	Total Amount (B)(2)				**Nil**
Total Amount (B) = (B)(1) + (B)(2)					**2,30,000**
Total Managerial Remuneration (A + B)					**22,52,929**
Overall ceiling as per the Companies Act, 2013					1,20,00,000 per annum (Refer Note 1)

Note 1: Ceiling as per Part II of Schedule V to the Companies Act, 2013 has been disclosed, considering that the profits of the Company for the financial year ended 31st March, 2017 are inadequate.

C. Remuneration to Key Managerial Personnel other than MD / Manager / WTD: (Amount in ₹)

Sl. No.	Particulars of Remuneration	Shripriya Kaushal (Company Secretary)	Ravi Khyani (Chief Financial Officer) (refer Note 1)
1.	Gross salary		
	(a) Salary as per provisions contained in Section 17(1) of the Income-tax Act, 1961	4,43,664	29,15,008
	(b) Value of perquisites under Section 17(2) of the Income-tax Act, 1961	–	3,20,757
	(c) Profits in lieu of salary under Section 17(3) of the Income-tax Act, 1961	–	–
2.	Stock Option	–	–
3.	Sweat Equity	–	–
4.	Commission - as % of profit - others, specify		
5.	Others, please specify	–	–
Total		**4,43,664**	**32,35,765**

Note 1: Mr. Ravi Khyani is on deputation from ITC Limited (ITC). Mr. Khyani has been granted Stock Options by ITC at 'market price' [within the meaning of the SEBI (Share Based Employee Benefits) Regulations, 2014] under the ITC Employee Stock Option Schemes. Since such Options are not tradeable, no perquisite or benefit is immediately conferred upon him by such grant of Option, and accordingly the said grant has not been considered as remuneration.

VII. PENALTIES / PUNISHMENT / COMPOUNDING OF OFFENCES against the Company, Directors and other Officers in Default under the Companies Act, 2013: None

On behalf of the Board

Dated: 21st April, 2017 — **N. Anand** — **Chairman**
Place: Gurugram — **B. Hariharan** — **Managing Director**

Annexure 5 to the Report of the Board of Directors

FORM NO. MR – 3

SECRETARIAL AUDIT REPORT

FOR THE FINANCIAL YEAR ENDED 31st MARCH 2017

[Pursuant to Section 204(1) of the Companies Act, 2013 and Rule No. 9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]

To
The Members,
Landbase India Limited

We have conducted the Secretarial Audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by Landbase India Limited, a Company incorporated under the provisions of the Companies Act, 1956 and having its registered office at ITC Green Centre, 10 Institutional Area, Sector 32, Gurgaon, Haryana 122001 (hereinafter referred to as the '**Company**') for the period commencing from 1st April 2016 till 31st March 2017 (hereinafter referred to as the '**Audit Period**'). Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing our opinions thereon.

Based on our verification of the books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorised representatives during the conduct of Secretarial Audit, we hereby report that in our opinion, the Company has, during the audit period covering the financial year ended on 31st March 2017 complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on 31st March 2017, according to the provisions of:

(i) The Companies Act, 2013 (the Act) and the rules made thereunder;

Further we have also examined compliance with the applicable clauses of The Secretarial Standards issued by The Institute of Company Secretaries of India, with respect to Board and General Meetings.

Further as informed to us and as certified by the management of the Company there are no other laws which are specifically applicable to the Company based on their sector / industry.

We further report that

The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with provisions of the Act.

Adequate notice is given to all Directors for the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

All decisions at Board Meetings and Committee Meetings are carried out unanimously as recorded in the minutes of the meetings of the Board of Directors or Committee of the Board, as the case may be.

We further report that there are adequate systems and processes in the Company commensurate with the size and operations of the Company to monitor and ensure compliance with the applicable laws, rules, regulations and guidelines.

We further report that during the audit period the Company has had no specific events / actions that have a major bearing on the Company's affairs in pursuance of the above referred laws, rules, regulations, guidelines, standards, etc.

For **P B & Associates**
Company Secretaries
Pooja Bhatia
FCS:7673 CP:6485
Place : New Delhi
Dated: 21st April 2017

Note: This report is to be read with our letter of even date which is annexed as Annexure A and forms an integral part of this report.

Annexure: A

The Members,
Landbase India Limited

Our report of the even date is to be read along with this letter

1. Maintenance of secretarial record is the responsibility of the management of the Company. Our responsibility is to express an opinion on these secretarial records based on our audit.
2. We have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the secretarial records. The verification was done on the random test basis to ensure that correct facts are reflected in secretarial records. We believe that the processes and practices, we followed provide a reasonable basis for our opinion.
3. We have not verified the correctness and appropriateness of financial records and Books of Accounts of the Company.
4. Where ever required, we have obtained the Management representation about the compliance of laws, rules and regulations and happening of events etc.
5. The compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of management. Our examination was limited to the verification of procedures on the random test basis.
6. The Secretarial Audit report is neither an assurance as to the future viability of the company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.

For **P B & Associates**
Company Secretaries
Pooja Bhatia
FCS: 7673 CP:6485
Place : New Delhi
Dated: 21st April 2017

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LANDBASE INDIA LIMITED

Report on the Ind AS Financial Statements

We have audited the accompanying Ind AS financial statements of **Landbase India Limited** ("the Company"), which comprise the Balance Sheet as at 31st March, 2017, and the Statement of Profit and Loss (including Other Comprehensive Income), the Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Ind AS Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these Ind AS financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, cash flows and changes in equity of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) prescribed under Section 133 of the Act.

This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these Ind AS financial statements based on our audit.

In conducting our audit, we have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit of the Ind AS financial statements in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Ind AS financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the Ind AS financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Ind AS financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the Ind AS financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the Ind AS financial statements.

We believe that the audit evidence obtained by us, is sufficient and appropriate to provide a basis for our audit opinion on the Ind AS financial statements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid Ind AS financial statements 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, of the state of affairs of the Company as at 31st March, 2017, and its profit, total comprehensive income, its cash flows and the changes in equity for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. As required by Section 143(3) of the Act, based on our audit we report, to the extent applicable that:
   a) We have sought and 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 it appears from our examination of those books.
   c) The Balance Sheet, the Statement of Profit and Loss including Other Comprehensive Income, the Cash Flow Statement and Statement of Changes in Equity dealt with by this Report are in agreement with the relevant books of account.
   d) In our opinion, the aforesaid Ind AS financial statements comply with the Indian Accounting Standards prescribed under Section 133 of the Act.
   e) On the basis of the written representations received from the Directors as on 31st March, 2017 taken on record by the Board of Directors, none of the Directors is disqualified as on 31st March, 2017 from being appointed as a Director in terms of Section 164(2) of the Act.
   f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure A". Our report expresses an unmodified opinion on the adequacy and operating effectiveness of the Company's internal financial controls over financial reporting.
   g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, as amended, in our opinion and to the best of our information and according to the explanations given to us:
      i. The Company has disclosed the impact of pending litigations on its financial position in its Ind AS financial statements- Refer Note 22 to the financial statements.
      ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses- Refer Note 31 to the financial statements.
      iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company- Refer Note 32 to the financial statements.
      iv. The Company has provided requisite disclosures in the Ind AS financial statements as regards its holding and dealings in Specified Bank Notes as defined in the Notification S.O. 3407(E) dated the 8th November, 2016 of the Ministry of Finance, during the period from 8th November, 2016 to 30th December, 2016; and such disclosures are in accordance with the books of accounts maintained by the Company- Refer Note 33 to the financial statements.
2. As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government in terms of Section 143(11) of the Act, we give in "Annexure B" a statement on the matters specified in paragraphs 3 and 4 of the Order.

For **Deloitte Haskins & Sells LLP,**
Chartered Accountants
(Firm's Registration No.: 117366W/ W-100018)
Jaideep Bhargava
Partner
(Membership No.: 90295)

Gurugram, April 21, 2017

ANNEXURE "A" TO THE INDEPENDENT AUDITOR'S REPORT

(Referred to in paragraph 1 (f) under 'Report on Other Legal and Regulatory Requirements' Section of our report of even date)

Report on the Internal Financial Controls Over Financial Reporting under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls over financial reporting of **Landbase India Limited ("the Company")** as of March 31, 2017 in conjunction with our audit of the Ind AS financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Company's management is responsible for establishing and maintaining internal financial controls based on "the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India". These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditor's Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") issued by the Institute of Chartered Accountants of India and the Standards on Auditing prescribed under Section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

Meaning of Internal Financial Controls Over Financial Reporting

A Company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Generally Accepted Accounting Principles. A Company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and Directors of the Company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, to the best of our information and according to the explanations given to us, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2017, based on "the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India".

For **Deloitte Haskins & Sells LLP,**
Chartered Accountants
(Firm's Registration No.: 117366W/ W-100018)

Jaideep Bhargava
Partner
(Membership No.: 90295)

Gurugram, April 21, 2017

ANNEXURE "B" TO THE AUDITORS' REPORT

(Referred to in paragraph 2 under 'Report on Legal and Regulatory Requirements' section of our report of even date)

(i) In respect of its fixed assets:
   (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of the fixed assets.
   (b) The fixed assets were physically verified during the year by the Management in accordance with a regular programme of verification which, in our opinion, provides for physical verification of all the fixed assets at reasonable intervals. According to the information and explanations given to us, the discrepancies noticed on physical verification of fixed assets as compared to book records were not material and have been properly dealt with in the books of account.
   (c) According to the information and explanations given to us and the records examined by us and based on the examination of the registered sale deed and transfer deed provided to us, we report that, the title deeds, comprising all the immovable properties of land and buildings which are freehold, are held in the name of the Company as at the balance sheet date.

(ii) As explained to us, the inventories were physically verified during the year by the Management at reasonable intervals and no material discrepancies were noticed on physical verification.

(iii) The Company has not granted any loans, secured or unsecured, to companies, firms, Limited Liability Partnerships or other parties covered in the Register maintained under Section 189 of the Companies Act, 2013.

(iv) The Company has not granted any loans, made investments or provided guarantees under Section 185 and 186 of the Companies Act, 2013 and hence reporting under clause (iv) of the CARO 2016 is not applicable.

(v) According to the information and explanations given to us, the Company has not accepted any deposit during the year.

(vi) The maintenance of cost records has not been specified by the Central Government under Section 148(1) of the Companies Act, 2013.

(vii) According to the information and explanations given to us in respect of statutory dues:
   (a) The Company has generally been regular in depositing undisputed statutory dues, including Provident fund, Employees' state insurance, Income tax, Service tax, Customs duty, Value added tax, Sales tax, Cess and other material statutory dues applicable with the appropriate authorities. We are informed that the Company's operations did not give rise to any dues on account of Excise duty.
   (b) There were no undisputed amounts payable in respect of Provident fund, Employees' state insurance, Income tax, Service tax, Customs duty, Value added tax, Sales tax, Cess and other material statutory dues in arrears as at 31st March, 2017 for a period of more than six months from the date they became payable. We are informed that the Company's operations did not give rise to any dues on account of Excise duty.
   (c) There are no disputed dues in respect of Sales tax, Service tax, Customs duty, Excise duty and Value added tax as at 31st March, 2017 which have not been deposited on account of dispute. Details of dues of Income tax which have not been deposited as on March 31, 2017 on account of dispute are given below:

Nature of the statute	Nature of dues	Amount Involved (₹)	Amount Unpaid (₹)	Period to which the amount relates	Forum where the dispute is
Income tax Act, 1961	Income tax	26,62,65,172	26,62,65,172	A.Y.2005-06	Income Tax Appellate Tribunal

(viii) The Company has neither taken any loans or borrowings from financial institutions, banks and government nor has it issued any debentures. Hence reporting under clause (viii) of CARO 2016 is not applicable to the Company.

(ix) The Company has not raised moneys by way of initial public offer or further public offer (including debt instruments) or term loans and hence reporting under clause (ix) of CARO 2016 Order is not applicable.

(x) To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company and no material fraud on the Company by its officers or employees has been noticed or reported during the year.

(xi) In our opinion and according to the information and explanations given to us, the Company has paid managerial remuneration in accordance with the requisite approvals mandated by the provisions of Section 197 read with Schedule V to the Companies Act, 2013.

(xii) The Company is not a Nidhi Company and hence reporting under clause (xii) of CARO 2016 Order is not applicable.

(xiii) In our opinion and according to the information and explanations given to us, the Company is in compliance with Section 177 and 188 of the Companies Act, 2013, where applicable, for all transactions with the related parties and the details of related party transactions have been disclosed in the financial statements etc. as required by the applicable accounting standards.

(xiv) During the year, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures and hence reporting under clause (xiv) of CARO 2016 is not applicable to the Company.

(xv) In our opinion and according to the information and explanations given to us, during the year the Company has not entered into any non-cash transactions with its Directors or Directors of its holding or persons connected with them and hence provisions of Section 192 of the Companies Act, 2013 are not applicable.

(xvi) The Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934.

For **Deloitte Haskins & Sells LLP,**
Chartered Accountants
(Firm's Registration No.: 117366W/ W-100018)

Jaideep Bhargava
Partner
(Membership No.: 90295)

Gurugram, April 21, 2017

BALANCE SHEET AS AT 31ST MARCH, 2017

	Note No.	As at 31st March, 2017 (₹)	As at 31st March, 2016 (₹)	As at 1st April, 2015 (₹)
ASSETS				
Non-current assets				
(a) Property, Plant and Equipment	1A	2,360,391,799	2,393,381,083	2,393,062,410
(b) Capital work-in-progress	1B	28,988,020	28,850,020	23,457,142
(c) Other Intangible Assets	1C	242,740	132,656	265,676
(d) Financial Assets				
(i) Investments	2	150	150	150
(ii) Others	3	5,269,212	17,686,780	8,997,241
(e) Other non-current assets	4	50,813,630	45,995,931	39,806,048
Total Non - Current Assets		2,445,705,551	2,486,046,620	2,465,588,667
Current assets				
(a) Inventories	5	7,338,532	7,317,980	5,384,067
(b) Financial Assets				
(i) Trade receivables	6	2,444,583	3,624,105	5,298,030
(ii) Cash and cash equivalents	7	111,251,704	30,451,170	90,082,119
(iii) Other Bank Balances	8	48,712,616	40,100,000	–
(iv) Others	3	3,076,625	293,165	107,119
(c) Other current assets	4	3,395,540	5,073,254	4,608,670
Total Current Assets		176,219,600	86,859,674	105,480,005
Total Assets (1+2)		2,621,925,151	2,572,906,294	2,571,068,672
EQUITY AND LIABILITIES				
Equity				
(a) Equity Share capital	9	3,170,000,000	3,170,000,000	1,200,000,000
(b) Other Equity	10	(961,142,742)	(976,734,482)	879,713,228
Total equity		2,208,857,258	2,193,265,518	2,079,713,228
LIABILITIES				
Non-current liabilities				
(a) Financial Liabilities				
(i) Borrowings	11	–	–	20,000,000
(ii) Other financial liabilities	12	313,462,825	310,377,068	313,873,904
(b) Provisions	13	6,275,750	5,219,593	3,335,739
(c) Other non-current liabilities	14	31,359,314	20,333,168	16,816,084
Total Non - Current Liabilities		351,097,889	335,929,829	354,025,727
Current liabilities				
(a) Financial Liabilities				
(i) Trade payables	15	18,011,291	18,211,301	35,801,854
(ii) Other financial liabilities	12	18,467,737	7,178,433	78,059,262
(b) Other current liabilities	14	24,431,577	16,814,454	22,159,876
(c) Provisions	13	1,059,399	1,506,759	1,308,725
Total Current Liabilities		61,970,004	43,710,947	137,329,717
Total Equity and Liabilities (1+2+3)		2,621,925,151	2,572,906,294	2,571,068,672

The accompanying notes 1 to 38 are an integral part of the Financial Statements.

In terms of our report attached.
For **Deloitte Haskins & Sells LLP**
Chartered Accountants

On behalf of the Board

Jaideep Bhargava
Partner
Place : Gurugram
Date : 21st April, 2017

N. Anand	Chairman
B. Hariharan	Managing Director
Ravi Khyani	Chief Financial Officer
Shripriya Kaushal	Company Secretary

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31st MARCH, 2017

		Note No.	For the year ended 31st March, 2017	For the year ended 31st March, 2016
Gross Income			(₹)	(₹)
I	Revenue from Operations	16	206,122,576	185,400,033
II	Other Income	17	11,345,217	3,207,065
III	**Total Income (I+II)**		217,467,793	188,607,098
IV	**EXPENSES**			
	(a) Employee benefits expense	18	52,622,691	51,680,407
	(b) Finance costs	19	–	559,590
	(c) Depreciation and amortization expense	1	44,053,876	44,331,977
	(d) Other expenses	20	99,742,554	82,848,028
	Total Expenses (IV)		196,419,121	179,420,002
V	**Profit before tax (III - IV)**		21,048,672	9,187,096
VI	Tax Expense		–	–
VII	**Profit for the year (V-VI)**		21,048,672	9,187,096
VIII	**Other comprehensive income**			
	Items that will not be reclassified to profit or loss			
	Remeasurements of the defined benefit plans		(70,398)	(1,021,340)
IX	**Other Comprehensive Income for the year**		(70,398)	(1,021,340)
X	**Total Comprehensive Income for the year (VII+IX)**		20,978,274	8,165,756
XI	**Earnings per equity share:**			
	Basic/ Diluted	21	0.07	0.07

The accompanying notes 1 to 38 are an integral part of the Financial Statements.

In terms of our report attached.

For **Deloitte Haskins & Sells LLP**
Chartered Accountants

On behalf of the Board

Jaideep Bhargava
Partner
Place : Gurugram
Date : 21st April, 2017

N. Anand Chairman
B. Hariharan Managing Director
Ravi Khyani Chief Financial Officer
Shripriya Kaushal Company Secretary

CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH, 2017

		For the year ended 31st March, 2017 (₹)	For the year ended 31st March, 2016 (₹)
A	**Cash flows from operating activities**		
	Profit for the year	**21,048,672**	9,187,096
	Adjustments for:		
	Finance costs	–	559,590
	Loss on Sale of property, plant and equipment - Net	**3,549,907**	1,080,001
	Liabilities/provisions no longer required written back	**(679,024)**	(26,312)
	Interest Income	**(11,308,871)**	(3,141,417)
	Depreciation and amortization property, plant and equipment	**44,053,876**	44,331,977
	Share based payments, net of reimbursement	–	5,386,534
	Operating Profit Before Working Capital Changes	**56,664,560**	57,377,469
	Adjustment in working capital:		
	Decrease in trade and other receivables	**1,179,522**	1,673,925
	Increase in inventories	**(20,552)**	(1,933,913)
	Increase in other assets	**(5,216,480)**	(358,290)
	(Increase)/decrease in other financial assets	**(521,845)**	7,000
	Increase/(decrease) in trade payables	**479,014**	(17,564,241)
	Increase/(decrease) in other financial liabilities	**9,553,333**	(2,840,706)
	Increase in provisions	**538,399**	1,060,548
	Increase/(decrease) in other liabilities	**18,643,269**	(1,828,338)
	Cash generated from operations	**81,299,220**	35,593,454
	Income taxes refund/(paid)	**1,876,495**	(5,996,177)
	Net cash generated by operating activities	**83,175,715**	29,597,277
B	**Cash flows from investing activities**		
	Interest received	**10,663,824**	2,258,832
	(Investment)/redemption of bank deposits (Original maturity more than 3 months)	**2,188,384**	(48,100,000)
	Payments for property, plant and equipment	**(15,227,389)**	(122,827,468)
	Net cash generated/(used in) investing activities	**(2,375,181)**	(168,668,636)
C	**Cash flows from financing activities**		
	Redemption of preference shares Capital	–	(1,870,000,000)
	Proceeds from issue of equity Share	–	1,970,000,000
	Repayment of borrowings	–	(20,000,000)
	Interest paid	–	(559,590)
	Net cash generated from financing activities	–	79,440,410
	Net increase/(decrease) in cash and cash equivalents	**80,800,534**	(59,630,949)
	Cash and cash equivalents at the beginning of the year	**30,451,170**	90,082,119
	Cash and cash equivalents at the end of the year (Refer note 7)	**111,251,704**	30,451,170

Note:

The above Cash Flow Statement has been prepared under the 'Indirect Method' as set out in the Ind AS - 7 on Statement of Cash Flows.

In terms of our report attached.

For **Deloitte Haskins & Sells LLP**
Chartered Accountants

Jaideep Bhargava
Partner
Place : Gurugram
Date : 21st April, 2017

On behalf of the Board

N. Anand Chairman
B. Hariharan Managing Director
Ravi Khyani Chief Financial Officer
Shripriya Kaushal Company Secretary

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31ST MARCH, 2017

A. Equity Share capital

	Equity Share capital	
	Number of Shares	(Amount In ₹)
Balance as at April 1, 2015	**120,000,000**	**1,200,000,000**
Add: Issue of equity shares	197,000,000	1,970,000,000
Balance as at March 31, 2016	**317,000,000**	**3,170,000,000**
Add: Issue of equity shares	–	–
Balance as at 31st March, 2017	**317,000,000**	**3,170,000,000**

B. Other Equity

(Amount In ₹)

Particulars	Other equity*	Reserves and Surplus			Total
		Capital contribution for share based payments	General reserve	Retained earnings	
Balance as at 1st April, 2015	1,870,000,000	–	61,162,181	(1,051,448,953)	879,713,228
Profit for the year ended 31st March, 2016	–	–	–	9,187,096	9,187,096
Other Comprehensive Income	–	–	–	(1,021,340)	(1,021,340)
Total Comprehensive income for the year 2015-16	–	–	–	8,165,756	8,165,756
Recognition of share based payments (Refer note 26)	–	5,386,534	–	–	5,386,534
Less: Redemption of Preference shares	1,870,000,000	–	–	–	1,870,000,000
Balance at the end of the year - March, 2016	–	5,386,534	61,162,181	(1,043,283,197)	(976,734,482)
Profit for the year ended 31st March, 2017	–	–	–	21,048,672	21,048,672
Other Comprehensive Income	–	–	–	(70,398)	(70,398)
Total Comprehensive Income for the year 2016-17	–	–	–	20,978,274	20,978,274
Value of share based payment reimbursed (Refer note 26)	–	(5,386,534)	–	–	(5,386,534)
Balance as at 31st March, 2017	–	–	61,162,181	(1,022,304,923)	(961,142,742)

Capital contribution for share based payments: represents fair value of equity settled share based payments issued to employees under stock option scheme granted by holding company, net of reimbursements, if any.

General reserve is used for strengthening the financial position and meeting future contingencies and losses.

Retained Earnings represents the cumulative profits as well as remeasurement of defined benefit plans.

* Company had issued zero coupon Redeemable Preference shares, aggregating ₹187 crores [1.87 crores Preference shares with a face value of ₹ 100 per share] to its Holding company, ITC Ltd. The voting right of the holder of shares were in accordance with the provisions of Section 47 of the Companies Act, 2013/Section 87 of erstwhile Companies Act, 1956. As on the date of transition i.e. 1st April, 2015, these Preference shares have been treated as other equity due to the substance of the arrangement and understanding between the parent and the subsidiary which exhibits the fundamental characteristic of equity.

In terms of our report attached.

For **Deloitte Haskins & Sells LLP**
Chartered Accountants

Jaideep Bhargava
Partner
Place : Gurugram
Date : 21st April, 2017

On behalf of the Board

N. Anand Chairman
B. Hariharan Managing Director
Ravi Khyani Chief Financial Officer
Shripriya Kaushal Company Secretary

Notes forming part of the Financial Statements

1A. Property, plant and equipment (Amount in ₹)

Particulars	Gross Block							Depreciation and Amortization							Net Block		
	Upto 1st April, 2015*	Additions	Withdrawals and adjustments	As at 31st March, 2016	Additions	Withdrawals and adjustments	As at 31st March, 2017	Upto 1st April, 2015*	For the year	Eliminated on withdrawals and adjustments of asset	Upto 31st March, 2016	For the year	Eliminated on withdrawals and adjustments of asset	Upto 31st March, 2017	As at 31st March, 2017	As at 31st March, 2016	As at 1st April, 2015*
Land (Freehold)	599,580,952	19,066,025	–	618,646,977	–	–	618,646,977	–	–	–	–	–	–	–	618,646,977	618,646,977	599,580,952
Building	1,640,958,917	–	–	1,640,958,917	–	(524,633)	1,641,483,550	–	27,460,637	–	27,460,637	27,600,497	(293,471)	55,354,605	1,586,128,945	1,613,498,280	1,640,958,917
Plant & Machinery	96,361,176	17,565,888	1,176,703	112,750,361	4,313,461	3,726,670	113,337,152	–	7,960,878	134,271	7,826,607	8,076,552	936,084	14,967,075	98,370,077	104,923,754	96,361,176
Golf Course	12,738,183	–	–	12,738,183	–	–	12,738,183	–	1,442,994	–	1,442,994	6,287	–	1,449,281	11,288,902	11,295,189	12,738,183
Office & Other Equipment	248,006	–	13,675	234,331	–	190,973	43,358	–	154,972	367	154,605	3,549	134,814	23,340	20,018	79,726	248,006
Furniture & Fixtures	28,922,008	2,324,298	156,425	31,089,881	289,820	2,181,358	29,198,343	–	3,956,926	74,452	3,882,474	3,943,904	654,072	7,172,306	22,026,037	27,207,407	28,922,008
Computers	1,332,850	–	1,487	1,331,363	563,959	(26,434)	1,921,756	–	631,087	–	631,087	526,800	(46,994)	1,204,881	716,875	700,276	1,332,850
Vehicles	3,192,144	559,000	12,814	3,738,330	414,108	(254,666)	4,407,104	–	714,460	–	714,460	1,399,356	132,976	1,980,840	2,426,264	3,023,870	3,192,144
Golf Carts	9,728,174	6,234,484	103,162	15,859,496	9,126,109	–	24,985,605	–	1,877,003	23,111	1,853,892	2,364,009	–	4,217,901	20,767,704	14,005,604	9,728,174
Total (A)	**2,393,062,410**	**45,749,695**	**1,464,266**	**2,437,347,839**	**14,707,457**	**5,293,268**	**2,446,762,028**	**–**	**44,198,957**	**232,201**	**43,966,756**	**43,920,954**	**1,517,481**	**86,370,229**	**2,360,391,799**	**2,393,381,083**	**2,393,062,410**
1B. Capital work in progress (B)	**23,457,142**	**6,194,555**	**801,677**	**28,850,020**	**138,000**	**–**	**28,988,020**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**28,988,020**	**28,850,020**	**23,457,142**
1C. Other Intangible Assets																	
Computer Software	265,676	–	–	265,676	243,006	–	508,682	–	133,020	–	133,020	132,922	–	265,942	242,740	132,656	265,676
Total (C)	**265,676**	**–**	**–**	**265,676**	**243,006**	**–**	**508,682**	**–**	**133,020**	**–**	**133,020**	**132,922**	**–**	**265,942**	**242,740**	**132,656**	**265,676**
Grand Total (A+B+C)	**2,416,785,228**	**51,944,250**	**2,265,943**	**2,466,463,535**	**15,088,463**	**5,293,268**	**2,476,258,730**	**–**	**44,331,977**	**232,201**	**44,099,776**	**44,053,876**	**1,517,481**	**86,636,171**	**2,389,622,559**	**2,422,363,759**	**2,416,785,228**

*Represents deemed cost on transition to Indian Accounting Standards. Refer Note 37

The aggregate depreciation has been included under depreciation and amortisation expense in the Statement of Profit and Loss.

Notes forming part of the financial statements (Contd.)

	As at 31st March, 2017 (Amount in ₹)	As at 31st March, 2016 (Amount in ₹)	As at 1st April, 2015 (Amount in ₹)
2. Investment - Non Current	Unquoted	Unquoted	Unquoted
Investment in Equity Instruments (at Fair Value Through Other Comprehensive Income)			
- Jupiter Township Limited*	150	–	–
- Prime Golf Ranking Private Limited	–	150	150
Aggregate amount of unquoted Investments	150	150	150

* Prime Golf Ranking Private Limited was amalgamated into Jupiter Township Limited vide Delhi High Court order dated 30th September, 2016. As per the scheme of amalgamation, every shareholder of Prime Golf Ranking Private Limited were issued one share of Jupiter Township Limited, irrespective of the holding.

	As at 31st March, 2017 (Amount in ₹)		As at 31st March, 2016 (Amount in ₹)		As at 1st April, 2015 (Amount in ₹)	
	Current	Non-Current	Current	Non-Current	Current	Non-Current
3. Other Financial Assets - Current & Non Current						
(A) Bank Deposit with more than 12 months maturity						
- Earmarked balances with banks	*	2,232,936	*	5,033,936	*	5,033,936
- In deposit accounts	*	–	*	8,000,000	*	–
(B) Other Financial assets - Unsecured unless otherwise stated						
1) Interest accrued on Fixed deposits with Banks	2,469,780	2,276,276	208,165	3,892,844	15,119	3,203,305
2) Advances	521,845	760,000	–	760,000	–	760,000
3) Deposits	85,000	–	85,000	–	92,000	–
Total Financial Assets - Current & Non Current	3,076,625	5,269,212	293,165	17,686,780	107,119	8,997,241

*Refer note 8 for deposits with original maturity of more than 12 months and remaining maturity of less than 12 months.

	Current	Non-Current	Current	Non-Current	Current	Non-Current
4. Other Assets - Current & Non Current						
(A) Capital advances						
- For Capital work in progress	–	300,000	–	500,000	–	200,000
Total	–	300,000	–	500,000	–	200,000
(B) Advances other than capital advances - Unsecured unless otherwise stated						
(i) Security Deposits						
- Utility deposits	–	7,676,068	–	847,837	–	897,837
- Statutory Authorities	–	200,000	–	200,000	–	200,000
(ii) Advance Tax (net of provisions)	–	14,859,804	–	16,736,299	–	10,740,122
(iii) Other Advances						
Unsecured						
- Prepaid Expenses	418,828	77,758	284,391	11,795	384,365	68,089
- With Statutory Authorities*	931,816	27,700,000	1,006,439	27,700,000	263,962	27,700,000
- Recoverable in Value	2,042,896	–	3,772,424	–	2,534,833	–
(iv) Other Receivables	2,000	–	10,000	–	1,425,510	–
Total	3,395,540	50,513,630	5,073,254	45,495,931	4,608,670	39,606,048
Total Other Assets - Current & Non Current	3,395,540	50,813,630	5,073,254	45,995,931	4,608,670	39,806,048

*** Non-current other advances with statutories include** **(Amount in ₹)**

	As at 31st March, 2017	As at 31st March, 2016	As at 1st April, 2015
Entertainment Tax paid under protest considered good	27,700,000	27,700,000	27,700,000
Entertainment Tax paid under protest considered doubtful	649,767	649,767	649,767
Less: Provision for doubtful advances	(649,767)	(649,767)	(649,767)
Total	27,700,000	27,700,000	27,700,000

Notes forming part of the financial statements (Contd.)

	As at 31st March, 2017 (₹)	As at 31st March, 2016 (₹)	As at 1st April, 2015 (₹)
5. Inventories			
(At lower of cost and net realisable value)			
Stock of Parking Slot/ Servant quarters	1,319,908	1,319,908	1,319,908
Stores and spares	7,338,532	7,367,626	5,433,713
Less : Provision for Stock of Parking Slot/ Servant quarters	(1,319,908)	(1,369,554)	(1,369,554)
Total Inventories	7,338,532	7,317,980	5,384,067
6. Trade Receivables - Current			
Trade receivables			
- Unsecured, considered good	2,444,583	3,624,105	5,298,030
- Doubtful	–	–	502,688
Allowance for bad and doubtful debts	–	–	(502,688)
Total Receivables - Current & Non Current	2,444,583	3,624,105	5,298,030
7. Cash & Cash Equivalents *			
Balances with banks			
- Current accounts	5,915,095	16,667,709	79,708,411
- Deposit accounts	105,073,718	13,500,000	10,171,986
Cheques, drafts on hand	–	121,635	–
Cash on hand	262,891	161,826	201,722
Total Cash & Cash Equivalents	111,251,704	30,451,170	90,082,119

* Cash and cash equivalents include cash on hand, cheques, drafts on hand, cash at bank and deposits with banks with original maturity of 3 months or less.

	As at 31st March, 2017 (₹)	As at 31st March, 2016 (₹)	As at 1st April, 2015 (₹)
8. Other Bank Balances			
In Deposit accounts *	48,712,616	40,100,000	–
Total Other Bank Balances	48,712,616	40,100,000	–

* Represents deposits with original maturity of more than 3 months from Balance Sheet date but remaining maturity of less than 12 months.

	As at 31st March, 2017 (No. of Shares)	As at 31st March, 2017 (Amount in ₹)	As at 31st March, 2016 (No. of Shares)	As at 31st March, 2016 (Amount in ₹)	As at 1st April, 2015 (No. of Shares)	As at 1st April, 2015 (Amount in ₹)
9. Share capital						
Authorised						
Equity shares of Rs. 10 each with voting rights	317,000,000	3,170,000,000	317,000,000	3,170,000,000	120,000,000	1,200,000,000
Issued, subscribed and fully paid						
Equity shares of Rs. 10 each with voting rights	317,000,000	3,170,000,000	317,000,000	3,170,000,000	120,000,000	1,200,000,000
a) Reconciliation of number of Shares						
Equity shares						
As at beginning of the year	317,000,000	3,170,000,000	120,000,000	1,200,000,000		
Add: Issue of Shares	–	–	197,000,000	1,970,000,000		
As at end of the year	317,000,000	3,170,000,000	317,000,000	3,170,000,000		

b) The equity shares are issued by the Company at par value of Rs. 10 per share.

c) Rights, preferences and restrictions attached to Equity shares

This class of shares having a par value of Rs 10 per share, rank pari passu in all respects including voting rights and entitlement to dividends.

d) Shareholders holding more than 5% of the aggregate Shares in the Company

	As at 31st March, 2017 (No. of Shares)	As at 31st March, 2017 (%)	As at 31st March, 2016 (No. of Shares)	As at 31st March, 2016 (%)	As at 1st April, 2015 (No. of Shares)	As at 1st April, 2015 (%)
Equity shares						
ITC Limited, the Holding Company, jointly with its nominees	317,000,000	100%	317,000,000	100%	120,000,000	100%

(e) Shares held by holding company and subsidiary of holding company

	As at 31st March, 2017 (No. of Shares)	As at 31st March, 2017 (Amount in ₹)	As at 31st March, 2016 (No. of Shares)	As at 31st March, 2016 (Amount in ₹)	As at 1st April, 2015 (No. of Shares)	As at 1st April, 2015 (Amount in ₹)
Equity Shares						
ITC Limited, the Holding Company	316,999,994	3,169,999,940	316,999,994	3,169,999,940	119,999,994	1,199,999,940
ITC Limited, the Holding Company jointly with its nominees	6	60	6	60	6	60

Notes forming part of the financial statements (Contd.)

	As at 31st March, 2017 (Amount in ₹)	As at 31st March, 2016 (Amount in ₹)	As at 1st April, 2015 (Amount in ₹)
10. Other Equity			
A. Reserve and Surplus			
General reserve	61,162,181	61,162,181	61,162,181
Retained earnings	(1,022,304,923)	(1,043,283,197)	(1,051,448,953)
B. Capital contribution from Holding Company	-	5,386,534	-
C. Other equity	-	-	1,870,000,000
Total Other equity	(961,142,742)	(976,734,482)	879,713,228

	As at 31st March, 2017 (₹)		As at 31st March, 2016 (₹)		As at 1st April, 2015 (₹)	
	Current	Non-Current	Current	Non-Current	Current	Non-Current
11 Long Term Borrowings						
Term loan from a related party	-	-	-	-	-	20,000,000
Total Long term borrowings	-	-	-	-	-	20,000,000

Represents unsecured interest bearing loan taken in the year 2014-15, repayable by the year 2017-18 with an option of repayment.

	As at 31st March, 2017 (₹)		As at 31st March, 2016 (₹)		As at 1st April, 2015 (₹)	
12. Other Financial Liabilities						
Non-Current						
Deposits received from Members						
Security deposits received	317,546,443		313,041,603		310,150,082	
Less: Subscription fees receivable	(4,083,618)	313,462,825	(4,559,698)	308,481,905	(2,906,082)	307,244,000
Other long term liabilities		-		1,895,163		6,629,904
Total Non - Current Financial liabilities		313,462,825		310,377,068		313,873,904
Current						
Deposits received from Members						
Security deposits received	1,896,421		2,455,139		1,741,282	
Less: Subscription fees receivable	(50,716)	1,845,705	(12,884)	2,442,255	(42,491)	1,698,791
Other deposits received		522,318		622,318		918,166
Other						
- Retention money payable on purchase of fixed assets		2,153,114		2,717,920		74,254,879
- Employee benefits payable		1,640,736		1,395,940		1,187,426
- ITC ESOS compensation payable		12,305,864		-		-
Total Current Financial liabilities		18,467,737		7,178,433		78,059,262
Other Financial liabilities (Current and Non Current)		331,930,562		317,555,501		391,933,166

	As at 31st March, 2017 (₹)		As at 31st March, 2016 (₹)		As at 1st April, 2015 (₹)	
	Current	Non-Current	Current	Non-Current	Current	Non-Current
13. Provision - Current & Non Current						
Provision for employee benefits (Refer Note 23)						
Retirement benefits	656,533	4,181,810	802,812	3,457,534	596,543	1,952,913
Other benefits	402,866	2,093,940	703,947	1,762,059	712,182	1,382,826
Total Provisions	1,059,399	6,275,750	1,506,759	5,219,593	1,308,725	3,335,739
14. Other Liabilities - Current & Non Current						
Advances received from customers	848,253	–	362,482	–	384,236	–
Revenue received in advance	23,056,055	31,359,314	16,153,311	20,333,168	16,108,204	16,816,084
Statutory liabilities						
- Taxes payable (other than income taxes)	527,269	–	298,661	–	5,667,436	–
Total Other Liabilities	24,431,577	31,359,314	16,814,454	20,333,168	22,159,876	16,816,084

	As at 31st March, 2017 (₹)	As at 31st March, 2016 (₹)	As at 1st April, 2015 (₹)
15. Trade Payables			
Trade payable for goods & services (Refer note 24)	18,011,291	18,211,301	35,801,854
Total trade payables	18,011,291	18,211,301	35,801,854

Notes forming part of the financial statements (Contd.)

	For the year ended 31st March, 2017 (₹)	For the year ended 31st March, 2016 (₹)
16. Revenue from Operations		
(A) Revenue from sale of services		
Membership income	69,839,614	61,166,818
Green fees	42,690,250	41,377,749
Caddie fees	19,673,000	15,896,119
Cart rental	17,235,507	13,691,675
Guest Entry Fees, Golf Set Rental & Range Income	6,087,439	4,700,904
Sponsorship income	1,917,500	1,389,375
License Fees	46,586,750	46,682,250
Total (A)	204,030,060	184,904,890
(B) Other operating revenues		
Liabilities/provisions no longer required written back	679,024	26,312
Insurance claim received	199,191	64,900
Others including scrap sales	1,214,301	403,931
Total (B)	2,092,516	495,143
Revenue from Operations (A+B)	206,122,576	185,400,033
17. Other Income		
Interest Income		
- Interest from Fixed deposits measured at amortized cost	9,164,925	2,428,659
- Interest on refund of Income Tax	537,353	-
- Interest received from members on delayed payments	1,606,593	712,758
Other gains and losses		
- Net Foreign Exchange Gains / (Loss)	36,346	65,648
Total Other Income	11,345,217	3,207,065
18. Employee Benefits Expenses		
Salaries and wages, including bonus	29,537,491	30,302,410
Contribution to provident and other funds	2,186,830	2,048,557
Staff welfare expenses	3,189,414	4,331,031
Reimbursement of manager's salary on deputation	10,789,626	9,611,875
Share based payments to employees (Refer note 26)	6,919,330	5,386,534
Total Employee Benefits Expenses	52,622,691	51,680,407
19. Finance Cost		
Interest expense for financial liabilities measured at amortized cost	-	559,590
Total Finance Cost	-	559,590
20. Other Expenses		
Power & Fuel	13,241,607	10,144,706
Consumption of Stores and Spare parts	10,772,629	6,879,677
Rent including lease rentals	187,913	176,742
Contracted Manpower and Services	27,455,130	21,992,102
Rates and taxes	470,581	8,706,019
Insurance	2,699,423	2,419,223
Repairs and maintenance - Buildings	5,831,869	2,780,263
Repairs and maintenance - Machinery	1,548,520	2,188,884
Repairs and maintenance - Others	6,037,543	4,431,176
Maintenance and upkeep	3,394,190	3,705,058
Advertising / Sales promotion	2,487,125	1,288,432
Travelling and Conveyance Expenses	4,039,870	3,160,881
Vehicle Maintenance	-	177,370
Hire Charges	1,038,492	1,056,419
Legal Expenses	5,788,449	4,491,679
Consultancy / Professional fees	5,302,129	2,517,647
Bank and credit card charges	715,168	665,988
Postage, telephone etc.	751,386	852,506
Printing and Stationery	779,056	980,466
Bad debts written off	53,215	147,309
Advance written off	188,054	-
Miscellaneous expenses	1,193,478	917,781
Loss on property, plant and equipment sold and written offs	3,549,907	1,080,001
Auditors remuneration and out-of-pocket expenses*	1,786,602	1,200,000
Loss on sales of store and spare parts	430,218	887,699
Total Other Expenses	99,742,554	82,848,028
* Payment to auditors (excluding service tax) :		
To Statutory Auditors		
- As Auditors	1,050,000	1,050,000
- For Tax Audit	150,000	150,000
- For Other services	528,500	-
- For reimbursement of expenses	58,102	-
	1,786,602	1,200,000

Notes forming part of the financial statements (Contd.)

	For the year ended 31st March, 2017 (₹)	For the year ended 31st March, 2016 (₹)
21. Earnings per share		
Earnings per share has been computed as under:		
(a) Profit for the period (₹)	**21,048,672**	9,187,096
(b) Weighted average number of Equity shares outstanding for the purpose of basic earnings per share (Nos.)	**317,000,000**	125,917,808
Basic/ Diluted Earnings per share on profit for the year (Face Value ₹ 10 per share) [(a)/(b)]	**0.07**	0.07

	As at 31st March, 2017 (₹)	As at 31st March, 2016 (₹)	As at 1st April, 2015 (₹)
22. Contingent liabilities and commitments :			
(a) Claims against the Company not acknowledged as debts :			
(i) Income tax matters*	**266,265,172**	385,509,502	385,509,502
(ii) Legal cases	**778,414**	623,200	394,800
(iii) Entertainment duty demand raised by Excise department	**55,262,350**	55,262,350	55,262,350

All the above matters are subject to legal proceedings in the ordinary course of business. In the opinion of management the legal proceedings, when ultimately concluded, will not have a material effect on results of operations or financial position of the Company.

* The above includes Income Tax demands of ₹ NIL (Previous Year ₹ 11,59,41,813) for Assessment Year 2001-02, ₹ NIL (Previous Year ₹ 32,98,817) for the Assessment Year 2003-04 and ₹ 26,62,65,172 (Previous Year ₹ 26,62,65,172) for Assessment Year 2005-06, ₹ NIL (Previous Year 3,700) for Assessment Year 2012-13. All the assessments are currently under appeal with Income Tax Appellate Tribunal.

(b) Outstanding capital commitments:			
Estimated value of contracts in capital account remaining to be executed	**758,180**	63,244	42,316,311

23. Disclosure required under Indian Accounting Standard (Ind AS) 19

a) Defined Benefit Plans / Long Term Compensated Absences - As per Actuarial Valuations as on March 31, 2017 and recognised in the financial statements in respect of Employee Benefit Schemes:

Retirement benefit costs and termination benefits

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurement, comprising actuarial gains and losses is reflected immediately in the balance sheet with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in retained earnings and is not reclassified to profit or loss. Past service cost is recognised in profit or loss in the period of a plan amendment. Defined benefit costs are categorised as follows:

- service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- net interest expense or income;

The company presents the first two components of defined benefit costs in profit or loss in the line item 'Employee benefits expense'. Curtailment gains and losses are accounted for as past service costs.

Risk Management

The defined benefit plans expose the Company to actuarial deficit arising out of investment risk, interest rate risk, salary cost inflation risk. These plans are not exposed to any unusual, entity specific or scheme specific risks but there are general risks.

		For the year ended 31st March, 2017 (₹) Gratuity	For the year ended 31st March, 2016 (₹) Gratuity
I	**Components of Employer Expense**	**Unfunded**	Unfunded
	Recognised in Profit or Loss		
1	Current Service Cost	**749,881**	771,522
2	Net Interest Cost	**299,220**	187,154
3	**Total expense recognised in the Statement of Profit and Loss**	**1,049,101**	958,676
	Re-measurements recognised in Other Comprehensive Income		
4	Effect of changes in financial assumptions	**305,898**	492,338
5	Effect of experience adjustments	**(235,500)**	529,002
6	**Total loss/ (gain) of re-measurements included in OCI**	**70,398**	1,021,340
7	**Total defined benefit cost recognised in Profit and Loss and Other Comprehensive Income (3+6)**	**1,119,499**	1,980,016

The current service cost and net interest expense for the year pertaining to Gratuity expenses have been recognised in "Salaries and wages, including bonus" in "Employee benefit expenses" under Note 18. The remeasurements of the net defined benefit liability are included in Other Comprehensive Income.

Notes forming part of the financial statements (Contd.)

		As at 31st March, 2017 (₹) Gratuity Unfunded	As at 31st March, 2016 (₹) Gratuity Unfunded	As at 1st April, 2015 (₹) Gratuity Unfunded
II	**Net Asset/(Liability) recognised in Balance Sheet**			
1	Present Value of Defined Benefit Obligation	**4,838,343**	4,260,346	2,549,456
2	Fair value of plan assets	-	-	-
3	Net defined benefit liability (asset)	**4,838,343**	4,260,346	2,549,456
	- Current	**656,533**	802,812	596,543
	- Non-current	**4,181,810**	3,457,534	1,952,913

		For the year ended 31st March, 2017 (₹) Gratuity	For the year ended 31st March, 2016 (₹) Gratuity
III	**Change in Defined Benefit Obligation (DBO)**		
1	**Present Value of DBO at the beginning of the year**	**4,260,346**	2,549,456
2	Current Service Cost	**749,881**	771,522
3	Interest Cost	**299,220**	187,154
	Remeasurement gains / (losses):		
4	Effect of changes in financial assumptions	**305,898**	492,338
5	Effect of experience adjustments	**(235,500)**	529,002
6	Benefits Paid	**(541,502)**	(269,126)
7	**Present Value of DBO at the end of the year**	**4,838,343**	**4,260,346**
IV	**Actuarial Assumptions**	**Gratuity**	Gratuity
1	Discount Rate (%)	6.75	7.50
2	Pre-retirement mortality	Indian Assured Lives Mortality (2006-08) Ultimate	Indian Assured Lives Mortality (2006-08) Ultimate
3	Salary increase rate	Uniform 7.5%	Uniform 7.5%
4	Attrition Rate	Uniform 10%	Uniform 10%
5	Retirement Age	58	58
6	Disability	Nil	Nil

The estimates of 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.

		For the year ended 31st March, 2017 (₹) Gratuity	For the year ended 31st March, 2016 (₹) Gratuity	For the year ended 31st March, 2015 (₹) Gratuity	For the year ended 31st March, 2014 (₹) Gratuity
V	**Net Asset / (Liability) recognised in Balance Sheet (including experience adjustment impact)**				
1	Present Value of Defined Benefit Obligation	**(4,838,343)**	(4,260,346)	(2,549,456)	(1,865,282)
2	Status [Surplus/(Deficit)]	-	-	-	-
3	Experience Adjustment of obligation [(Gain)/ Loss]	-	-	-	-

(b) Amounts towards Defined Contribution Plans have been recognised under "Contribution to Provident and other funds" in Note 18: ₹ 21,86,830 (2016 - ₹ 20,48,557)

VI Sensitivity Analysis

The sensitivity analysis below has been determined based on reasonably possible change of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant. These sensitivities show the hypothetical impact of a change in each of the listed assumptions in isolation. While each of these sensitivities holds all other assumptions constant, in practice such assumptions rarely change in isolation and the asset value changes may offset the impact to some extent. For presenting the sensitivities, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the Defined Benefit Obligation presented above. There was no change in the methods and assumptions used in the preparation of sensitivity analysis from previous year.

(Amount in ₹)

		Sensitivity analysis - Gratuity	
VII	**Sensitivity analysis - DBO end of Period**	**DBO as at 31st March, 2017**	DBO as at 31st March, 2016
1	Discount Rate + 100 basis points	**4,543,108**	4,028,333
2	Discount Rate - 100 basis points	**5,171,180**	4,548,499
3	Salary Increase Rate + 1%	**5,141,620**	4,524,347
4	Salary Increase Rate – 1%	**4,563,732**	4,045,491
5	Attrition Rate + 1%	**4,817,319**	4,264,759
6	Attrition Rate - 1%	**4,860,896**	4,281,510

Notes forming part of the financial statements (Contd.)

24. Micro, Small and Medium Enterprises

There are no Micro, Small and Medium Enterprises, to whom the Company owes dues, which are outstanding for more than 45 days during the year and also as at 31st March, 2017. This information as required to be disclosed under the Micro, Small and Medium Enterprises Development Act, 2006 has been determined to the extent such parties have been identified on the basis of information available with the Company.

25. Lease payable by the Company

The Company's leasing arrangement is in respect of a piece of land taken on operating lease. This leasing arrangement is non-cancellable for 2 years. The aggregate lease rental payable is charged as 'Rent including lease rentals' under Note 20.

With regard to above operating leases the future minimum rentals are as follows:

Particulars	As at 31st March, 2017 (₹)	As at 31st March, 2016 (₹)	As at 1st April, 2015 (₹)
Not later than one year	**195,250**	68,089	176,741
Later than one year and not later than five years	**76,495**	-	68,089

26. Information in respect of Options granted under ITC Limited's Employee Stock Option Schemes ('Schemes'):

The deputed employees of ITC Limited covered under ITC Employee Stock Option Scheme (ITC ESOS) are granted an option to purchase shares of ITC Limited in accordance with the terms and conditions of the scheme as approved by ITC Limited from time to time. Each Option entitles the holder thereof to apply for and be allotted ten Ordinary Shares of ITC Limited of ₹ 1.00 each upon payment of the exercise price during the exercise period. These options generally vest over a period of three years from the date of grant. The maximum contractual term for these stock option plans is 5 years from the date of vesting.

The Options have been granted at the 'market price' as defined from time to time under the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014. The fair value of the options granted is determined using the Black Scholes Option Pricing model at the grant date.

The scheme has been recognized as equity settled share based payment scheme in accordance with Ind AS 102 – Share Based Payment. The fair value of options granted is recognized as employee benefits expense and are considered as capital contribution, net of reimbursements, if any. The total cost recognized during the year amounted to ₹ 69,19,330 (2016 - ₹ 53,86,534) and total options granted to eligible employees during the year was 15,265 (2016 - 4,900).

27. Segment Reporting

The operating segment of the Company has been identified in a manner consistent with the internal reporting provided to the Management Committee, who is the Chief Operating Decision Maker, based on which there is only one operating segment in which the Company operates i.e. Leisure and Hospitality within one geographical segment i.e. India.

The total revenue of the company includes transaction with its Holding company on account of operating license fees and other services which is more than 10% of the total revenue. The Non-current assets are located within India.

28. License arrangement between the Company and ITC Limited

The company has entered into an agreement with ITC Ltd. whereby its has licensed its hotel property for operations to ITC Ltd. ITC Ltd. carries out business operations at the property under its own brand name. The agreement is cancellable at the option of the licensee upon written notice of 2 months.

29. Other Financial non current Liabilities include ₹ 30,60,46,443 (Previous year ₹ 30,51,41,603) as deposits received from individuals towards golf memberships and ₹ 1,15,00,000 (Previous year Rs. 79,00,000) received from Corporates towards Golf Memberships. These represent long term tradable memberships which, are to be refunded at the time of termination, expiry or surrender of the membership. Other Financial current liabilities ₹ 18,96,421/- (Previous year ₹ 24,55,139) received from Corporates towards Golf Memberships. These represent short term tradable memberships which, are to be refunded at the time of termination, expiry or surrender of the membership.

30. Accounting for Taxes on Income:

Components of deferred tax asset/ liability are:

	As at 31st March, 2017 (Amount in ₹)	As at 31st March, 2016 (Amount in ₹)	As at 1st April, 2015 (Amount in ₹)
Deferred tax assets			
On Unabsorbed depreciation	**227,314,152**	248,812,009	217,354,708
On Unabsorbed business loss	**4,817,269**	11,141,789	26,663,680
Other timing differences	**2,109,602**	2,355,878	1,541,951
Deferred tax liabilities			
Depreciation	**(104,145,543)**	(92,157,652)	(54,208,552)
Net Deferred Tax Asset	**130,095,480**	170,152,024	191,351,787

In view of the significant carry forward income tax losses (business and depreciation) and there being no reasonable certainty of significant profits in the near future, net deferred tax asset as at March 31, 2017 has not been recognized in the books of accounts.

31. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.

32. There are no amounts that are due to be transferred to Investor Education and Protection Fund in accordance with the relevant provisions of the Companies Act, 2013 and rules made thereunder.

33. As per the notification of Ministry of Corporate Affairs (MCA) dated March 30, 2017, the details in respect of specified bank notes (SBN) is

Particulars	SBNs	Other denomination notes	Total
Closing cash in hand as on November 8, 2016	445,500	40,550	486,050
(+) Permitted receipts	-	955,102	955,102
(-) Permitted payments	-	242,626	242,626
(-) Amount deposited in Banks	445,500	652,404	1,097,904
Closing cash in hand as on December 30, 2016	-	**100,622**	**100,622**

Notes forming part of the financial statements (Contd.)

34. Related Party Transactions

(i) **Names of related parties and nature of relationship**

Holding Company	ITC Limited
Key Management Personnel (KMP)	
Mr. Nakul Anand	Chairman
Mr. Rajiv Tandon	Director
Mr. B. Hariharan	Managing Director (w.e.f. December 4, 2016)
Mr. A. Anand Rao	Managing Director (ceased w.e.f. December 4, 2016)
Ms. Ratna Chadha	Independent Director
Mr. Hari Mohan Jha	Independent Director

(ii) **Other Related Parties with whom transactions have taken place during the year:**

Fellow Subsidiaries	Russell Credit Limited
	Greenacre Holdings Limited
Associate	International Travel House

(iii) **DISCLOSURE OF TRANSACTIONS BETWEEN THE COMPANY AND RELATED PARTIES**

(Amount in ₹)

	RELATED PARTY TRANSACTIONS SUMMARY	Holding Company		Fellow Subsidiaries		Associates		Key Management Personnel		Total	
		2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
1	Sale of Services#	8,372,961	6,317,953	-	-	-	-	111,471	100,124	8,484,432	6,418,077
2	Purchase of Goods	4,501	5,656,250	-	-	-	-	-	-	4,501	5,656,250
3	Purchase of Services#	3,107,923	1,963,116	-	-	243,262	118,034	-	-	3,351,185	2,081,150
4	Sale of Fixed Assets/Scraps	-	869,000	-	-	-	-	-	-	-	869,000
5	Recovery of Contractual Remuneration	5,154,283	3,162,114	-	-	-	-	-	-	5,154,283	3,162,114
6	Expenses Recovered	48,218,665	73,097,303	-	-	-	-	-	-	48,218,665	73,097,303
7	License Fees Received#	51,693,750	51,171,750	-	-	-	-	-	-	51,693,750	51,171,750
8	Expenses Reimbursed**	14,693,668	12,127,405	-	-	-	-	-	353,906	14,693,668	12,481,311
9	Director Sitting Fee	-	-	-	-	-	-	230,000	320,000	230,000	320,000
10	Issue of Equity Share Capital	-	1,970,000,000	-	-	-	-	-	-	-	1,970,000,000
11	Redemption of Preference Share Capital	-	1,870,000,000	-	-	-	-	-	-	-	1,870,000,000
12	Share based payments	6,919,330	5,386,534	-	-	-	-	-	-	6,919,330	5,386,534
13	Payment towards Loan Repayments	-	-	-	20,000,000	-	-	-	-	-	20,000,000
14	Interest Expense on borrowings	-	-	-	559,590	-	-	-	-	-	559,590

	Compensation of key management personnel		
	The remuneration of directors and other members of key management personnel during the year was as follows *	2017	2016
	Short term benefits	4,874,358	3,828,122

* Post employment benefits are actuarially determined on overall basis and hence not separately provided. Further, for share based payments, Refer Note 26.

** Expenses reimbursed includes expenses on account of salary of personnel deputed by ITC Limited (including managerial remuneration) of ₹ 1,07,89,626 (Previous Year ₹ 96,11,875). This includes salary paid to Key management personnel of ₹ 57,54,910 (Previous year ₹ 45,12,830).

Includes Service Taxes.

(iv) **DISCLOSURE OF THE STATUS OF OUTSTANDING BALANCES**

(Amount in ₹)

	RELATED PARTY TRANSACTIONS SUMMARY	Holding Company			Fellow Subsidiaries			Key Management Personnel		
		2017	2016	2015	2017	2016	2015	2017	2016	2015
1	Payables	13,654,084	3,214,445	24,684,790	-	-	20,000,000	-	-	-
2	Receivables	-	-	-	-	-	9,301	2,186	3,779	-

Notes forming part of the financial statements (Contd.)

(v) INFORMATION REGARDING SIGNIFICANT TRANSACTIONS / BALANCES (Amount in ₹)

RELATED PARTY TRANSACTIONS SUMMARY		2017	2016
1	Sale of Services		
	-ITC Limited	8,372,961	6,317,953
2	Purchase of Goods		
	-ITC Limited	4,501	5,656,250
3	Purchase of Services		
	-ITC Limited	3,107,923	1,963,116
	-International Travel House Limited	243,262	118,034
4	Expenses Recovered		
	-ITC Limited	48,218,665	73,097,303
5	Sale of Fixed Assets/Scraps		
	-ITC Limited	-	869,000
6	Recovery of Contractual Remuneration		
	-ITC Limited	5,154,283	3,162,114
7	License Fees Received		
	-ITC Limited	51,693,750	51,171,750
8	Expenses Reimbursed		
	-ITC Limited	14,693,668	12,127,405
9	Issue of Equity Share Capital		
	-ITC Limited	-	1,970,000,000
10	Redemption of Preference Share Capital		
	-ITC Limited	-	1,870,000,000
11	Share based payments		
	-ITC Limited	6,919,330	5,386,534
12	Payment towards Loan Repayments		
	-Russell Credit Limited	-	20,000,000
13	Interest Expense on borrowings		
	-Russell Credit Limited	-	559,590
14	Balances Outstanding at the year end		
i)	Trade Payables		
	-ITC Limited	1,348,220	3,214,445
ii)	Other Payables		
	-ITC Limited	12,305,864	-

35. Financial Instruments and Related Disclosures

1. Capital Management

The Company's financial strategy aims to foster its strategic priorities and provide adequate capital to its businesses to grow and invest for generating sustained stakeholder value. The Company meets its funding requirements through equity and internal accruals. The Company aims at maintaining a strong capital base so as to maintain adequate supply of funds towards future growth of its businesses as a going concern.

2. Categories of Financial Instruments (Amount in ₹)

Particulars		As at 31st March, 2017		As at 31st March, 2016		As at 1st April, 2015	
	Note	Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value
A. Financial assets							
a) Measured at amortised cost							
i) Cash and Cash Equivalents	7	111,251,704	111,251,704	30,451,170	30,451,170	90,082,119	90,082,119
ii) Other Bank Balances including bank deposits with more than 12 months maturity	8	48,712,616	48,712,616	40,100,000	40,100,000	-	-
iii) Trade Receivables	6	2,444,583	2,444,583	3,624,105	3,624,105	5,298,030	5,298,030
iv) Other Financial assets	3	8,345,837	8,345,837	17,979,945	17,979,945	9,104,360	9,104,360
Sub - total		170,754,740	170,754,740	92,155,220	92,155,220	104,484,509	104,484,509
b) Measured at Fair value through Other Comprehensive Income							
- Equity shares	2	150	150	150	150	150	150
Sub - total		150	150	150	150	150	150
Total financial assets		170,754,890	170,754,890	92,155,370	92,155,370	104,484,659	104,484,659
B. Financial liabilities							
a) Measured at amortised cost							
(i) Long term borrowings	11	-	-	-	-	20,000,000	20,000,000
(i) Trade Payables	14	18,011,291	18,011,291	18,211,301	18,211,301	35,801,854	35,801,854
(ii) Other financial liabilities	12	331,930,562	331,930,562	317,555,501	317,555,501	391,933,166	391,933,166
Total financial liabilities		349,941,853	349,941,853	335,766,802	335,766,802	447,735,020	447,735,020

Notes forming part of the financial statements (Contd.)

3. Financial risk management objectives

The Company's activities covers operation of a golf course and license arrangement for a hotel property with the holding company. The Company invests its surplus funds in fixed deposits which are fixed interest rate bearing instruments and do not pose any interest rate risk. The Company's financial risk management process seeks to enable the early identification, evaluation and effective management of key risks facing the business. Backed by strong internal control systems, the current Risk Management Framework rests on policies and procedures issued by appropriate authorities; process of regular reviews / audits to set appropriate risk limits and controls; monitoring of such risks and compliance confirmation for the same. The Company rarely undertakes any transaction denominated in foreign currency which results in exchange rate fluctuations thereby leading to insignificant foreign exchange currency risk.

a) Liquidity risk

Liquidity risk is defined as the risk that the Company will not be able to settle or meet its obligations as they become due. The Company's investment decisions relating to deployment of surplus liquidity are guided by the tenets of safety, liquidity and return. The Company manages its liquidity risk by ensuring that it will always have sufficient liquidity to meet its liabilities when due. Investments are made in fixed deposits with a range of maturities, generally matching the projected cash flows and spreading the same across wide range of counterparties. The table below provides details regarding the remaining contractual maturities of significant financial liabilities at the reporting date.

Security deposits from individual members have not been included in the calculation of contractual maturities since these are long term tradable memberships which, are to be refunded at the time of termination or expiry of the membership. Since these memberships are long term in nature, their expiry is not ascertainable.

(Amount in ₹)

As at 31st March, 2017							
Contractual Cash flows*							
Particulars	**Carrying value**	**Less than 3 months**	**More than 3 months upto 6 months**	**More than 6 months upto 1 year**	**More than 1 year upto 3 years**	**Beyond 3 year**	**Total**
Trade Payables	**18,011,291**	**18,011,291**					**18,011,291**
Other Financial Liabilities	**29,421,847**	**16,722,127**	**909,082**	**1,049,284**	**6,163,954**	**4,577,400**	**29,421,847**
As at 31st March, 2016							
Contractual Cash flows*							
Particulars	Carrying value	Less than 3 months	More than 3 months upto 6 months	More than 6 months upto 1 year	More than 1 year upto 3 years	Beyond 3 year	Total
Trade Payables	18,211,301	18,211,301					18,211,301
Other Financial Liabilities	16,778,698	5,288,111	1,545,599	300,000	6,535,863	3,109,125	16,778,698
As at 1st April, 2015							
Contractual Cash flows*							
Particulars	Carrying value	Less than 3 months	More than 3 months upto 6 months	More than 6 months upto 1 year	More than 1 year upto 3 years	Beyond 3 year	Total
Long term Borrowings	20,000,000		20,000,000				20,000,000
Trade Payables	35,801,854	35,801,854					35,801,854
Other Financial Liabilities	90,237,259	76,783,209	337,665	884,476	9,601,337	2,630,572	90,237,259

* The table has been drawn up based on undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The table only includes the repayment amount.

b) Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument which may lead to a financial loss to the Company.

The Company has policy of dealing on cash terms, to the extent practicable. Credit is extended only after due approvals and evaluation in terms of the Credit Policy applicable for such sale. The process of extending credit approval, takes into account various factors such as publicly available financial information, market feedback, and past business patterns etc. Many of the Company's customers have been transacting for many years and the incidence of bad debts has been low. Such credit limits extended to trade receivables are monitored by the dual structure of Credit Committee and Management Committees and protective action are initiated to avoid a default. In view of the short nature of its trade receivables, the Company makes provision for credit risk on an individual basis, if any.

Trade receivables are initially recognized at fair value plus any directly attributable transaction costs. The net carrying value of trade receivables is not significantly different from their carrying values due to the short - term duration of trade receivables. Generally, terms of trade are cash payment, wherever required credit terms for customers are determined based on individual customer in accordance with the terms of the trade and industry practice, which is for a specific credit requirement upto a period of 90 days. Company's customer base is large and diverse. Our historical experience of collecting receivables, supported by the level of default, is that credit risk is low. Individual customer credit limits are imposed based on relevant factors such as market feedback, business potential and past records on selective basis. All Customer balances which are overdue for more than 180 days are evaluated for provision and considered for impairment on an individual basis.

Investments in deposits are made with banks and institutions, which are of good investment grade and the company does not expect credit losses against the same.

Write offs are made with the approval of the Management Committee, the Chief Operating Decision Maker.

The carrying amount of financial assets recognized in accordance with Ind AS 109 and any amounts offset in accordance with Ind AS 32, that represents the Company's maximum exposure to credit risk as at 31st March, 2017 is ₹ 85,57,634 (2016 - ₹ 85,70,264; 2015 - ₹ 93,68,204) represented by carrying amounts of Trade Receivables, Other financial assets measured at amortised cost and Other financial assets measured at Fair Value including bank deposits with more than 12 months maturity, investments non current and current.

Notes forming part of the financial statements (Contd.)

Movement of Expected credit loss

Particulars	As at 31st March, 2017	As at 31st March, 2016	As at 1st April, 2015
At the opening of the period	-	502,688	502,688
Add : Creation of ECL	-	-	-
Less : Utilization of ECL	-	502,688	-
At the end of the period	-	-	502,688

4. **Fair value measurement**

Fair value hierarchy

Fair value of the financial instruments is classified in various fair value hierarchies based on the following three levels:

Level 1: Quoted prices (unadjusted) in active market for identical assets or liabilities

Level 2: Inputs other than quoted price including within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximize the use of observable market data and rely as little as possible on entity-specific estimates. If significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

Level 3: Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs)

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case with listed instruments where market is not liquid and for unlisted instruments.

The fair value of trade receivables and payables is considered to be equal to the carrying amounts of these items due to their short – term nature.

There has been no change in the valuation methodology for Level 3 inputs during the year.

The following table presents the fair value hierarchy of assets and liabilities measured at fair value on a recurring basis.

Particulars	Fair Value			
	Value Hierarchy (Level)	As at 31st March, 2017	As at 31st March, 2016	As at 1st April, 2015
A. Financial assets				
a) Measured at amortised cost				
- Others Financial assets	3	**5,269,212**	17,686,780	8,997,241
b) Measured at Fair value through Other Comprehensive Income				
- Equity shares* (designated upon initial recognition)"	3	**150**	150	150
Total financial assets (a+b)		**5,269,362**	17,686,930	8,997,391
B. Financial liabilities				
a) Measured at amortised cost				
- Borrowings	2	-	-	20,000,000
- Other financial liabilities	3	**313,462,825**	310,377,068	313,873,904
Total financial liabilities		**313,462,825**	310,377,068	333,873,904

36. Use of Estimates and Judgements

The key estimates and assumptions used in the preparation of financial statements are set out below:

- The Company has ongoing litigations with Income Tax Department and Excise & Taxation Department. Where an outflow of funds is believed to be probable and a reliable estimate of The outcome of The dispute can be made based on management's assessment of specific circumstances of each dispute and relevant external advice, management provides for its best estimate of The liability. Accruals so made are by nature complex and can take number of years to resolve and can involve estimation uncertainty.
- The determination of Company's liability towards defined benefit obligation to employees is made through independent actuarial valuation including determination of amounts to be recognized in the income statement and in other comprehensive income. Such valuation depend upon assumptions determined after taking into account inflation, seniority, promotion and other relevant factors such as supply and demand factors in the employment market.
- The Company has significant carry forward income tax losses (business and depreciation) for which deferred tax asset has not being recognized since there is no reasonable certainty of significant profits in the near future.

37. First Time Adoption of Ind AS and Reconciliation

(i) The Company has prepared the opening balance sheet as per Ind AS as of 1st April, 2015 (the transition date) by recognising all assets and liabilities whose recognition is required by Ind AS, not recognising items of assets or liabilities which are not permitted by Ind AS, by reclassifying items from previous Generally Accepted Accounting Principles (GAAP) to Ind AS as required under Ind AS, and applying Ind AS in measurement of recognised assets and liabilities.

Notes forming part of the financial statements (Contd.)

(ii) A. Reconciliation of the total comprehensive income for the year ended 31st March,2016.

		(Amount in ₹)
Particulars	Notes	Year ended 31st March, 2016
Profit After Tax as reported under previous GAAP		**13,552,290**
Reclassification of actuarial gain/ loss on remeasurement of retirement benefits to Other Comprehensive Income	(iv)	1,021,340
Impact of recognising the cost of the employee stock option scheme at fair value	(iii) (b)	(5,386,534)
Profit After Tax as reported under Ind AS		**9,187,096**
Other Comprehensive Income	(iv)	(1,021,340)
Total Comprehensive Income as reported under Ind AS		**8,165,756**

B. The reconciliation of total equity as previously reported under Indian GAAP to Ind AS is summarized as follows:

			(Amount in ₹)
Particulars	Notes	As at 1st April, 2015 (Date of Transition)	As at 31st March, 2016 (end of last period presented under previous GAAP)
Equity as reported under previous GAAP		**2,079,713,228**	**2,193,265,518**
Impact of recognising the value of share based payments (Refer note 26)	(iii) (b)	-	(5,386,534)
Cost of share based payments, net of reimbursements, being considered as capital contribution	(iii) (b)	-	5,386,534
Equity as reported under Ind AS		**2,079,713,228**	**2,193,265,518**

C. The reconciliation of items of Statement of Profit and Loss as previously reported under Indian GAAP to Ind AS is summarized as follows

		(Amount in ₹)
Particulars	Notes	Year ended 31st March, 2016
Employee benefit expense under previous GAAP		**47,315,213**
Impact of recognising the cost of the employee stock option scheme at fair value	(iii) (b)	5,386,534
Other Comprehensive Income	(iv)	(1,021,340)
Employee benefit expense under Ind AS		**51,680,407**

(iii) Ind AS 101 allows first-time adopters exemptions/ exceptions from the retrospective application of certain requirements under Ind AS. The Company has applied the following optional exemptions and mandatory exceptions in standalone financial statements:

a. Property, Plant and Equipment and Intangible assets were carried in the statement of financial position prepared in accordance with previous GAAP on 31st March, 2015. The Company has elected to regard such carrying values as deemed cost at the date of transition.

b. Under previous GAAP, the cost of options granted to managers under deputation from the Holding Company under the ITC Employee Stock Option Scheme (ITC ESOS) was recognised using the intrinsic value method. Under this method, no expenses were recognised in the statement of profit and loss as the fair value of the shares on the date of grant equalled the exercise price. Under Ind AS, the cost of options granted under ITC ESOS is recognised based on the fair value of the options as on the grant date. The cost of ITC ESOS has been recognised as employee benefits expenses and consequential liability, net of reimbursements, have been considered as capital contribution.

(iv) In addition to the above, the principal adjustments made by the Company in restating its previous GAAP financial statements, including the balance sheet as at 1st April, 2015 and the financial statements as at and for the year ended 31st March, 2016 is that actuarial gains and losses related to the defined benefit plan for Gratuity which under provisions of Indian GAAP was considered as employer benefit expense in determining profit or loss, is recognised in OCI.

38. SIGNIFICANT ACCOUNTING POLICIES

i. Statement of Compliance

These financial statements have been prepared in accordance with Indian Accounting Standards (Ind AS) notified under section 133 of the Companies Act, 2013. The financial statements have also been prepared in accordance with the relevant presentation requirements of the Companies Act, 2013. The Company adopted Ind AS from 1st April, 2015.

Up to the year ended 31 March 2015, the Company prepared its financial statements in accordance with the requirements of previous GAAP, which includes Standards notified under the Companies (Accounting Standards) Rules, 2006. These are the Company's first Ind AS financial statements. The date of transition to Ind AS is 1st April, 2015. Details of the exceptions and optional exemptions availed by the Company and principal adjustments along with related reconciliations are detailed in Note 37 (First Time Adoption of Ind AS and Reconciliation).

ii. Basis of Preparation

The financial statements are prepared in accordance with the historical cost convention, except for certain items that are measured at fair values, as explained in the accounting policies below. The financial statements are presented in Indian Rupees (INR) which is also the Company's functional currency.

Fair Value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

Notes forming part of the financial statements (Contd.)

Fair value of the financial instruments is classified in various fair value hierarchies based on the following three levels

Level 1: Quoted prices (unadjusted) in active market for identical assets or liabilities

Level 2: Inputs other than quoted price included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximize the use of observable market data and rely as little as possible on entity-specific estimates. If significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

Level 3: Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs). If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case with listed instruments where market is not liquid and for unlisted instruments.

The preparation of financial statements in conformity with Ind AS requires management to make judgements, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period; they are recognised in the period of the revision and future periods if the revision affects both current and future periods.

All assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in the Schedule III to the Companies Act, 2013 based on the nature of products and the time between the acquisition of assets for processing and their realisation in cash and cash equivalents.

iii. Property, Plant & Equipment – Tangible Assets

Property, plant & equipment are stated at cost of acquisition or construction less accumulated depreciation and impairment, if any.

Cost is 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 assets capitalised. Expenses capitalised also include applicable borrowing costs for qualifying assets, if any. Subsequent costs are included in the asset's carrying amount only when it is probable that future economic benefits associated with the item will be realized. The carrying amount of a replaced part is derecognized. All other repairs and maintenance are charged to the statement of Profit & Loss.

Depreciation of these assets commences when the assets are ready for their intended use which is generally on commissioning. Items of Property, Plant and Equipment are depreciated in a manner that amortises the cost of the assets after commissioning (or other amount substituted for cost), less its residual value, over their useful lives as specified in Schedule II of the Companies Act, 2013 on a straight line basis. Land is not depreciated.

Property, plant and equipments' residual values and useful lives are reviewed, and are treated as changes in accounting estimates, at each balance sheet date.

iv. Intangible Assets

Software is capitalised where it is expected to provide future enduring economic benefits. Capitalisation costs include licence fees and costs of implementation/system integration services. The costs are capitalised in the year in which the relevant software is implemented for use and is amortised across a period not exceeding 5 years. Useful lives are periodically reviewed and are treated as changes in accounting estimates, at each balance sheet date.

v. Impairment of Assets

Impairment loss is provided, if any, to the extent, the carrying amount of assets exceed their recoverable amount. Recoverable amount is higher of an asset's net selling price and its value in use. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

Impairment losses recognised in prior years are reversed when there is an indication that the impairment losses recognised no longer exist or have decreased. Such reversals are recognised as an increase in carrying amounts of assets to the extent that it does not exceed the carrying amounts that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised in previous years.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

vi. Inventories

Inventories are stated at lower of cost and net realisable value. The cost is calculated on weighted average method. Cost comprises expenditure incurred in the normal course of business in bringing such inventories to its present location and condition and includes, where applicable, appropriate overheads based on normal level of activity. Net realisable value is the estimated selling price less estimated costs for completion and sale.

Cost of purchased inventories are determined after deducting rebates and discounts.

Obsolete, slow moving and defective inventories are identified at the time of periodic physical verification of inventories and, where necessary, a markdown is made for such inventories.

vii. Foreign Currency Transactions

The Company account for transactions in foreign currency at the exchange rate prevailing on the date of transactions. Gains/Losses arising on settlement of such transactions as also the translation of monetary items at period ends due to fluctuations in the exchange rates are recognized in the Statement of Profit and Loss.

viii. Financial instrument

Financial Instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the relevant instrument and are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issues of financial assets and financial liabilities (other than financial assets and financial liabilities measured at fair value through profit or loss) are added to or deducted from the fair value measured on initial recognition of financial assets or financial liabilities. Purchase or sale of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date when the Company commits to purchase or sell the asset.

Financial assets

The financial assets are classified at initial recognition in the following measurement categories as:

- those subsequently measured at amortised cost.
- those to be subsequently measured at fair value [either through other comprehensive income (OCI), or through Statement of profit or loss], and

Notes forming part of the financial statements (Contd.)

Financial assets measured at amortised cost

Financial assets which are held within the business model of collection of contractual cash flows and where those cash flows represent payments solely towards principal and interest on the principal amount outstanding are measured at amortized cost. A gain or loss on a financial asset that is measured at amortised cost and is not a part of hedging relationship is recognised in profit or loss when the asset is derecognized or impaired.

Financial assets measured at fair value through other comprehensive income

Financial assets that are held within a business model of collection of contractual cash flows and for selling and where the assets' cash flow represents solely payment of principal and interest on the principal amount outstanding are measured at fair value through OCI. Movements in carrying amount are taken through OCI, except for recognition of impairment gains or losses. When a financial asset, other than investment in equity instrument, is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to statement of profit and loss.

Classification of equity instruments, not being investments in subsidiaries, associates and joint arrangements, depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through OCI. When investment in such equity instrument is derecognized, the cumulative gains or losses recognized in OCI is transferred within equity on such derecognition.

Financial assets measured at fair value through profit or loss

Financial assets are measured at fair value through profit or loss unless it is measured at amortised cost or at fair value through other comprehensive income on initial recognition. Movements in fair value of these instruments are taken in profit or loss.

Impairment of financial assets

The Company assesses at each date of balance sheet whether a financial asset or a group of financial assets is impaired. Impairment losses are recognized in the profit or loss where there is an objective evidence of impairment based on reasonable and supportable information that is available without undue cost or effort. For all financial assets, expected credit losses are measured at an amount equal to the 12 month expected credit losses or at an amount equal to the life time expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. The Company recognizes loss allowances on trade receivables when there is objective evidence that the Company will not be able to collect all the due amounts depending on product categories and the payment mechanism prevailing in the industry.

Financial liability and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. Financial liabilities are classified, at initial recognition, as subsequently measured at amortized cost unless they fulfil the requirement of measurement at fair value through profit or loss. Where the financial liability has been measured at amortised cost, the difference between the initial carrying amount of the financial liabilities and their redemption value is recognized in the statement of profit and loss over the contractual terms using the effective interest rate method. Financial liabilities at fair value through profit or loss are carried at fair value with changes in fair value recognized in the finance income or finance cost in the statement of profit or loss. An equity instrument is a contract that evidences residual interest in the assets of the company after deducting all of its liabilities. Equity instruments recognised by the Company are recognised at the proceeds received net off direct issue cost.

Derecognition of financial assets and financial liabilities

Financial assets are derecognized when the rights to receive benefits have expired or been transferred, and the Company has transferred substantially all risks and rewards of ownership of such financial asset. Financial liabilities are derecognized when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

Income recognition on financial assets

Interest income from financial assets is recognised in profit or loss using effective interest rate method, where applicable. Dividend income is recognized in profit or loss only when the Company's right to receive payments is established and the amount of dividend can be measured reliably.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the balance sheet where there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

ix. Revenue from sale of products and services

To recognise revenue at fair value of amounts received and receivable from third parties for services rendered and is net off discounts

i) Membership Income:

   a) Revenue from Corporate membership fee is accounted for over the period of membership.

   b) Entrance fees are accounted for in the year of receipt.

   c) Interest charged on delayed receipt of Subscription is accounted for on receipt basis.

ii) Green Fee Income, Caddie fee, Golf Set Rental, Cart Rental, Guest Entry Fees, etc. is recognized at the time such services are rendered to the customer.

iii) License Fees income is recognised as per the terms of the agreement.

The methodology and assumptions used to estimate discounts, promotional activities and similar items are monitored and adjusted regularly in the light of contractual and legal obligations, historical trends and projected market conditions.

x. Employee Benefits

Regular contributions made to State plan namely Employee Provident Fund and Employee's State Insurance Fund are charged to revenue every year.

Company has Gratuity (Unfunded Plan) which are in the nature of defined benefit/schemes. To determine the liabilities towards such schemes, as applicable by an independent actuarial valuation using the projected unit credit method as per the requirements of Indian Accounting Standard – 19 on "Employee Benefits". Gain or Loss on account of remeasurements are recognised through Other Comprehensive Income in the period in which they occur.

The employees of the Company are entitled to compensated leave, the provision of which is unfunded. These compensated absences are recognized in the Statement of Profit & Loss as income or expense, being long-term employee benefit.

xi. Employee Share Based Compensation

Equity-settled share-based payments with respect to Employees Stock Options of ITC Limited, the holding company, granted to the entitled employees are measured at the fair value of the equity instruments of the holding company at the grant date.

The fair value of equity-settled share-based payment transactions are recognised in the statement of profit and loss with a corresponding credit to equity, net of reimbursements, if any.

Notes forming part of the financial statements (Contd.)

xii. Taxes on Income

Taxes on income comprises of current taxes and deferred taxes. Current tax in the Statement of Profit and Loss is provided as the amount of tax payable in respect of taxable income for the period using tax rates enacted or substantively enacted during the period, together with any adjustment to tax payable in respect of previous years. Income tax, in so far as it relates to items disclosed under Other Comprehensive Income, are disclosed separately under Other Comprehensive Income, as applicable.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax assets are recognized for the future tax consequences to the extent it is probable that future taxable profits will be available against which the deductible temporary differences can be utilized.

xiii. Provisions

A provision is recognised when there is a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and in respect of which reliable estimate can be made. A disclosure for a contingent liability is made when there is a possible obligation 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 in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

xiv. Comparatives

When required by Ind AS, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

For **Deloitte Haskins & Sells LLP**
Chartered Accountants

Jaideep Bhargava
Partner
Place : Gurugram
Date : 21st April, 2017

On behalf of the Board

N. Anand	Chairman
B. Hariharan	Managing Director
Ravi Khyani	Chief Financial Officer
Shripriya Kaushal	Company Secretary

REPORT OF THE BOARD OF DIRECTORS FOR THE FINANCIAL YEAR ENDED 31st MARCH, 2017

Your Board of Directors ('the Board') hereby submit their Report for the financial year ended 31st March, 2017.

During the year under review, production of potatoes in India, estimated at about 45 Million MT, was down by 10% over the previous year due to unfavourable weather conditions. Initially prices were firm due to a lower crop which, coupled with the imposition of Minimum Export Price and reduction in import duty reduced overall offtake of potatoes. Thereafter, the demonetisation of ₹ 500/- and ₹ 1,000/- currency notes by the Government of India coinciding with the planting season constrained sales of seed potatoes and caused some disruption to Mandi operations and the supply chain.

The parent company continued to leverage your Company's leadership in the area of early generation seed potatoes and strengths in agronomy, to support its 'Bingo! Yumitos' range of potato chips and in servicing the seed potato requirements of its farmer base anchored to its e-choupal system. Further, during the year, your Company continued to conduct trial supply of fresh market potatoes and chipstock to organised retail and processors, leveraging its existing competencies while providing a stronger market linkage to farmers who buy its seed potatoes. Your Company sees this as a potential business in the coming years.

In such circumstances, your Company leveraged the strength of its brand, superior product quality, better on-field performance and strong trade and customer relationships to register Revenue from Operations of ₹ 108.35 crores (previous year: ₹ 95.27 crores) and Profit After Tax (PAT) of ₹ 14.52 crores (previous year: ₹ 16.89 crores) for the financial year ended 31st March, 2017. Total Comprehensive Income for the year stood at ₹ 14.48 crores (previous year: ₹ 16.91 crores).

FINANCIAL RESULTS (₹ in crores)

Particulars	2016-17	2015-16
a. Revenue from Operations	**108.35**	95.27
b. Profit before tax	**17.06**	20.15
c. Tax	**2.54**	3.26
d. Profit after tax	**14.52**	16.89
e. Other comprehensive income (net of tax)	**(0.04)**	0.02
f. Total comprehensive income	**14.48**	16.91

COMPANY'S PERFORMANCE

(a) Growing of TECHNITUBER® Seed Potatoes

During the year under review, your Company harvested 122.34 lakhs TECHNITUBER® seed potatoes (previous year: 106.58 lakhs) at its green houses at Manpura, Himachal Pradesh.

(b) Field Agricultural Operations

The Company increased its production of early generation seed potatoes to 74,967 MT (previous year: 60,656 MT). Your Company continued to trial and introduce new varieties to improve farm yields, augment farmer incomes and support the processing industry as well as promote farm and storage mechanisation and showcase the latest technology, quality seed and agronomy practices to farmers.

(c) Marketing

The Company sold 48,261 MT of early generation field seed potatoes as against 46,659 MT in the previous year. TECHNITUBER® seed potato exports were slightly lower at 31.80 lakhs vs. 34.36 lakhs in the previous year.

Your Company recognises that its business is subject to climatic, agricultural and cyclical risks. However, your Company is confident of its competitive edge in the market place and its capacity to deliver superior product performance, premised on the strong demand for its seed potatoes from loyal customer and farmer bases, fuelled by the technology of its parent and the expertise of its contract farmers and employees.

DIVIDEND

Interim Dividend of ₹ 7/- per Equity Share having nominal value of ₹ 10/- per Share, aggregating ₹ 26.57 crores, was declared by your Directors on 23rd June, 2016, out of the profits of the Company for payment to the Members whose names appeared on the Register of Members on the said date; the said Interim Dividend has been recommended by your Directors as the Final Dividend for the financial year ended 31st March, 2017.

DIRECTORS AND KEY MANAGERIAL PERSONNEL

(a) Changes in Directors and Key Managerial Personnel during the year

During the year under review, there was no change in the composition of the Board and Key Managerial Personnel of the Company.

The Board, on the recommendation of the Nomination and Remuneration Committee, re-appointed Mr. Sachidanand S. Madan as Wholetime Director of the Company with effect from 1st June, 2017, in terms of the provisions of Section 196 of the Companies Act, 2013 ('the Act'), subject to the approval of the Members of the Company. Appropriate resolution seeking your approval to Mr. Madan's re-appointment as Wholetime Director is appearing in the Notice convening the ensuing Annual General Meeting ('AGM') of the Company. Mr. Madan is also the Company Secretary of the Company.

(b) Declaration of Independence by the Independent Directors

The Independent Directors of your Company have confirmed that they meet the criteria of Independence as prescribed under Section 149(6) of the Act read with Rule 5 of the Companies (Appointment and Qualification of Directors) Rules, 2014.

(c) Attributes, qualifications and appointment of Directors

As reported in earlier years, the attributes and qualifications of the Independent Directors provided in Section 149(6) of the Act and Rule 5 of the Companies (Appointment and Qualification of Directors) Rules, 2014 were adopted by the Nomination and Remuneration Committee. The attributes and qualifications, as applicable, were also adopted in respect of the other Directors.

Majority of the Directors of the Company, other than the Independent Directors, are executives of ITC Limited, the Holding Company, and fulfil the fit and proper criteria for appointment as Directors. The Directors, other than the Independent Directors, are liable to retire by rotation and one-third of them retire every year and are eligible for re-election.

In accordance with the provisions of Section 152(6) of the Act, Messrs. Arup K. Mukerji (DIN: 00463007) and S. Ganesh Kumar (DIN: 02782447), Directors, will retire by rotation at the ensuing AGM of the Company, and being eligible, offer themselves for re-election. Your Board has recommended their re-election.

(d) Board Evaluation

The Board carried out annual performance evaluation of its own performance and that of the individual Directors as also functioning of the Board Committees, as required under Section 134(3)(p) of the Act. The performance evaluation of the Board and individual Directors, as in the previous year, was based on criteria approved by the Nomination and Remuneration Committee. The Committee Chairmen placed before the Board, reports on functioning of respective Board Committees during the year.

(e) Remuneration Policy

The Remuneration Policy of the Company for the Directors, Key Managerial Personnel and other employees, as approved by the Board, is enclosed as **Annexure 1** to this Report.

BOARD AND BOARD COMMITTEES

The three Board Committees of the Company and their present composition is as follows:

(a) <u>Audit Committee</u>

Mr. A. K. Mukerji	-	Chairman
Mr. H. M. Jha	-	Member
Mr. P. K. Verma	-	Member

(b) <u>Nomination and Remuneration Committee</u>

Mr. A. K. Mukerji	-	Chairman
Mr. H. M. Jha	-	Member
Mr. S. Sivakumar	-	Member
Mr. P. K. Verma	-	Member

(c) <u>CSR Committee</u>

Mr. S. Sivakumar	-	Chairman
Mr. H. M. Jha	-	Member
Mr. Sachidanand S. Madan	-	Member

During the year ended 31st March, 2017, the following meetings of the Board and Board Committees were held:

Board / Board Committee	Number of meetings held during the year	Dates of meetings
Board	5	30th April, 2016 23rd June, 2016 26th August, 2016 19th December, 2016 28th March, 2017
Audit Committee	3	30th April, 2016 19th December, 2016 28th March, 2017
Nomination and Remuneration Committee	2	30th April, 2016 26th August, 2016
CSR Committee	2	30th April, 2016 28th March, 2017

The attendance of Directors of the Company at the Board and Board Committee meetings held during the year is given below:

Sl. No.	Name of the Director	Number of meetings attended			
		Board	Audit Committee	Nomination and Remuneration Committee	CSR Committee
1.	Mr. S. Sivakumar	5	N.A.	2	2
2.	Mr. S. Ganesh Kumar	5	N.A.	N.A.	N.A.
3.	Mr. H. M. Jha	5	3	2	2
4.	Mr. David McDonald	3	N.A.	N.A.	N.A.
5.	Mr. A. K. Mukerji	5	3	2	N.A.
6.	Mr. P. K. Verma	5	3	2	N.A.
7.	Mr. Sachidanand S. Madan	5	N.A.	N.A.	2

DIRECTOR'S RESPONSIBILITY STATEMENT

As required under Section 134(5) of the Act, your Directors confirm having:

a) followed in the preparation of the Annual Accounts, the applicable Accounting Standards with proper explanation relating to material departures, if any;

b) 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 your Company at the end of the financial year and of the profit of your Company for that period;

c) taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of your Company and for preventing and detecting fraud and other irregularities;

d) prepared the Annual Accounts on a going concern basis; and

e) devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems are adequate and operating effectively.

INTERNAL FINANCIAL CONTROLS

The Corporate Governance Policy of your Company that delineates the roles, responsibilities and authorities of the key functionaries involved in governance coupled with its Code of Conduct that commits management to the Company's financial and accounting policies, systems and processes, provide the foundation for the Company's Internal Financial Controls with reference to the Financial Statements.

The Financial Statements of the Company are prepared on the basis of the Significant Accounting Policies that are carefully selected by the management and approved by the Audit Committee and the Board. The tenets of these Policies are implemented through the Accounting Manual, Standard Operating Procedures and pre-determined authority levels for executing transactions. These in tandem with the transactional controls built into the IT systems, ensure appropriate segregation of duties and approval mechanisms commensurate with the level of responsibility. Management reviews the aforesaid regime of controls and its operating effectiveness. Internal audits are conducted and the findings and recommendations arising from such audits are reviewed by the Audit Committee and tracked through to implementation.

Your Company has in place adequate Internal Financial Controls with reference to the Financial Statements, commensurate with its size and the nature of its operations. Such Controls have been tested during the year and no material weakness in the design or operation was observed. The instructions given in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India were also followed for preparation of Risk and Control Matrix, Process narratives and sample size / selection for management testing of controls. Nonetheless, your Company recognises that any internal financial control framework, no matter how well designed, has inherent limitations and accordingly, regular audit and review processes ensure that such systems are reinforced on an ongoing basis.

RISK MANAGEMENT

The Risk Management Policy of the Company, as approved by the Board, is designed to assess, mitigate and monitor risks arising out of the overall strategy of the Company and its regulatory environment. The Internal Auditor of the Company is mandated to carry out risk focused audits that enable review of risk management processes by the Audit Committee and the Board.

The management of market risk is rooted in your Company's strategy of continually reinforcing its competitive edge in the market place premised on the proprietary technology of its parent and the expertise of its employees and contract farmers on the one hand and its loyal customer and farmer bases on the other. Your Company also recognises that its business is subject to climatic, agricultural and cyclical risks and accordingly seeks to diversify across growing zones and expand its customer base.

Your Company's Board and Audit Committee will continue to focus on strengthening the risk management framework to protect business value from uncertainty and consequent losses through measures that are effective in the long-term and are embedded in the business strategies and processes to the extent practical.

SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

The Company does not have any subsidiary, associate or joint venture.

PARTICULARS OF EMPLOYEES

The details of employee(s) drawing remuneration more than the limit specified in Rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 along with the details of top ten employees of the Company in terms of remuneration drawn, as required under the said Rule, are given in **Annexure 2** to this Report.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

The Annual Report on CSR Activities of the Company in terms of Section 135 of the Act read with the Companies (Corporate Social Responsibility Policy) Rules, 2014 is enclosed as **Annexure 3** to this Report.

PARTICULARS OF LOANS, GUARANTEES AND INVESTMENTS

During the year ended 31st March, 2017, the Company has neither given any loan or guarantee nor has made any investment under Section 186 of the Act.

RELATED PARTY TRANSACTIONS

During the year ended 31st March, 2017, the Company has neither entered into any contract or arrangement with its related parties which is not on arm's length basis or is not in the ordinary course of business, nor has the Company entered into any material contract or arrangement with them, in terms of Section 188 of the Act.

SIGNIFICANT AND MATERIAL ORDERS PASSED BY THE REGULATORS / COURTS / TRIBUNALS

During the year under review, no significant or material orders were passed by the Regulators / Courts / Tribunals impacting the going concern status of the Company and its future operations.

EXTRACT OF ANNUAL RETURN

The extract of Annual Return in the prescribed Form No. MGT-9 is enclosed as **Annexure 4** to this Report.

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

The information with regard to conservation of energy, technology absorption and foreign exchange earnings and outgo in terms of Section 134(3)(m) of the Act read with Rule 8(3) of the Companies (Accounts) Rules, 2014 is enclosed under **Annexure 5** to this Report.

AUDITORS

The Company's Statutory Auditors, Messrs. Price Waterhouse, Chartered Accountants, were appointed at the 15th AGM to hold such office till the conclusion of the 20th AGM. On the recommendation of the Audit Committee and pursuant to Section 139 of the Act, your Board has recommended for the ratification of the Members, appointment of Messrs. Price Waterhouse from the conclusion of the ensuing AGM till the conclusion of the 19th AGM. On the recommendation of the Audit Committee and pursuant to Section 142 of the Act, the Board has also recommended for the approval of the Members, remuneration of Messrs. Price Waterhouse for the financial year 2017-18. Appropriate resolution in respect of the above is appearing in the Notice convening the ensuing AGM of the Company.

On behalf of the Board

S. Sivakumar

Dated : 29th April, 2017 **Chairman**

Annexure 1 to the Report of the Board of Directors for the financial year ended 31st March, 2017

Remuneration Policy

The Company's Remuneration Strategy is designed to attract and retain quality talent that gives its business a competitive advantage and enables the Company to achieve its objectives.

The Company's Remuneration Strategy, whilst focusing on remuneration and related aspects of performance management, is aligned with and reinforces the employee value proposition of a superior quality of work life, that includes an enabling work environment, an empowering and engaging work culture and opportunities to learn and grow.

The Compensation approach endeavours to align each employee with the Company's goals.

POLICY

It is the Company's Policy:

1. To ensure that its Remuneration practices support and encourage meritocracy.
2. To ensure that Remuneration is market-led and takes into account the competitive context of the Company's business.
3. To leverage Remuneration as an effective instrument to enhance performance and therefore to link the remuneration to both individual and collective performance outcomes.
4. To adopt a comprehensive approach to Remuneration in order to support a superior quality of personal and work life, in a manner so as to judiciously balance short term with long term priorities.
5. To design Remuneration practices such that they reinforce the Company's values and culture and to implement them in a manner that complies with all relevant regulatory requirements.

Remuneration of Key Managerial Personnel (KMP)

1. Remuneration of KMP is determined and recommended by the Nomination and Remuneration Committee and approved by the Board. Remuneration of the Managing Director / Wholetime Director / Manager is also subject to the approval of the shareholders.
2. Remuneration is reviewed and revised periodically, when such a revision is warranted by the market.
3. Apart from fixed elements of remuneration and benefits, the KMP are also eligible for Variable Pay / Performance Bonus which is linked to their individual performance and the overall performance of the Company which may be in terms of an annual and / or a long term scheme.
4. Remuneration of KMP on deputation from the Holding Company / Subsidiary / Fellow Subsidiary / Associate Companies, is aligned to the Remuneration Policy of that company.

Remuneration of Independent Directors

Independent Directors are entitled to sitting fees for attending meetings of the Board and Board Committees, the quantum of which is determined by the Board, within the limits prescribed under the Companies Act, 2013 and the Rules thereunder. Independent Directors are also entitled to reimbursement of expenses for attending meetings of the Board and Board Committees and General Meetings.

Remuneration of employees other than KMP

1. Remuneration of employees other than KMP is approved as per the Corporate Governance document of the company as approved by the Board.
2. Remuneration is reviewed and revised periodically, when such a revision is warranted by the market. The quantum of revision is linked to market trends, the competitive context of the Company's business, as well as the track record of the individual employee.
3. Variable Pay cognises for the performance rating of the individual employee and the overall performance of the Company which may be in terms of an annual and or a long term scheme.

Annexure 2 to the Report of the Board of Directors for the financial year ended 31st March, 2017

[Information pursuant to Rules 5(2) and 5(3) of the Companies (Appointment & Remuneration of Managerial Personnel) Rules, 2014]

Name of employees	Age	Designation	Gross Remuneration (₹)	Net Remuneration (₹)	Qualifications	Experience (Years)	Date of Commencement of Employment/ Deputation	Previous Employment/ Position held
1	2	3	4	5	6	7	8	9
Sachidanand S. Madan*	58	Wholetime Director & Company Secretary	1,19,22,598/-	53,16,323/-	B.Com (Hons.), A.C.A., A.C.S.	35	01.04.2012	Russell Credit Limited - on deputation to Technico Agri Sciences Limited
S. Pal Singh*	55	Vice President - Agronomy	58,26,094/-	31,66,053/-	M. Sc. (Agronomy)	31	01.04.2012	Russell Credit Limited - on deputation to Technico Agri Sciences Limited
N. K. Jha*	41	Head - Sales, Marketing & New Business	39,00,362/-	27,05,776/-	M. Sc. (Agriculture), M.S. (IT in Agriculture), M.B.A. (Marketing)	13	16.08.2007	Reliance Retail Limited - State Head – Planning & MIS
Sanjeev Madan	51	Chief Financial Officer	38,87,375/-	27,31,136/-	B.Com. (Hons.), F.C.A	25	01.08.2005	Saboo Coatings Ltd.- Chief Finance Officer
A. Aggarwal	38	Deputy General Manager - Finance	19,81,403/-	14,95,143/-	B.Com., A.C.A.	15	03.03.2006	Satyam Computer Services Ltd. - Sr. Associate
A. V. Daga*	24	Deputy Manager - Finance	18,77,631/-	14,26,761/-	B.Com. (Hons.), A.C.A.	2	06.04.2015	Nil
T. Pant	50	Deputy General Manager - Agronomy	17,29,421/-	13,67,390/-	M.Sc. (Agriculture)	22	01.08.2001	Indomint Agriproducts Pvt. Ltd.- Area Manager
R. Singh	46	Deputy General Manager - Facility	15,94,018/-	12,56,432/-	M.Sc. (Agriculture)	22	15.05.2000	Salora Floritech Ltd. - Horticulturist
S. Manjkhola	43	Manager - Facility	11,15,599/-	8,86,916/-	M.Sc. (Env. Science), Ph.D.	18	02.07.2007	Reliance Retail Ltd.- Dy. Manager
G. Gautam	40	Deputy Manager - Agronomy	9,88,449/-	8,11,606/-	M.Sc. (Agriculture), Ph.D.	15	30.10.2014	Karam Chand Thapar & Bros. Ltd.- Sr. Manager-Horticulture

* On deputation from ITC Limited, the Holding Company.

Notes :

a. In respect of employees on deputation, gross remuneration disclosed as above is the deputation cost which is borne by the Company.

b. For the other employees, gross remuneration includes salary, variable pay, allowances & other benefits / applicable perquisites except provisions for gratuity and leave encashment which are actuarially determined on an overall Company basis. The term 'remuneration' has the meaning assigned to it under the Companies Act, 2013.

c. Net remuneration comprises cash income less income tax, education cess deducted at source and employee's own contribution to provident fund.

d. Certain employees (including employees on deputation) have been granted Stock Options by ITC Limited, the Holding Company, under its Employee Stock Option Schemes at 'market price' [within the meaning of the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014]. Since such Options are not tradeable, no perquisite or benefit is immediately conferred upon them by such grant of Options, and accordingly the said grant has not been considered as remuneration.

e. All appointments (except in case of employees on deputation) are contractual in accordance with terms and conditions as per Company's rules.

f. The aforesaid employees are neither relative of any Director / Manager of the Company nor hold any equity share in the Company.

On behalf of the Board

Dated : 29th April, 2017

S. Sivakumar
Chairman

Annexure 3 to the Report of the Board of Directors

Annual Report on CSR Activities of the Company for the financial year ended 31st March, 2017

[Section 135 of the Companies Act, 2013 read with the Companies (Corporate Social Responsibility Policy) Rules, 2014]

1.	A brief outline of the Company's CSR Policy including overview of projects or programs proposed to be undertaken		The Company, a wholly owned subsidiary of ITC Limited (ITC), discharges its Corporate Social Responsibilities (CSR) by aligning itself with the CSR Policy of ITC. The Company undertakes its CSR activities: • as listed in Schedule VII to the Companies Act, 2013, in line with the CSR initiatives of ITC and as approved by the CSR Committee; • directly or through a registered trust or a registered society or a company established under Section 8 of the Companies Act, 2013. The Company may collaborate with ITC or other companies for undertaking CSR activities.
2.	Composition of the CSR Committee		Mr. S. Sivakumar (Chairman) Mr. H. M. Jha Mr. Sachidanand S. Madan
3.	Average net profits of the Company for last 3 financial years		₹ 2,671 lakhs
4.	Prescribed CSR expenditure (2% of the amount stated under 3 above)		₹ 53.42 lakhs
5.	Details of CSR spend during the financial year:	a) Total amount spent for the financial year	₹ 53.50 lakhs
		b) Amount unspent, if any	–

c) Manner in which the amount spent during the financial year is detailed below :

Sl. No.	CSR Project or activity identified	Sector in which the project is covered	Projects or programs (1) Local area or other (2) Specify the State and district where projects or programs were undertaken	Amount outlay (Budget) project or program wise	Amount spent on the projects or programs Sub-heads: 1. Direct expenditure on projects or programs 2. Overheads	Cumulative expenditure upto the reporting period	Amount spent: Direct or through implementing agency
1.	Contribution to the Corpus of ITC Rural Development Trust	Undertaking rural development projects [covered under Clause (x) of Schedule VII to the Companies Act, 2013]	N.A.	₹ 53.50 lakhs	₹ 53.50 lakhs	₹ 53.50 lakhs	Implementing Agency - ITC Rural Development Trust, Kolkata

The CSR Committee of the Board has confirmed that the implementation and monitoring of the CSR Policy is in compliance with the CSR objectives and Policy of the Company.

On behalf of the Board

Dated : 29th April, 2017	**Sachidanand S. Madan** **Whole Time Director**	**S.Sivakumar** **Chairman**

Annexure 4 to the Report of the Board of Directors

FORM NO. MGT-9

EXTRACT OF ANNUAL RETURN

as on the financial year ended on 31st March, 2017

[Pursuant to Section 92(3) of the Companies Act, 2013 and Rule 12(1) of the Companies (Management and Administration) Rules, 2014]

I. REGISTRATION AND OTHER DETAILS

i)	CIN	:	U01111DL1999PLC098646
ii)	Registration Date	:	3rd March, 1999
iii)	Name of the Company	:	Technico Agri Sciences Limited
iv)	Category / Sub-Category of the Company	:	Unlisted Public Company limited by shares
v)	Address of the Registered office and contact details	:	25, Community Centre, Basant Lok, Vasant Vihar, New Delhi – 110057 Phone: 91-11-46015209 Fax: 91-11-26145372 e-mail ID : technico@technituberindia.com
vi)	Whether listed company	:	No
vii)	Name, Address and Contact details of Registrar and Transfer Agent, if any	:	Zuari Investments Limited Corporate one, First Floor, 5, Commercial Centre, Jasola, New Delhi – 110025 Phone: (011) 46581368

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

All the business activities contributing 10% or more of the total turnover of the Company shall be stated:

Sl. No.	Name and Description of main products / services	NIC Code of the product / service	% to total turnover of the Company
1.	Sale of Biological Assets (field generated Seed Potatoes)	01135	75%
2.	Sale of Potatoes	01135	20%

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES

Sl. No.	Name and Address of the company	CIN / GLN	Holding / Subsidiary / Associate	% of shares held in the Company	Applicable Section
1.	ITC Limited Virginia House, 37 Jawaharlal Nehru Road, Kolkata – 700 071	L16005WB1910PLC001985	Holding company	100.00%	2(46)

IV. SHAREHOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity)

(i) Category-wise Shareholding:

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
A. Promoters									
(1) Indian									
a) Individual/HUF	–	–	–	–	–	–	–	–	N.A.
b) Central Govt.	–	–	–	–	–	–	–	–	N.A.
c) State Govt.(s)	–	–	–	–	–	–	–	–	N.A.
d) Bodies Corp.	3,79,62,794	6	3,79,62,800	100.00	3,79,62,794	6	3,79,62,800	100.00	Nil
e) Banks / FI	–	–	–	–	–	–	–	–	N.A.
f) Any Other	–	–	–	–	–	–	–	–	N.A.
Sub-total (A)(1)	**3,79,62,794**	**6**	**3,79,62,800**	**100.00**	**3,79,62,794**	**6**	**3,79,62,800**	**100.00**	Nil
(2) Foreign									
a) NRIs - Individuals	–	–	–	–	–	–	–	–	N.A.
b) Other – Individuals	–	–	–	–	–	–	–	–	N.A.
c) Bodies Corp.	–	–	–	–	–	–	–	–	N.A.
d) Banks / FI	–	–	–	–	–	–	–	–	N.A.
e) Any Other	–	–	–	–	–	–	–	–	N.A.
Sub-total (A)(2)	–	–	–	–	–	–	–	–	N.A.
Total shareholding of Promoter (A) = (A)(1)+(A)(2)	**3,79,62,794**	**6**	**3,79,62,800**	**100.00**	**3,79,62,794**	**6**	**3,79,62,800**	**100.00**	Nil
B. Public Shareholding									
1. Institutions									
a) Mutual Funds	–	–	–	–	–	–	–	–	N.A.
b) Banks / FI	–	–	–	–	–	–	–	–	N.A.
c) Central Govt.	–	–	–	–	–	–	–	–	N.A.
d) State Govt.(s)	–	–	–	–	–	–	–	–	N.A.
e) Venture Capital Funds	–	–	–	–	–	–	–	–	N.A.
f) Insurance Companies	–	–	–	–	–	–	–	–	N.A.
g) FIIs	–	–	–	–	–	–	–	–	N.A.
h) Foreign Venture Capital Funds	–	–	–	–	–	–	–	–	N.A.
i) Others (specify)	–	–	–	–	–	–	–	–	N.A.
Sub-total (B)(1)	–	–	–	–	–	–	–	–	N.A.
2. Non-Institutions									
a) Bodies Corp.									
i) Indian	–	–	–	–	–	–	–	–	N.A.
ii) Overseas	–	–	–	–	–	–	–	–	N.A.
b) Individuals i) Individual shareholders holding nominal share capital upto ₹ 1 lakh ii) Individual shareholders holding nominal share capital in excess of ₹ 1 lakh	–	–	–	–	–	–	–	–	N.A.
c) Others (specify)	–	–	–	–	–	–	–	–	N.A.
Sub-total (B)(2)	–	–	–	–	–	–	–	–	N.A.
Total Public Shareholding (B)=(B)(1)+ (B)(2)	–	–	–	–	–	–	–	–	N.A.
C. Shares held by Custodian for GDRs & ADRs	–	–	–	–	–	–	–	–	N.A.
Grand Total (A+B+C)	**3,79,62,794**	**6**	**3,79,62,800**	**100.00**	**3,79,62,794**	**6**	**3,79,62,800**	**100.00**	Nil

(ii) Shareholding of Promoters:

Sl. No.	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in shareholding during the year
		No. of Shares	% of total Shares of the Company	% of Shares pledged / encumbered to total Shares	No. of Shares	% of total Shares of the Company	% of Shares pledged / encumbered to total Shares	
1.	ITC Limited	3,79,62,800	100.00	Nil	3,79,62,800	100.00	Nil	Nil

(iii) Change in Promoters' Shareholding (please specify, if there is no change):

Sl. No.		Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of Shares	% of total Shares of the Company	No. of Shares	% of total Shares of the Company
	At the beginning of the year	**No change during the year**			
	Date wise Increase / Decrease in Promoter's Shareholding during the year				
	At the end of the year				

(iv) Shareholding Pattern of top ten Shareholders (other than Directors, Promoters and Holders of GDRs and ADRs): Not Applicable

(v) Shareholding of Directors and Key Managerial Personnel: None of the Directors and Key Managerial Personnel hold any share in the Company in their individual capacity.

V. INDEBTEDNESS

Indebtedness of the Company including interest outstanding / accrued but not due for payment: Nil

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

A. Remuneration to Managing Director, Wholetime Directors and/or Manager:

(Amount in ₹)

Sl. No.	Particulars of Remuneration	Sachidanand S. Madan (Wholetime Director and Company Secretary) (refer Notes)
1.	Gross Salary	
	(a) Salary as per provisions contained in Section 17(1) of the Income Tax Act, 1961	95,96,992
	(b) Value of perquisites under Section 17(2) of the Income Tax Act, 1961	15,97,206
	(c) Profits in lieu of salary under Section 17(3) of the Income Tax Act, 1961	–
2.	Stock Option	–
3.	Sweat Equity	–
4.	Commission - as % of profit - others, specify	–
5.	Others, please specify	–
Total Amount (A)		1,11,94,198
Ceiling as per the Companies Act, 2013		**2,40,00,000 per annum** *(refer Note 2)*

Note 1: Mr. Sachidanand S. Madan is on deputation from ITC Limited (ITC) and has been granted Stock Options by ITC under its Employee Stock Option Schemes at 'market price' [within the meaning of the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014]. Since such Options are not tradeable, no perquisite or benefit is immediately conferred upon him by such grant of Options, and accordingly the said grant has not been considered as remuneration. Further, the appointment of Mr. Madan is governed by the resolutions passed by the Board and the shareholders of the Company. The statutory provisions apply with respect to notice period and severance fee.

Note 2: Ceiling as per Part II of Schedule V to the Companies Act, 2013 has been disclosed, considering that the profits of the Company for the financial year ended 31st March, 2017 are inadequate.

B. Remuneration to other Directors:

(Amount in ₹)

Sl. No.	Name of the Directors	Particulars of Remuneration			Total Amount
		Fee for attending Board and Board Committee meetings	Commission	Independent Directors' Meeting Fee	
1.	**Independent Directors**				
	H. M. Jha	1,70,000	–	10,000	1,80,000
	P. K. Verma	1,50,000	–	10,000	1,60,000
	Total Amount (B)(1)	**3,20,000**	**–**	**20,000**	**3,40,000**
2.	**Other Non-Executive Directors**				
	S. Sivakumar	–	–	–	–
	S. Ganesh Kumar	–	–	–	–
	D. McDonald	–	–	–	–
	A. K. Mukerji	–	–	–	–
	Total Amount (B)(2)	–	–	–	–
Total Amount (B) = (B)(1) + (B)(2)					**3,40,000**
Total Managerial Remuneration (A + B)					**1,15,34,198**
Overall ceiling as per the Companies Act, 2013					**2,40,00,000 per Annum** *(Refer Note)*

Note: Ceiling as per Part II of Schedule V to the Companies Act, 2013 has been disclosed, considering that the profits of the Company for the financial year ended 31st March, 2017 are inadequate.

C. Remuneration to Key Managerial Personnel other than MD / Manager / WTD:

(Amount in ₹)

Sl. No.	Particulars of Remuneration	Mr. Sanjeev K. Madan (Chief Financial Officer) (refer Note)
1.	Gross Salary	
	(a) Salary as per provisions contained in Section 17(1) of the Income Tax Act, 1961	35,72,780
	(b) Value of perquisites under Section 17(2) of the Income Tax Act, 1961	18,000
	(c) Profits in lieu of salary under Section 17(3) of the Income Tax Act, 1961	–
2.	Stock Option	–
3.	Sweat Equity	–
4.	Commission - as % of profit - others, specify	–
5.	Others, please specify	–
Total Amount		**35,90,780**

Note: Mr. Sanjeev K. Madan has been granted Stock Options by ITC Limited under its Employee Stock Option Schemes at 'market price' [within the meaning of the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014]. Since such Options are not tradeable, no perquisite or benefit is immediately conferred upon him by such grant of Options, and accordingly the said grant has not been considered as remuneration.

VII. PENALTIES / PUNISHMENT / COMPOUNDING OF OFFENCES against the Company, Directors and other Officers in Default under the Companies Act, 2013: None

On behalf of the Board

S. Sivakumar
Chairman

Dated : 29th April, 2017

Annexure 5 to the Report of the Board of Directors for the financial year ended 31st March, 2017

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

i. Conservation of Energy

The Company continued its efforts to improve its energy usage efficiencies. Various key performance indicators like energy consumed per unit of production, trends in total energy consumed over the years etc. are constantly tracked to monitor energy consumption. However, the total cost of energy in the Company's operations is quite small. Some of the measures adopted include:

1. Improvement in energy usage efficiencies of lighting systems by switching over to higher efficiency Light Emitting Diodes (LEDs).
2. Utilising natural sunlight in the Company's office through large glass windows to reduce electrical consumption for lighting.

Given the limited cost of energy in its overall operations at present, the Company does not have any active proposal for using alternate energy sources.

ii. Research and Development

Your Company continues to be engaged in Research and Development activities in both TECHNITUBER® seed potato production as well as field generated seed potato production with the objectives of reducing consumption of water and fertilisers, using new chemicals to minimise disease pressure and thus agricultural risk of its contract farmers, enhancing farm yields etc. In order to further leverage its tissue culture capabilities, your Company has undertaken trial production of banana tissue culture plantlets and its test marketing in select States.

iii. Technology Absorption, Adaptation and Innovation

Based on the efforts made towards technology absorption, your Company achieved smooth nursery operations since the declaration of commercial production. Field progeny of the seed potatoes grown with the use of TECHNITUBER® seed potato technology has exhibited qualitative and quantitative improvement over traditional seed at affordable cost.

a)	Technology Imported :	Nursery and Growout Facility at Manpura, Himachal Pradesh, is based on TECHNITUBER® Seed Potato Technology from Technico Pty Limited, Australia, fellow subsidiary.
b)	Year of import :	2000
c)	Whether Technology fully absorbed :	The absorption of the Technology has taken place through two-phases. Your Company has been successfully growing TECHNITUBER® seed potatoes (G0) in its facility at Manpura. Subsequent stage multiplications have been successfully undertaken in leased and contract farms. However, your Company continues to refine and improve upon the Technology by drawing on the technical expertise of Technico Pty Limited, Australia.
d)	If not fully absorbed, areas where this has not taken place, reasons therefore and future plans of action :	

iv. Foreign Exchange Earnings and Outgo (₹ in crores)

Foreign Exchange Earnings	:	1.48
Foreign Exchange Outgo	:	0.13

On behalf of the Board

Dated : 29th April, 2017

S. Sivakumar
Chairman

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF TECHNICO AGRI SCIENCES LIMITED

Report on the Indian Accounting Standards (Ind AS) Financial Statements

1. We have audited the accompanying financial statements of **Technico Agri Sciences Limited** ("the Company"), which comprise the Balance Sheet as at March 31, 2017 the Statement of Profit and Loss (including Other Comprehensive Income), the Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Ind AS Financial Statements

2. The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these Ind AS financial statements to give a true and fair view of the financial position, financial performance (including other comprehensive income), cash flows and changes in equity of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards specified in the Companies (Indian Accounting Standards) Rules, 2015 (as amended) under Section 133 of the Act. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

3. Our responsibility is to express an opinion on these Ind AS financial statements based on our audit.
4. We have taken into account the provisions of the Act and the Rules made thereunder including the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.
5. We conducted our audit of the Ind AS financial statements in accordance with the Standards on Auditing specified under Section 143(10) of the Act and other applicable authoritative pronouncements issued by the Institute of Chartered Accountants of India. Those Standards and pronouncements require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Ind AS financial statements are free from material misstatement.
6. An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the Ind AS financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the Ind AS financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the Ind AS financial statements that give a true and fair view, in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the Ind AS financial statements.
7. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Ind AS financial statements.

Opinion

8. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid Ind AS financial statements 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, of the state of affairs of the Company as at March 31, 2017, and its profit (including other comprehensive income), its cash flows and the changes in equity for the year ended on that date.

Other Matter

9. The financial information of the Company for the year ended March 31, 2016 and the transition date opening balance sheet as at April 1, 2015 included in these Ind AS financial statements, are based on the previously issued statutory financial statements for the years ended March 31, 2016 and March 31, 2015 prepared in accordance with the Companies (Accounting Standards) Rules, 2006 (as amended) which were audited by us, on which we expressed an unmodified opinion dated April 30, 2016 and May 4, 2015 respectively. The adjustments to those financial statements for the differences in accounting principles adopted by the Company on transition to the Ind AS have been audited by us.

Our opinion is not qualified in respect of this matter.

Report on Other Legal and Regulatory Requirements

10. As required by the Companies (Auditor's Report) Order, 2016, issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act ("the Order"), 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 B a statement on the matters specified in paragraphs 3 and 4 of the Order.

11. As required by Section 143 (3) of the Act, we report that:

(a) We have sought and 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 it appears from our examination of those books.

(c) The Balance Sheet, the Statement of Profit and Loss (including other comprehensive income), the Cash Flow Statement and the Statement of Changes in Equity dealt with by this Report are in agreement with the books of account.

(d) In our opinion, the aforesaid Ind AS financial statements comply with the Indian Accounting Standards specified under Section 133 of the Act.

(e) On the basis of the written representations received from the directors as on March 31, 2017 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2017 from being appointed as a director in terms of Section 164 (2) of the Act.

(f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in Annexure A.

(g) With respect to the other matters to be included in the Auditors' Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our knowledge and belief and according to the information and explanations given to us:

i. The Company has disclosed the impact, if any, of pending litigations as at March 31, 2017 on its financial position in its Ind AS financial statements – Refer Note 30

ii. The Company has long-term contracts as at March 31, 2017 for which there were no material foreseeable losses. The Company did not have any derivative contracts as at March 31, 2017.

iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company during the year ended March 31, 2017.

iv. The Company has provided requisite disclosures in the financial statements as to holdings as well as dealings in Specified Bank Notes during the period from November 08, 2016 to December 30, 2016. Based on audit procedures and relying on the management representation we report that the disclosures are in accordance with books of account maintained by the Company and as produced to us by the Management – Refer Note 35.

For Price Waterhouse
Firm Registration Number: 301112E
Chartered Accountants

Avijit Mukerji
Partner
Membership Number 056155

Kolkata
Date: April 29, 2017

Annexure A to Independent Auditors' Report

Referred to in paragraph 11(f) of the Independent Auditors' Report of even date to the members of Technico Agri Sciences Limited on the financial statements for the year ended March 31, 2017

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Act

1. We have audited the internal financial controls over financial reporting of Technico Agri Sciences Limited ("the Company") as of March 31, 2017 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

2. The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India (ICAI). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

Auditors' Responsibility

3. Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing deemed to be prescribed under section 143(10) of the Act to the extent applicable to an audit of internal financial controls, both applicable to an audit of internal financial controls and both issued by the ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

4. Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

Meaning of Internal Financial Controls Over Financial Reporting

6. A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

7. Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

8. In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2017, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For Price Waterhouse
Firm Registration Number: 301112E
Chartered Accountants

Avijit Mukerji
Partner
Membership Number 056155

Kolkata
Date: April 29, 2017

Annexure B to Independent Auditors' Report

Referred to in paragraph 10 of the Independent Auditors' Report of even date to the members of Technico Agri Sciences Limited on the financial statements as of and for the year ended March 31, 2017

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 by the Management during the year and no material discrepancies have been noticed on such verification. In our opinion, the frequency of verification is reasonable.

(c) The title deeds of immovable properties, as disclosed in Note 3.1 on fixed assets to the financial statements, are held in the name of the Company, except for Freehold Land amounting to ₹ 3.28 lakhs which is pending registration in the name of the Company.

ii. The physical verification of inventory / biological assets excluding stocks with third parties have been conducted at reasonable intervals by the Management during the year. In respect of inventory / biological assets lying with third parties, these have substantially been confirmed by them. The discrepancies noticed on physical verification of inventory / biological assets as compared to book records were not material.

iii. The Company has not granted any loans, secured or unsecured, to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under Section 189 of the Act. Therefore, the provisions of Clause 3(iii), (iii)(a), (iii)(b) and (iii)(c) of the said Order are not applicable to the Company.

iv. The Company has not granted any loans or made any investments, or provided any guarantees or security to the parties covered under Section 185 and 186. Therefore, the provisions of Clause 3(iv) of the said Order are not applicable to the Company.

v. The Company has not accepted any deposits from the public within the meaning of Sections 73, 74, 75 and 76 of the Act and the Rules framed there under to the extent notified.

vi. The Central Government of India has not specified the maintenance of cost records under sub-section (1) of Section 148 of the Act for any of the products of the Company.

vii. (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, service tax, duty of customs, duty of excise, value added tax, cess and other material statutory dues, as applicable, with the appropriate authorities.

(b) According to the information and explanations given to us and the records of the Company examined by us, there are no dues of sales-tax, service-tax, duty of customs, duty of excise, value added tax which have not been deposited on account of any dispute. The particulars of dues of income tax as at March 31, 2017 which have not been deposited on account of a dispute, are as follows:

Name of the statute	Nature of dues	Amount (₹)	Period to which the amount relates	Forum where the dispute is pending
Income Tax Act, 1961	Penalty under section 271 (1)(c)	1,62,20,314	A/Y 2003-04 to A/Y 2006-07	Income-Tax Appellate Tribunal
Income Tax Act, 1961	Income tax demand	2,35,30,480	A/Y 2012-13	Commissioner of Income Tax (Appeals)
Income Tax Act, 1961	Income tax demand	4,96,81,850	A/Y 2013-14	Commissioner of Income Tax (Appeals)
Income Tax Act, 1961	Income tax demand	5,37,62,960	A/Y 2014-15	Commissioner of Income Tax (Appeals)

viii. As the Company does not have any loans or borrowings from any financial institution or bank or Government, nor has it issued any debentures as at the balance sheet date, the provisions of Clause 3(viii) of the Order are not applicable to the Company.

ix. The Company has not raised any moneys by way of initial public offer, further public offer (including debt instruments) and term loans. Accordingly, the provisions of Clause 3(ix) of the Order are not applicable to the Company.

x. 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 material fraud by the Company or on the Company by its officers or employees, noticed or reported during the year, nor have we been informed of any such case by the Management.

xi. The Company has paid/ provided for managerial remuneration in accordance with the requisite approvals mandated by the provisions of Section 197 read with Schedule V to the Act.

xii. As the Company is not a Nidhi Company and the Nidhi Rules, 2014 are not applicable to it, the provisions of Clause 3(xii) of the Order are not applicable to the Company.

xiii. The Company has entered into transactions with related parties in compliance with the provisions of Sections 177 and 188 of the Act. The details of such related party transactions have been disclosed in the financial statements as required under Indian Accounting Standard (Ind AS) 24, Related Party Disclosures specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.

xiv. The Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review. Accordingly, the provisions of Clause 3(xiv) of the Order are not applicable to the Company.

xv. The Company has not entered into any non cash transactions with its directors or persons connected with him. Accordingly, the provisions of Clause 3(xv) of the Order are not applicable to the Company.

xvi. The Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934. Accordingly, the provisions of Clause 3(xvi) of the Order are not applicable to the Company.

For Price Waterhouse
Firm Registration Number: 301112E
Chartered Accountants

Avijit Mukerji
Partner
Membership Number 056155

Kolkata
Date: April 29, 2017

BALANCE SHEET AS AT 31 MARCH 2017

(Amount in ₹ lakhs)

Particulars	Notes	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
ASSETS				
Non-current assets				
(a) Property, plant and equipment	3.1	1028.85	1036.71	943.19
(b) Intangible assets	3.2	6.70	8.83	11.66
(c) Financial assets				
(i) Investments	5.1	–	1158.71	–
(ii) Other financial assets	6	5.79	5.79	5.79
(d) Deferred tax assets (Net)	7	–	19.58	221.46
(e) Other non-current assets	8	34.89	23.98	46.97
Total non-current assets		**1076.23**	**2253.60**	**1229.07**
Current assets				
(a) Inventories	9	795.57	867.75	499.14
(b) Biological assets other than bearer plants	4	6776.89	6338.10	4793.88
(c) Financial assets				
(i) Investments	5.2	5905.18	6843.92	10030.11
(ii) Trade receivables	10	305.04	224.16	161.28
(iii) Cash and cash equivalents	11	58.98	111.03	37.25
(iv) Other financial assets	6	3.71	8.04	2.31
(d) Other current assets	8	323.11	350.57	58.29
Total current assets		**14168.48**	**14743.57**	**15582.26**
Total assets		**15244.71**	**16997.17**	**16811.33**
EQUITY AND LIABILITIES				
Equity				
(a) Equity share capital	12	3796.28	3796.28	3796.28
(b) Other equity	13	8467.78	10402.42	8527.43
Total equity		**12264.06**	**14198.70**	**12323.71**
Liabilities				
Non-current liabilities				
(a) Provisions	14	139.72	103.41	78.31
(b) Deferred tax liabilities (Net)	7	104.82	–	–
Total non-current liabilities		**244.54**	**103.41**	**78.31**
Current liabilities				
(a) Financial liabilities				
(i) Trade payables	15	2007.79	1315.81	2346.49
(ii) Other financial liabilities	16	454.74	46.26	39.44
(b) Other current liabilities	17	269.71	488.95	1783.86
(c) Provisions	14	3.87	844.04	239.52
Total current liabilities		**2736.11**	**2695.06**	**4409.31**
Total liabilities		**2980.65**	**2798.47**	**4487.62**
Total equity and liabilities		**15244.71**	**16997.17**	**16811.33**

The accompanying notes 1 to 46 are an integral part of the financial statements.

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

For Price Waterhouse
Firm registration number: 301112E
Chartered Accountants

For and on behalf of the Board of Directors of Technico Agri Sciences Limited

Avijit Mukerji
Partner
Membership no.: 056155

Arup K. Mukerji
Director

Sachidanand S. Madan
Director and Company Secretary

Sanjeev K. Madan
Chief Financial Officer

Place: Kolkata
Date: 29 April 2017

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31 MARCH 2017

(Amount in ₹ lakhs)

Particulars	Notes	For the year ended 31 March 2017	For the year ended 31 March 2016
Revenue from operations	18	**10835.41**	9526.93
Other income	19	**1325.00**	963.58
Change in fair value of biological assets (sold)	4	2699.68	2833.17
Total Income		**14860.09**	13323.68
Expenses			
Cost of raw material and components consumed	20	**712.04**	660.29
Purchases of stock-in-trade and biological assets	21	**1498.03**	1529.74
Changes in inventories of finished goods, stock-in-trade and biological assets	22	**(317.04)**	(1919.52)
Change in carrying value of biological assets (sold)	4	**2699.68**	2833.17
Employee benefit expense	23	**994.86**	822.77
Finance costs	24	**0.14**	0.86
Depreciation and amortisation expense	25	**108.96**	98.15
Other expenses	26	**7457.10**	7283.02
Total expenses (V)		**13153.77**	11308.48
Profit before tax (IV-V)		**1706.32**	2015.20
Tax expenses :			
(1) Current tax	27	**94.01**	–
(2) Deferred tax	7, 27	**160.46**	325.88
Total tax expenses		**254.47**	325.88
Profit for the year		**1451.85**	1689.32
Other comprehensive income			
(1) Items that will not be reclassified to profit or loss			
- Remeasurements of net defined benefit liability	33	**(4.47)**	1.82
(2) Tax relating to items that will not be reclassified to profit or loss	27.2	**0.31**	(0.10)
Total other comprehensive income		**(4.16)**	1.72
Total comprehensive income for the year		**1447.69**	1691.04
Earnings per share (in ₹) [Face value ₹ 10 each, (31 March 2016 : ₹ 10)]	28		
(1) Basic		**3.82**	4.45
(2) Diluted		**3.82**	4.45

The accompanying notes 1 to 46 are an integral part of the financial statements.

This is the Statement of Profit and Loss referred to in our report of even date.

For Price Waterhouse
Firm registration number: 301112E
Chartered Accountants

For and on behalf of the Board of Directors of Technico Agri Sciences Limited

Avijit Mukerji
Partner
Membership no.: 056155

Arup K. Mukerji
Director

Sachidanand S. Madan
Director and Company Secretary

Sanjeev K. Madan
Chief Financial Officer

Place: Kolkata
Date: 29 April 2017

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2017

A. Equity Share Capital

(Amount in ₹ lakhs)

Balance at 1 April 2015	Changes in equity share capital during the year	Balance at 31 March 2016	Changes in equity share capital during the year	Balance at 31 March 2017
3796.28	–	3796.28	–	3796.28

B. Other Equity

(Amount in ₹ lakhs)

Particulars	Retained Earnings	Capital Contribution for Share Based Payments	Total
Balance as at 1 April 2015	**8527.43**	**–**	**8527.43**
- Profit for the Year	1689.32	–	1689.32
- Other comprehensive income (net of tax)	1.72	–	1.72
Total comprehensive income	**1691.04**	**–**	**1691.04**
Transactions with owners in their capacity as owners :			
Value of share based payment recognised as capital contribution	–	183.95	183.95
Balance as at 31 March 2016	**10218.47**	**183.95**	**10402.42**
- Profit for the Year	1451.85	–	1451.85
- Other comprehensive income (net of tax)	(4.16)	–	(4.16)
Total comprehensive income	**1447.69**	**–**	**1447.69**
Transactions with owners in their capacity as owners :			
Interim dividend paid	(2657.40)	–	(2657.40)
Income tax on interim dividend paid	(540.98)	–	(540.98)
Reimbursement of value of share based payments	–	(183.95)	(183.95)
Balance as at 31 March 2017	**8467.78**	**–**	**8467.78**

The accompanying notes 1 to 46 are an integral part of the financial statements

This is the Statement of Changes in Equity referred to in our report of even date.

For Price Waterhouse
Firm registration number: 301112E
Chartered Accountants

Avijit Mukerji
Partner
Membership no.: 056155

Place: Kolkata
Date: 29 April 2017

For and on behalf of the Board of Directors of Technico Agri Sciences Limited

Arup K. Mukerji
Director

Sachidanand S. Madan
Director and Company Secretary

Sanjeev K. Madan
Chief Financial Officer

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2017

(Amount in ₹ lakhs)

Particulars	For the year ended 31 March 2017	For the year ended 31 March 2016
Cash flow from operating activities		
Profit before tax	1706.32	2015.20
Adjustments for :		
Change in fair value of biological assets (sold)	(2699.68)	(2833.17)
Change in carrying value of biological assets (sold)	2699.68	2833.17
Depreciation and amortization expense	108.96	98.15
Provision for doubtful debts	–	0.53
Property, plant and equipment written off	0.94	0.03
Employee share-based payment expense	165.52	183.95
Gain on disposal of property, plant and equipment	(0.11)	(0.51)
Unrealized foreign exchange (gain)	(0.12)	(15.00)
Gain on sale of current investments	(228.28)	(272.90)
Gain on fair value measurement of investments	(481.45)	(557.94)
Interest expense	0.14	0.86
Interest income	(0.03)	(3.81)
Provisions/Liabilities written back to the extent no longer required	(513.20)	(5.41)
Operating profit before changes in working capital	758.69	1443.15
Changes in operating assets and liabilities		
(Increase) in trade receivables	(80.76)	(48.51)
(Increase)/decrease in inventories	72.18	(368.61)
(Increase) in biological assets other than bearer plants	(438.79)	(1544.22)
Increase/(decrease) in trade payables	1205.18	(1025.27)
(Increase)/decrease in other financial assets	4.36	(5.60)
(Increase) in other non-current assets	(2.49)	(2.23)
(Increase)/decrease in other current assets	27.46	(292.27)
Increase/(decrease) in provisions	(808.33)	631.44
Increase in other financial liabilities	49.82	6.82
(Decrease) in other current liabilities	(219.24)	(1294.92)
Cash generated from operations	568.08	(2500.22)
Taxes paid (Including TDS recoverable)	(138.20)	(107.64)
Net cash inflow/(outflow) from operating activities (A)	429.88	(2607.86)
Cash flows from investing activities		
Payments for property, plant and equipment	(90.90)	(181.43)
Payments for purchase of investments	(54939.94)	(33374.00)
Proceeds from sale of investments	57747.13	36232.32
Proceeds from sale of property, plant and equipment	0.30	0.98
Interest received	–	3.78
Net cash inflow from investing activities (B)	2716.59	2681.65
Cash flows from financing activities		
Interest paid	(0.14)	(0.01)
Interim dividend paid to holding company	(2657.40)	–
Dividend distribution tax on interim dividend	(540.98)	–
Net cash (outflow) from financing activities (C)	(3198.52)	(0.01)
Net increase/(decrease) in cash and cash equivalents (A+B+C)	(52.05)	73.78
Cash and cash equivalents at the beginning of the financial year	111.03	37.25
Cash and cash equivalents at end of the year (Refer Note 11)	58.98	111.03
Cash and cash equivalents as per above comprise of the following		
(a) Balances with Banks		
- In current account	58.23	110.86
(b) Cash on hand	0.75	0.17
Total Cash and cash equivalents (Refer Note 11)	58.98	111.03

Notes :

1. The above cash flow statement has been prepared under the "Indirect Method" as set out in Indian Accounting Standard 7 "Statement of cash flows".
2. The accompanying notes 1 to 46 are an integral part of the financial statements.

This is the cash flow statement referred to in our report of even date.

For Price Waterhouse
Firm registration number: 301112E
Chartered Accountants

For and on behalf of the Board of Directors of Technico Agri Sciences Limited

Avijit Mukerji
Partner
Membership no.: 056155

Arup K. Mukerji
Director

Sachidanand S. Madan
Director and Company Secretary

Sanjeev K. Madan
Chief Financial Officer

Place: Kolkata
Date: 29 April 2017

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

1. **Nature of Operations**

Technico Agri Sciences Limited is a Company limited by shares, incorporated in India. Its Registered Office is situated at 25 Community Centre, Basant Lok, Vasant Vihar, New Delhi and Principal Place of Business is at SCO - 835, First and Second Floor, NAC Manimajra, Chandigarh. On 22 March 2016, ITC Limited acquired the entire shareholding of the Company from Technico Pty Limited, Australia. Consequently, with effect from the said date, the Company became a direct subsidiary of ITC Limited. The Company is primarily in the Agricultural Bio-Technology business of growing and selling TECHNITUBER® Seed Potatoes and Field Generated Seed Potatoes and also engages in the trading in Field Generated Seed Potatoes, Potatoes, Onions and Apples. The trial growing of Tissue Culture Plantlets of Banana is taking place in a reputed third party facility. (Refer note 4 for details of operations of the Company).

2. **Significant Accounting Policies**

a. **Statement of Compliance**

These financial statements have been prepared in accordance with Indian Accounting Standards (Ind AS) notified under section 133 of the Companies Act, 2013 (the act) and other relevant presentational requirements of the act.

Up to financial year ended 31 March 2016, the Company prepared its financial statements in accordance with the Accounting Standards notified under Companies (Accounting Standard) Rules, 2006 (as amended) and other relevant provisions of the Act.

The Company adopted Ind AS from 1 April 2016 and these are the first Ind AS financial statements of the Company. Details of the exceptions and optional exemptions availed by the Company and principal adjustments along with related reconciliations are detailed in Note 42 (First Time Adoption of Ind AS).

b. **Basis of preparation**

These financial statements are prepared in accordance with the historical cost convention, except for certain items that are measured at fair values, as explained in the accounting policies below. The financial statements are presented in Indian Rupees (INR) which is also the Company's functional currency. The financial statements are presented in Rupees Lakhs.

Fair Value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and / or disclosure purposes in these financial statements is determined on such a basis, except for share based payment transactions that are within the scope of Ind AS 102, leasing transactions that are within the scope of Ind AS 17 and measurements that have some similarities to fair value but are not fair value, such as value in use for impairment testing in Ind AS 36. In case of biological assets, cost approximates fair value when little biological transformation has taken place since initial cost incurrence or the impact of the biological transformation on price is not expected to be material.

The preparation of financial statements in conformity with Ind AS requires management to make judgements, estimates and assumptions that affect the application of the accounting policies and reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period; they are recognised in the period of the revision and future periods if the revision affects both current and future periods.

c. **Operating cycle**

All assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in the Schedule III to the Companies Act, 2013 based on the nature of products and the time between the acquisition of assets for processing and their realisation in cash and cash equivalents.

d. **Revenue Recognition**

Revenue is measured at the fair value of the consideration received or receivable and is net off returns and discounts.

The Company recognises revenue when the amount of revenue can be measured reliably, it is probable that the future economic benefits associated with the transaction will flow to the Company and specific criteria have been met for each of the company's activities as described below.

(i) **Sale of Goods**

Sales are recognised when significant risks and rewards of ownership in the goods are transferred to the buyer which normally coincides with the dispatch / delivery of goods to the customers as per the terms agreed with respective customers.

(ii) **Rental income**

Rental income is recognised in the Statement of Profit and Loss as per lease terms.

e. **Property, Plant and Equipment – Tangible Assets**

Property, Plant & Equipment are stated at cost of acquisition or construction less accumulated depreciation and impairment, if any.

Cost is 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 assets capitalised. Subsequent costs related to an item of property, plant and equipment are included in an asset's carrying amount only when it is probable that future economic benefits with respect to that item will flow to the Company and the cost of the item can be measured reliably.

On transition to Ind AS, the company has elected to continue with the carrying value of all of its property, plant and equipment recognized as at 1 April 2015 measured as per the previous GAAP and use that carrying value as the deemed cost of the Property, Plant and Equipment.

Depreciation of these assets commences when the assets are ready for their intended use which is generally on commissioning. Items of Property, Plant and Equipment, except as set out below are depreciated in a manner that amortises the cost of the assets after commissioning (or other amount substituted for cost), less its residual value, over their useful lives as specified in Schedule II of the Companies Act, 2013 on a straight line basis. Freehold land is not depreciated. All assets costing ₹ 5,000 or below are fully depreciated in the year of addition. Certain part of Plant and Equipment used in field operations is depreciated over five to eight years which is determined based on technical evaluation.

Assets	Useful life	Useful life (years) as per Schedule II
Plant and Equipment – Irrigation equipment	5 - 8 years	15 years
Licensed Properties – Building Improvements	Over the period of primary lease	

Residual values and useful lives of Property, Plant and Equipment are reviewed, and adjusted prospectively if necessary, at each balance sheet date.

Cost of assets not ready for use before year-end is treated as capital work-in-progress.

f. **Intangible Assets**

Intangible assets are classified as indefinite life intangible assets and finite life intangible assets, depending on the assessment of their useful life. Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any.

Indefinite life intangible assets

Indefinite life intangible assets are those for which there is no foreseeable limit to their useful economic life as they arise from contractual or other legal rights that can be renewed without significant cost and are the subject of continuous marketing support. They are not amortised but tested for impairment annually or more frequently if an impairment indicator is triggered.

Finite life intangible assets

Certain trademarks and software are considered to have a finite life and are amortised over the estimated useful life. The useful life over which intangible assets are amortised depends on management's estimate of the period over which economic benefit will be derived from the asset. Useful lives are periodically reviewed to ensure that they remain appropriate. If the expected useful life of the asset is significantly different from previous estimates, the amortization period is changed accordingly.

The Company amortises intangible assets with a finite useful life using the straight line method over the following periods:

- Trademarks 10 years
- Computer software 1 - 5 years

On transition to Ind AS, the company has elected to continue with the carrying value of all of its intangible assets recognized as at 1 April 2015 measured as per the previous GAAP and use that carrying value as the deemed cost of the intangible assets.

g. **Impairment of non-financial Assets**

Assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairment loss, if any, is provided to the extent that the carrying amount of assets exceed their recoverable amount.

The recoverable amount is the higher of the asset's fair value less costs to sell and value in use. The value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

The impairment losses recognised in prior years are reversed when there is an indication that the impairment losses recognised no longer exist or have decreased. Such reversals are recognised as an increase in carrying amount of assets to the extent that it does not exceed the carrying amounts that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised in the previous years.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

h. Biological Assets and Agricultural Produce

The Company's operations include activities which are agricultural in nature and are subject to the recognition, measurements and disclosure requirements of Ind AS 41 - Agriculture. Biological Assets are recognised when the Company controls the assets as a result of past events and it is probable that the future economic benefits associated with the asset will flow to the Company and fair value can be measured reliably. On initial recognition and at the end of each reporting period, the biological assets are measured at fair value less cost to sell. Cost to sell includes the incremental cost to sell including commission to traders, brokers and dealers and estimated cost to transport to the market but excludes finance costs and income taxes. Harvested biological assets (i.e. agriculture produce) are transferred to inventory at fair value less costs to sell when harvested.

Cost approximates fair value when little biological transformation has taken place since the costs were originally incurred or the impact of biological transformation on price is not expected to be material. Gains and losses arising on initial recognition of both biological assets and agricultural produce and any subsequent changes in fair value are recognised in the statement of Profit and Loss in the period in which they arise.

Cost for this purpose includes all direct costs incurred up to the stage of production of the respective inventories.

i. Inventories

Inventories are valued as follows:

(i) Raw materials & components and Stores & Spares

At cost, arrived at on FIFO basis or net realizable value, whichever is lower. Cost comprises cost of purchases.

(ii) Traded goods

At cost arrived at on FIFO basis or net realizable value, whichever is lower. Costs are determined after deducting rebates and discounts.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale.

(iii) Agricultural Produce

Agricultural produce is recognized at fair value less costs to sell at the date of harvest. Once harvested, these goods are subsequently accounted for under Ind AS 2 in the same manner as other inventories purchased from third parties.

j. Foreign Currency Transactions

(i) Initial Recognition

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount, the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

(ii) Conversion

Foreign currency monetary items are reported using the closing rate. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency, are reported using the exchange rate at the date of the transaction and non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency, are reported using the exchange rates that existed when the values were determined.

(iii) Exchange Differences

Exchange differences arising on the settlement of monetary items or on reporting monetary items of the Company, at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognised in the Statement of Profit and Loss as income or as expenses in the year in which they arise.

k. Financial instruments, Financial assets, Financial liabilities and Equity Instruments

Financial Instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the relevant instrument and are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities measured at fair value through profit or loss) are added to or deducted from the fair value on initial recognition of financial assets or financial liabilities. Purchase or sale of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date when the Company commits to purchase or sell the asset.

Financial assets

The financial assets are classified at initial recognition in the following measurement categories as:

- those subsequently measured at amortised cost.
- those to be subsequently measured at fair value [either through other comprehensive income (OCI), or through profit or loss]

Financial assets measured at amortised cost

Financial assets which are held within the business model of collection of contractual cash flows and where those cash flows represent payments solely towards principal and interest on the principal amount outstanding are measured at amortised cost. A gain or loss on a financial asset that is measured at amortised cost and is not a part of hedging relationship is recognised in profit or loss when the asset is derecognized or impaired.

Financial assets measured at fair value through other comprehensive income

Financial assets that are held within a business model of collection of contractual cash flows and for selling and where the assets' cash flow represents payment solely towards principal and interest on the principal amount outstanding are measured at fair value through OCI. Movements in carrying amount are taken through OCI, except for recognition of impairment gains or losses. When a financial asset, other than investment in equity instrument, is derecognised, the cumulative gain or loss previously recognized in OCI is reclassified from equity to statement of profit and loss.

Classification of equity instruments, not being investments in subsidiaries, associates and joint arrangements, depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through OCI. When investment in such equity instrument is derecognized, the cumulative gains or losses recognized in OCI is transferred within equity on such derecognition.

Financial assets measured at fair value through profit or loss

Financial assets are measured at fair value through profit or loss unless it is measured at amortised cost or at fair value through other comprehensive income on initial recognition. Movements in fair value of these instruments are taken in profit or loss. A gain or loss on a financial asset that is measured at fair value through profit and loss is recognised in profit or loss when the asset is derecognized or impaired.

Impairment of financial assets

The Company assesses at each balance sheet date whether a financial asset or a group of financial assets is impaired. Impairment losses are recognised in the profit or loss where there is an objective evidence of impairment based on reasonable and supportable information that is available without undue cost or effort. For financial assets measured at amortised cost, expected credit losses are measured and assessed for credit losses where the credit risk on the financial asset has increased significantly since initial recognition. The Company recognises loss allowances on trade receivables when there is objective evidence that the Company will not be able to collect all the due amounts depending on product categories and the payment mechanism prevailing in the industry.

Financial liability and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. Financial liabilities are classified, at initial recognition, as subsequently measured at amortised cost unless they fulfill the requirement of measurement at fair value through profit or loss. Where the financial liability has been measured at amortised cost, the difference between the initial carrying amount of the financial liabilities and their redemption value is recognized in the Statement of Profit and Loss over the contractual terms using the effective interest rate method. Financial liabilities at fair value through profit or loss are carried at fair value with changes in fair value recognised in the finance income or finance cost in the Statement of Profit or Loss.

An equity instrument is a contract that evidences residual interest in the assets of the company after deducting all of its liabilities. Equity instruments recognised by the Company are recognised at the proceeds received net off direct issue cost.

Derecognition of financial assets and financial liabilities

Financial assets are derecognised when the rights to receive benefits have expired or been transferred, and the Company has transferred substantially all risks and rewards of ownership of such financial asset. Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

Income recognition on financial assets

Interest income from financial assets is recognised in profit or loss using effective interest rate method. Dividend income is recognised in profit or loss only when the Company's right to receive payments is established and the amount of dividend can be measured reliably

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the balance sheet where there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

l. Employee Benefits

(i) **Provident Fund and Employee State Insurance Scheme:** Contribution towards Provident Fund and Employee State Insurance scheme for employees is made to the regulatory authorities, where the Company has no further obligations. Such benefits are classified as Defined Contribution Schemes as the Company does not carry any further obligations, apart from the contributions made on a monthly basis. The contributions are charged to the Statement of Profit and Loss of the year, when the contributions to the respective funds are due.

(ii) **Gratuity:** Gratuity liability is a Defined Benefit Obligation and is provided for on the basis of an actuarial valuation on Projected Unit Credit Method made at the end of each financial year. Service costs and net interest expense or income is reflected in the Statement of Profit and Loss. Gain or loss on account of remeasurement are recognised immediately through Other Comprehensive Income in the period in which they occur.

The Company has taken a Policy with Life Insurance Corporation of India (LIC) to cover the gratuity liability with respect to the employees and the premium paid to LIC is charged to Statement of Profit & Loss. The difference between the actuarial valuation of the gratuity with respect to employees at the year-end and the contribution paid to LIC is further adjusted in the books of accounts.

(iii) **Compensated Absences:** Long term compensated absences are provided for based on actuarial valuation at the year end. The actuarial valuation is done as per Projected Unit Credit Method. Actuarial gains / losses are recognised in the Statement of Profit and Loss in the year in which they arise. The benefit is unfunded.

(iv) **Short Term Employee Benefits:** Liability is recognised during the period when the employee renders the services.

(v) **Long Term Incentive Scheme:** Liability for Long Term Incentive Scheme is provided for based on actuarial valuation at the year end. The actuarial valuation is done as per Projected Unit Credit Method. Actuarial gains/losses are recognised in the Statement of Profit and Loss.

m. Employee Share Based Compensation

Certain employees of the company / holding company on deputation are covered under the stock option plans of the holding company. These plans are assessed, managed and administered by the holding company. Fair value of such stock options is calculated using Black Scholes pricing model at the grant date.

The fair value of options granted under the ITC Employee Stock Option Scheme applicable to eligible employees of the Company and deputed employees of ITC Limited is charged in the Statement of Profit and Loss on a straight line basis over the service period / option vesting period with a corresponding increase in equity net of reimbursements, if any.

n. Taxes on Income

Taxes on income comprise current taxes and deferred taxes.

Current tax in the Statement of Profit and Loss is provided as the amount of tax payable in respect of taxable income for the period using tax rates enacted or substantively enacted during the period, together with any adjustment to tax payable in respect of previous years.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes using the tax rates enacted or substantively enacted during the period.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses to the extent that it is reasonably certain that future taxable profits will be available against which the deductible temporary differences can be utilized.

Tax assets and tax liabilities are offset when there is a legally enforceable right to offset tax assets and liabilities and these relate to the same taxation authority.

Income tax, in so far as it relates to items disclosed under Other Comprehensive Income or Equity, is disclosed separately under Other Comprehensive Income or Equity, as applicable.

o. Leases

Lease is recognised as a finance lease whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases i.e. where the lessor effectively retains substantially all the risks and benefits of ownership.

Company as a Lessee

Rentals payable under operating leases are charged to the Statement of Profit and Loss on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases.

Company as a Lessor

Leases in which the Company does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Where the Company is a lessor under an operating lease, the asset is capitalised within Property, Plant and Equipment and depreciated over its useful economic life. Lease income from operating leases is recognized in income on a straight-line basis over the lease term unless the receipts are structured to increase in line with expected general inflation to compensate for the expected inflationary cost increases.

p. Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of past event and it is probable that the Company will be required to settle the obligation, in respect of which a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision at the end of the reporting period is the best estimate of the consideration required to settle the present obligation, taking into account the risks and uncertainties surrounding the obligation.

q. Claims

Claims against the Company not acknowledged as debts are disclosed after a careful evaluation of the facts and legal aspects of the matter involved.

r. Dividend Distribution

Dividends (including income tax thereon) are recognised in the financial statements in the period in which the related dividends are actually paid or, in respect of the Company's final dividend for the year, when the same are approved by shareholders.

s. Operating Segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors. (Refer note 40)

t. Cash and cash equivalents

Cash and cash equivalents in the cash flow statement include cash on hand, demand deposits with banks, other short-term highly liquid investments with original maturities of three months or less.

u. Earnings per share

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders (after deducting attributable taxes) by the weighted average number of equity shares outstanding during the period. Partly paid equity shares are treated as a fraction of an equity share to the extent that they were entitled to participate in dividends relative to a fully paid equity share during the reporting period.

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (Contd.)

3.1. Property, plant and equipment

(Amount in ₹ lakhs)

Particulars	Land (Freehold)	Buildings	Plant and equipment	Furniture and fixtures	Leasehold properties - Building improve-ments	Office equipment	Computers, servers & other IT equipments	Vehicles	Total
Gross carrying amount									
Deemed Cost as									
At 1 April 2015	**151.93**	**275.20**	**447.55**	**3.77**	**23.35**	**1.13**	**11.97**	**28.29**	**943.19**
Additions	–	–	173.22	0.07	–	–	6.07	9.48	188.84
Disposals	–	–	(0.28)	–	–	(0.02)	(1.31)	–	(1.61)
At 31 March 2016	**151.93**	**275.20**	**620.49**	**3.84**	**23.35**	**1.11**	**16.73**	**37.77**	**1130.42**
Additions	–	–	64.29	0.11	–	–	10.05	24.26	98.71
Disposals	–	–	(1.27)	–	–	(0.02)	(0.02)	(0.19)	(1.50)
At 31 March 2017	**151.93**	**275.20**	**683.51**	**3.95**	**23.35**	**1.09**	**26.76**	**61.84**	**1227.63**

(Amount in ₹ lakhs)

Particulars	Land (Freehold)	Buildings	Plant and equipment	Furniture and fixtures	Leasehold properties - Building improve-ments	Office equipment	Computers, servers & other IT equipments	Vehicles	Total
Accumulated Depreciation									
At 1 April 2015	–	–	–	–	–	–	–	–	–
Charge for the year	–	12.51	63.92	0.76	5.31	0.29	6.55	5.48	94.82
Disposals	–	–	(0.02)	–	–	–	(1.09)	–	(1.11)
At 31 March 2016	–	**12.51**	**63.90**	**0.76**	**5.31**	**0.29**	**5.46**	**5.48**	**93.71**
Charge for the year	–	12.51	71.85	0.73	5.31	0.18	7.07	7.80	105.45
Disposals	–	–	(0.38)	–	–	–	–	–	(0.38)
At 31 March 2017	–	**25.02**	**135.37**	**1.49**	**10.62**	**0.47**	**12.53**	**13.28**	**198.78**
Net carrying amount									
At 31 March 2016	**151.93**	**262.69**	**556.59**	**3.08**	**18.04**	**0.82**	**11.27**	**32.29**	**1036.71**
At 31 March 2017	**151.93**	**250.18**	**548.14**	**2.46**	**12.73**	**0.62**	**14.23**	**48.56**	**1028.85**

Note :
1. Freehold Land amounting to ₹ 3.28 lakhs (Previous Year ₹ 3.28 lakhs) is pending registration in the name of the Company.
2. Land amounting ₹ 101.99 lakhs (Previous Year ₹ 101.99 lakhs) has been given to Parent Company on operating lease.

3.2 Intangible assets

(Amount in ₹ lakhs)

Particulars	Technical know how**	Computer software	Trademarks	Total
Gross carrying amount				
Deemed Cost as				
At 1 April 2015	–	**11.66**	–	**11.66**
Additions	–	–	0.50	0.50
At 31 March 2016	–	**11.66**	**0.50**	**12.16**
Additions	–	1.38	–	1.38
At 31 March 2017	–	**13.04**	**0.50**	**13.54**
Accumulated amortization				
At 1 April 2015	–	–	–	–
Charge for the year	–	3.33	*	3.33
At 31 March 2016	–	**3.33**	*	**3.33**
Charge for the year	–	3.46	0.05	3.51
At 31 March 2017	–	**6.79**	**0.05**	**6.84**
Net carrying amount				
At 31 March 2016	–	**8.33**	**0.50**	**8.83**
At 31 March 2017	–	**6.25**	**0.45**	**6.70**

* Amount is below the rounding off norm adopted by the company.

** Gross block of ₹ 938.37 lakhs, accumulated depreciation ₹ 938.37 lakhs has been shown as ₹ Nil as the Company has elected to consider carrying value as deemed cost at the date of transition to Ind AS.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (Contd.)

4. Biological assets other than bearer plants (Amount in ₹ lakhs)

Particulars	For the year ended 31 March 2017	For the year ended 31 March 2016
Opening value of biological assets	6338.10	4793.88
Biological assets acquired during the year	77.21	203.08
Cost Incurred during the year	6562.23	6887.48
Changes in fair value	2699.68	2833.17
Biological assets sold during the year	(8269.40)	(8002.67)
Harvested potatoes transferred to inventories and sold during the year	(266.62)	(57.57)
Harvested potatoes transferred to inventories	(364.31)	(319.27)
Closing value of biological assets	6776.89	6338.10

As at 31 March 2017, the Company had 7648265 Nos. TECHNITUBER® Seed Potatoes (31 March 2016 - 7135747 numbers, 1 April 2015 - 7355904 numbers).
As at 31 March 2017, there were 57455 MT of Field Generated Seed Potatoes (31 March 2016 - 54601 MT, 1 April 2015 - 42447 MT). During the year, output of agricultural produce (potatoes) is 18050 MT (31 March 2016 - 7281 MT).

In October 2016 - 12083 MT (October 2015 - 9686 MT) of seed potatoes were planted and in February/March 2017 - 74967 MT (February/March 2016 - 60656 MT) of seed potatoes were harvested as a result of quantitative biological transformation.

Estimated amount of contracts remaining to be executed for acquisition / development of biological assets are ₹8.79 lakhs (31 March 2016 - ₹ 8.57 lakhs, 1 April 2015 - ₹ 56.65 lakhs)

Groups of Biological Assets : The Company has identified three groups of biological assets – TECHNITUBER® Seed, Field Generated Seed Potatoes and Banana Tissue Culture Plantlets under Ind AS 41 – Agriculture.

TECHNITUBER® Seed: The TECHNITUBER® seed i.e. Generation – 0 (G-0) are produced by the Company in the Greenhouse nurseries maintained at the facility situated at village Manpura, District Solan (HP). These seeds are produced through TECHNITUBER® Technology in greenhouses under controlled environment which involves a complex series of integrated processes being applied to pathogen tested tissue culture plantlets. TECHNITUBER® Seed Potato technology is a scientifically advanced process of producing large volumes of miniature seed potatoes from virus and pathogen free nucleus material.

Field Generated Seed Potatoes : TECHNITUBER® seed produced through TECHNITUBER® technology are multiplied by growing high yielding early generation seed potatoes in farms. TECHNITUBER® seed (G-0) are planted in farms for further growing to the next stage i.e. G-1. These G-1 Seeds are again multiplied next year into G-2 and so on till it is ready for sale. The multiplication of G - 0 to G - 1 takes place in Company leased farms. The multiplication of G-2 onward seed is done with select trained growers as per strict agronomy protocols, with traceability, under the supervision and guidance of the Company's agronomy team.

The Company manages the biological transformation of its seed potatoes and monitors multiplication of the cycle(s) / generation(s) of such seed potatoes, which falls within the ambit of agricultural activity in accordance with Ind AS 41-Agriculture. This agricultural activity leads to the harvest of biological assets for sale or for conversion into agricultural produce or into additional biological assets. As these biological assets are consumable in nature, the operating cycle of biological transformation is less than one year for each stage of multiplication and hence the biological assets have been classified as current. During the process of managing the biological change based on certain attributes, the Company groups its biological assets depending on whether significant biological transformation has taken place since initial incurrence of cost. The marketability as a biological asset is dependent on various attributes including the potential to take the product to subsequent cycle(s) of biological transformation. The financial year end of the Company coincides with the harvest and at harvest, only quantitative biological transformation takes place, which is considered insignificant. Seed potatoes when harvested in February/March need to undergo the process of physiological ageing which takes place inside the cold stores under prescribed conditions before they are sold/transferred for further planting. Hence, as on 31 March, 2017, due to insignificant biological transformation till balance sheet date, the biological assets of the Company are valued at cost, which approximates fair value. The company determines the fair values of its product when they significantly achieve these attributes of intended biological transformation.

Banana Tissue Culture Plantlets : The Company imports mother cultures and multiplication of tissue culture banana plantlets takes place at the nurseries of a reputed third party facility using tissue culture technology under the Company's supervision.

Agricultural Produce : Agricultural produce is the harvested product of the entity's biological assets. Where the attributes of the biological asset attain the characteristics of agricultural produce, i.e., to be used for consumption, the same is fair valued on such date and is considered as inventory thereafter.

Risk Management Strategy : The Company is exposed to risks arising from fluctuation in price and sales volume of field produced early generation seed potatoes. The Company manages this risk by aligning its production to anticipated demand and taking early corrective steps to recognize and dispose excess stocks. Field produced early generation seed potatoes are exposed to virus and other diseases as well climatic conditions. The Company has established extensive processes and procedures based on its long experience to monitor and mitigate such risks, including preventive pest and disease sprays, regular inspection of the crop in its growth phase, regular weather monitoring and mitigating measures.

5.1. Non current investments (Amount in ₹ lakhs)

Particulars	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
Investment in mutual funds (measured at fair value through profit or loss)			
Quoted			
Reliance Fixed Horizon Fund -XXVI - Series 31 Nil (2016 - 50,00,000, 2015 - Nil) Units of ₹ 10.00 each	–	580.48	–
Birla Sun Life Fixed Term Plan - Series LQ (1113 D) Nil (2016 - 50,00,000, 2015 - Nil) Units of ₹ 10.00 each	–	578.23	–
Total	–	1158.71	–
Total non current investments			
Aggregate amount of quoted investments and market value thereof	–	1158.71	–
Aggregate amount of unquoted investments	–	–	–
Aggregate amount of impairment in the value of investments	–	–	–

5.2. Current investments (Amount in ₹ lakhs)

Particulars	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
Investment in mutual funds (measured at fair value through profit or loss)			
Quoted			
Birla Sun Life Fixed Term Plan - Series LQ (368 D) Nil (2016 - Nil, 2015 - 50,00,000) Units of ₹ 10.00 each	–	–	532.51
Birla Sun Life Fixed Term Plan - Series LQ (1113 D) 50,00,000 (2016 - Nil, 2015 - Nil) Units of ₹ 10.00 each	626.10	–	–
Reliance Fixed Horizon Fund -XXVI - Series 31 50,00,000 (2016 - Nil, 2015 - 50,00,000) Units of ₹ 10.00 each	629.55	–	534.74
Total quoted investments (A)	1255.65	–	1067.25
Unquoted			
Birla Sun Life Cash Manager Nil (2016 - 4,60,214, 2015 - 7,54,097) Units of ₹ 100.00 each	–	1715.57	2579.12
Reliance Medium Term Fund 24,73,428 (2016 - 24,73,428, 2015 - 24,73,428) Units of ₹ 10.00 each	858.02	784.93	720.29
ICICI Prudential Ultra Short Term Plan 50,32,098 (2016 - 50,32,098, 2015 - 50,32,098) Units of ₹ 10.00 each	861.11	785.32	720.33
ICICI Prudential Banking & PSU Debt Fund 46,26,539 (2016 - 46,26,539, 2015 - 46,26,539) Units of ₹ 10.00 each	875.78	786.86	721.49
Birla Sun Life Short Term Fund 13,75,081 (2016 - 13,75,081, 2015 - 13,75,081) Units of ₹ 10.00 each	860.02	784.73	721.21
HDFC Short Term Opportunities Fund 47,12,535 (2016 - 47,12,535, 2015 - 47,12,535) Units of ₹ 10.00 each	852.99	782.20	720.12
Reliance Liquid Fund Treasury Plan Growth Nil (2016 - 32,593, 2015 - Nil) Units of ₹1000.00 each	–	1204.31	–
DWS Ultra Short Term Fund Nil (2016 - Nil, 2015 - 1,64,95,964) Units of ₹10.00 each	–	–	2780.30
SBI Premier Liquid Fund 13,384 (2016 - Nil, 2015 - Nil) Units of ₹1000.00 each	341.61	–	–
Total unquoted investments (B)	4649.53	6843.92	8962.86
Total Current Investments (A+B)	5905.18	6843.92	10030.11
Total current investments			
Aggregate amount of quoted investments and market value thereof	1255.65	–	1067.25
Aggregate amount of unquoted investments	4649.53	6843.92	8962.86
Aggregate amount of impairment in the value of investments	–	–	–

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (Contd.)

6. Other Financial assets

(Amount in ₹ lakhs)

Particulars	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
Non-Current			
Security deposits	5.79	5.79	5.79
Total	5.79	5.79	5.79
Current			
Security deposits	3.45	3.45	2.10
Other receivables from related parties (refer note 41)	–	4.36	0.01
Interest accrued on fixed deposits	0.26	0.23	0.20
Total	3.71	8.04	2.31

7. Deferred tax assets/(liabilities) (net)

(Amount in ₹ lakhs)

Particulars	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
Deferred tax assets	–	19.58	221.46
Deferred tax liabilities	(104.82)	–	–
Total	(104.82)	19.58	221.46

Movement in deferred tax assets/(liabilities) balances

FY 2016-17

(Amount in ₹ lakhs)

Particulars	Opening Balance	Recognized in profit or loss	Recognized in OCI	Closing Balance
Deferred tax assets in relation to:				
On account of unabsorbed depreciation	63.34	(63.34)	–	–
Remeasurements of net defined benefit liability	–	–	0.42	0.42
Total Deferred tax assets	**63.34**	**(63.34)**	**0.42**	**0.42**
Deferred tax liabilities in relation to :				
Gain on financial assets designated at FVTPL	252.95	97.12	–	350.07
Remeasurements of net defined benefit liability	0.10	–	0.10	0.21
Total Deferred tax liabilities	**253.05**	**97.12**	**0.10**	**350.28**
Deferred tax liabilities (net) before MAT credit entitlement	**(189.71)**	**(160.46)**	**0.31**	**(349.86)**
MAT Credit Entitlement	209.29	35.75	–	245.04
Deferred tax liabilities (net)	**19.58**	**(124.71)**	**0.31**	**(104.82)**

FY 2015-16

(Amount in ₹ lakhs)

Particulars	Opening Balance	Recognized in profit or loss	Recognized in OCI	Closing Balance
Deferred tax assets in relation to:				
On account of unabsorbed depreciation	241.62	(178.28)	–	63.34
Total Deferred tax assets	**241.62**	**(178.28)**	**–**	**63.34**
Deferred tax liabilities in relation to :				
Gain on financial assets designated at FVTPL	105.35	147.60	–	252.95
Remeasurements of net defined benefit liability	–	–	0.10	0.10
Total Deferred tax liabilities	**105.35**	**147.60**	**0.10**	**253.05**
Deferred tax liabilities (net) before MAT credit entitlement	**136.27**	**(325.88)**	**(0.10)**	**(189.71)**
MAT Credit Entitlement	85.19	124.10	–	209.29
Deferred tax assets (net)	**221.46**	**(201.78)**	**(0.10)**	**19.58**

8. Other assets

(Amount in ₹ lakhs)

Particulars	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
Non-current			
Capital Advances	–	–	7.91
Others			
- Prepaid expenses	3.46	2.78	0.55
- Security deposits	10.51	8.70	8.70
- Advance income tax including TDS recoverable (Net of provision for income tax)	20.92	12.50	29.81
Total	34.89	23.98	46.97
Current			
Unsecured considered good			
- Advances to suppliers	280.18	323.09	36.24
- Advances to employees	0.97	0.70	0.40
- Prepaid expenses	23.72	17.86	16.32
- Balance with government authorities	18.24	8.92	5.33
Doubtful			
- Advances to suppliers	3.93	3.93	3.93
- Provision for doubtful advances	(3.93)	(3.93)	(3.93)
Total	323.11	350.57	58.29

9. Inventories

Particulars	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
Inventories (valued at lower of cost and net realisable value)			
Raw materials and components (Refer Note 20)	138.99	84.17	92.90
Finished goods (Agricultural Produce) *	364.31	319.27	276.15
Traded goods	271.31	438.10	105.92
Stores & Spares	20.96	26.21	24.17
Total	795.57	867.75	499.14

* Agricultural produce of ₹ 364.31 lakhs (31 March 2016 ₹ 319.27 lakhs, 1 April 2015 ₹ 276.15 lakhs) has been valued at fair value less cost to sell at the time of harvest. The same was written down by ₹ 1144.06 lakhs (31 March 2016 ₹ 299.82 lakhs) to arrive at fair value less cost to sell at the time of harvest.

10. Trade receivables

Particulars	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
Current			
Unsecured, considered good (refer note 41)	305.04	224.16	161.28
Unsecured, considered doubtful	183.70	183.70	183.17
Less : Allowance for doubtful receivables	(183.70)	(183.70)	(183.17)
Total	305.04	224.16	161.28

11. Cash and cash equivalents

Particulars	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
Balances with Banks			
- In current account	58.23	110.86	37.01
Cash on hand	0.75	0.17	0.24
Total	58.98	111.03	37.25

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (Contd.)

12. Equity share capital

Authorised Equity Share capital

(Amount in ₹ lakhs)

Particulars	Number of Shares	Amount
As at 1 April 2015	40000000	4000.00
Increase during the year	–	–
As at 31 March 2016	40000000	4000.00
Increase during the year	–	–
As at 31 March 2017	**40000000**	**4000.00**
Issued, subscribed and fully paid-up		
As at 1 April 2015	37962800	3796.28
Increase during the year	–	–
As at 31 March 2016	37962800	3796.28
Increase during the year	–	–
As at 31 March 2017	**37962800**	**3796.28**

12.1 Reconciliation of the shares outstanding at the beginning and at the end of the year

(Amount in ₹ lakhs)

Particulars	Number of Shares	Amount
Balance at 1 April 2015	37962800	3796.28
Shares issued/(bought back) during the year	–	–
Balance at 31 March 2016	37962800	3796.28
Shares issued/(bought back) during the year	–	–
Balance at 31 March 2017	**37962800**	**3796.28**

12.2 Right, preferences and restrictions attached to share

The equity shares of the company, having par value of ₹ 10 per share, rank pari passu in all respects including voting rights and entitlement to dividend.

12.3 Details of shares held by the holding company

Out of equity shares issued by the company, shares held by its holding company are as below :

(Amount in ₹ lakhs)

Particulars	Numbers	Amount
As at 31 March 2017		
Equity shares of ₹ 10 each fully paid		
ITC Limited, immediate and ultimate holding company#	37962794	3796.28
ITC Limited, immediate and ultimate holding company#, jointly with other share holders#	6	*
As at 31 March 2016		
Equity shares of ₹ 10 each fully paid		
ITC Limited, immediate and ultimate holding company#	37962794	3796.28
ITC Limited, immediate and ultimate holding company#, jointly with other share holders#	6	*
As at 1 April 2015		
Equity shares of ₹ 10 each fully paid		
Technico Pty Ltd., the Holding Company#	37962794	3796.28
Technico Pty Ltd.,the Holding Company, jointly with other share holders#	6	*

* Amount is below the rounding off norm adopted by the company.

12.4 Details of shares held by each shareholder holding more than 5% shares

Particulars	As at 31 March 2017		As at 31 March 2016		As at 1 April 2015	
	Number of shares held	% holding of equity shares	Number of shares held	% holding of equity shares	Number of shares held	% holding of equity shares
Equity Shares of ₹ 10 each fully paid						
Technico Pty Ltd., the holding company#	–	–	–	–	37962794	99.99%
ITC Limited, immediate and ultimate holding company #	**37962794**	**99.99%**	37962794	99.99%	–	–

\# On 22 March 2016, ITC Limited acquired the entire shareholding of the Company from Technico Pty Limited, Australia. Consequently with effect from the said date, the Company became a direct subsidiary of ITC Limited.

13. Other equity

Retained Earnings

(Amount in ₹ lakhs)

Particulars	For the year ended 31 March 2017	For the year ended 31 March 2016
Balance at beginning of year	**10218.47**	8527.43
Add : Profit for the year	**1451.85**	1689.32
Add/(Less) : Other comprehensive income/(expense) arising from remeasurement of net defined benefit obligation (net of income tax)	**(4.16)**	1.72
Less : Payment of interim dividend	**(2657.40)**	–
Less : Dividend distribution tax on interim dividend	**(540.98)**	–
Balance at end of year	**8467.78**	**10218.47**
Capital Contribution for Share Based Payments*		
Balance at beginning of year	**183.95**	–
Add : Value of share based payment recognised as capital contribution	**–**	183.95
Less : Reimbursement of value of Share Based Payments	**(183.95)**	–
Balance at end of year	**–**	183.95
Total	**8467.78**	**10402.42**
* Refer Note 34		

14. Provisions

(Amount in ₹ lakhs)

Particulars	Non-Current			Current		
	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
Provision for employee benefits (refer note 33)						
Provision for gratuity	17.78	7.73	5.46	–	–	–
Provision for leave benefits	37.72	31.82	31.65	3.87	4.04	4.52
Provision for long term incentive plan	84.22	63.86	41.20	–	–	–
Other provisions						
Provision for market linked incentive (refer note below)	–	–	–	–	840.00	235.00
Total	139.72	103.41	78.31	3.87	844.04	239.52

Note: In accordance with Indian Accounting Standard 37 "Provisions, Contingent Liabilities and Contingent Assets", the movement of provisions is detailed below:

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (Contd.)

The above provision relate to the estimated outflow in respect of market linked incentive. Due to very nature of such costs, it is not practicable for the Company to exactly estimate the timing and cash outflows.

(Amount in ₹ lakhs)

Description	Balance as on 1 April 2016	Additions during the year	Utilised / Reversed during the year	Balance as on 31 March 2017
Provision for market linked incentive	840.00	-	840.00	-
	(235.00)	(840.00)	(235.00)	(840.00)
Figures in bracket indicate previous year figures.				

15. Trade Payables

(Amount in ₹ lakhs)

Particulars	Current As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
Trade outstanding dues to micro enterprises and small enterprises	–	–	–
Trade outstanding dues to other than micro enterprises and small enterprises	2007.79	1315.81	2346.49
Total	2007.79	1315.81	2346.49

Based on information available on the status of the suppliers, the Company does not have any dues to enterprises covered under Micro, Small and Medium Enterprises Development Act, 2006 as at 31 March 2017 (31 March 2016 : ₹ Nil , 1 April 2015 : ₹ Nil).

16. Other current financial liabilities

(Amount in ₹ lakhs)

Particulars	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
Employee related payables	74.97	43.95	37.64
Deposit from dealers	1.80	1.80	1.80
Payable for fixed asset	9.70	0.51	–
Payable to holding company (Refer Note 41)	368.27	–	–
Total	454.74	46.26	39.44

17. Other current liabilities

(Amount in ₹ lakhs)

Particulars	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
Advances from customers	253.98	465.86	1762.45
Statutory dues including provident fund and tax deducted at source	15.73	23.09	21.41
Total	269.71	488.95	1783.86

18. Revenue from operations

(Amount in ₹ lakhs)

Particulars	For the year ended 31 March 2017	For the year ended 31 March 2016
Sale of products		
Biological assets	8269.40	8002.67
Agricultural Produce	515.37	314.83
Traded Goods	1954.46	1109.03
Other operating revenues		
Sale of old empty bags	70.46	57.77
Others	25.72	42.63
Total	10835.41	9526.93

19. Other income

(Amount in ₹ lakhs)

Particulars	For the year ended 31 March 2017	For the year ended 31 March 2016
Interest income on Bank Deposits and Others	0.03	3.81
Lease rental income [Refer Note 32(ii)]	101.93	101.93
Provisions/Liabilities written back to the extent no longer required	513.20	5.41
Gain on disposal of property, plant and equipment	0.11	0.51
Exchange differences (net)	–	21.08
Gain on sale of current investments	228.28	272.90
Gain on fair value measurement of investments	481.45	557.94
Total	1325.00	963.58

20. Cost of raw material and components consumed

(Amount in ₹ lakhs)

Particulars	For the year ended 31 March 2017	For the year ended 31 March 2016
Inventory at the beginning of the year	84.17	92.90
Add: purchases	766.86	651.56
	851.03	744.46
Less: inventory at the end of the year	138.99	84.17
Cost of raw material and components consumed	712.04	660.29

Details of raw material and components consumed

(Amount in ₹ lakhs)

Particulars	For the year ended 31 March 2017	For the year ended 31 March 2016
Plantlets	8.79	13.97
Chemicals and fertilizers	74.30	57.87
Packing stores	628.95	588.45
Total	712.04	660.29

Details of inventory

(Amount in ₹ lakhs)

Particulars	As at 31 March 2017	As at 31 March 2016
Raw materials and components		
Chemicals and fertilizers	19.81	22.09
Packing stores	119.18	62.08
Total	138.99	84.17

21. Purchases of stock-in-trade and biological assets

(Amount in ₹ lakhs)

Particulars	For the year ended 31 March 2017	For the year ended 31 March 2016
Biological assets		
- Field generated seed potatoes	77.21	203.08
Stock-in-trade		
- Potatoes	1140.74	1210.68
- Apples	182.71	–
- Onions	44.03	–
- Insecticides, fungicides and micronutrients	46.34	115.98
- Banana Tissue Culture Plantlets	7.00	–
Total	1498.03	1529.74

22. Changes in inventories of finished goods, stock-in- trade and biological assets

(Amount in ₹ lakhs)

Particulars	For the year ended 31 March 2017	For the year ended 31 March 2016
Finished goods - Traded goods		
Inventories at the end of the year	271.31	438.10
Inventories at the beginning of the year	438.10	105.92
(Increase)/decrease (a)	166.79	(332.18)
Finished Goods - Agricultural Produce		
Inventories at the end of the year	364.31	319.27
Inventories at the beginning of the year	319.27	276.15
(Increase)/decrease (b)	(45.04)	(43.12)
Biological assets		
Inventories at the end of the year	6776.89	6338.10
Inventories at the beginning of the year	6338.10	4793.88
(Increase)/decrease (c)	(438.79)	(1544.22)
Total Changes in inventories of finished goods, stock-in- trade and biological assets (a+b+c)	(317.04)	(1919.52)

Details of inventory and Biological assets

(Amount in ₹ lakhs)

Particulars	As at 31 March 2017	As at 31 March 2016
Finished Goods		
Field generated potatoes (Agriculture Produce)	364.31	319.27
Total (a)	364.31	319.27
Traded goods		
Potatoes	271.31	438.08
Insecticides, fungicides and micronutrients	–	0.02
Total (b)	271.31	438.10
Total (a+b)	635.62	757.37
Biological assets	6776.89	6338.10
Total	6776.89	6338.10

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (Contd.)

23. Employee benefits expense

(Amount in ₹ lakhs)

Particulars	For the year ended 31 March 2017	For the year ended 31 March 2016
Salaries and wages	775.45	592.12
Contribution to provident and other funds (Refer Note 33)	24.76	17.48
Share-based payments to employees (Refer Note 34)	165.52	183.95
Staff welfare expenses	29.13	29.22
Total	994.86	822.77

24. Finance costs

(Amount in ₹ lakhs)

Particulars	For the year ended 31 March 2017	For the year ended 31 March 2016
Interest expense	0.14	0.86
Total	0.14	0.86

25. Depreciation and amortisation expense

(Amount in ₹ lakhs)

Particulars	For the year ended 31 March 2017	For the year ended 31 March 2016
Depreciation of property, plant and equipment (Refer Note 3)	105.45	94.82
Amortisation of intangible assets (Refer Note 3)	3.51	3.33
Total	108.96	98.15

26. Other expenses

(Amount in ₹ lakhs)

Particulars	For the year ended 31 March 2017	For the year ended 31 March 2016
Consumption of stores and spares	10.33	7.99
Farming Charges	3650.47	3795.24
Power and fuel	126.28	140.31
Freight and forwarding charges	836.25	815.28
Rent [Refer Note 32(i)]		
- Agricultural land	826.91	646.71
- Office and Others	63.87	59.45
Storage and handling cost	1492.65	1322.36
Rates and taxes	5.16	5.27
Insurance	22.06	18.48
Repairs and maintenance		
- Plant and machinery	20.99	133.80
- Buildings	0.71	0.51
- Others	24.83	22.12
Advertising and sales promotion	2.39	0.24
Sales commission	3.33	0.27
Travelling and conveyance	108.22	101.56
Telephone, postage and telegram expenses	22.31	24.25
Printing and stationery	5.35	5.80
Legal and professional fees	71.57	34.89
Payment to auditors (refer note 26.1 below)	13.56	14.99
Exchange differences (net)	11.36	–
Provision for doubtful debts	–	0.53
Expenditure towards corporate social responsibility (CSR) (refer note 29)	53.50	51.00
Miscellaneous expenses	85.00	81.97
Total	7457.10	7283.02

26.1. Payment to auditors

(Amount in ₹ lakhs)

Particulars	For the year ended 31 March 2017	For the year ended 31 March 2016
As Auditor:		
Audit fee	9.20	6.90
Tax audit fee	1.73	1.73
In other capacities		
Re-imbursement of expenses	0.90	1.15
Other services	1.73	5.21
Total	13.56	14.99

27. Income taxes

27.1. Tax expenses recognised in Statement of Profit and Loss

(Amount in ₹ lakhs)

Particulars	For the year ended 31 March 2017	For the year ended 31 March 2016
Current tax		
In respect of the current year	129.76	124.10
Less : MAT credit entitlement	(35.75)	(124.10)
Total (a)	94.01	–
Deferred tax		
In respect of the current year	160.46	325.88
Total (b)	160.46	325.88
Grand Total (a+b)	254.47	325.88

27.2 Tax expenses recognised in Other comprehensive income

(Amount in ₹ lakhs)

Particulars	For the year ended 31 March 2017	For the year ended 31 March 2016
Deferred tax charge/(credit) :		
Arising on remeasurements of net defined benefit liability	0.31	(0.10)
Total	0.31	(0.10)

27.3 Reconciliation of effective tax rate

The reconciliation between the income tax expenses and amount computed by applying the standard rate of income tax to profit before taxes is as follows :

(Amount in ₹ lakhs)

Particulars	For the year ended 31 March 2017	For the year ended 31 March 2016
Profit before tax	1706.32	2015.20
Income Tax expense calculated at 33.063% (2016-33.063%)	564.16	666.29
Effects of :		
- Agricultural income - exempt from Income tax in determining taxable profit	256.61	317.47
- Benefit of previously unrecognised unabsorbed depreciation to reduce deferred tax expense	53.08	–
- Others	–	22.94
Income Tax expenses recognised in Statement of Profit and Loss	254.47	325.88

The tax rate used for the year 2015-16 and 2016-17 reconciliations above is the corporate tax rate of 33.063% (30% + surcharge @ 7% and education cess @ 3%) payable on taxable profits under the Income Tax Act, 1961.

28. Earnings per share (EPS)

(Amount in ₹ lakhs)

Particulars	For the year ended 31 March 2017	For the year ended 31 March 2016
Profit after tax	1451.85	1689.32
Net profit for calculation of basic EPS	1451.85	1689.32
Net profit as above	1451.85	1689.32
Net profit for calculation of diluted EPS	1451.85	1689.32
	Numbers	Numbers
Weighted average number of equity shares in calculating basic EPS	37962800	37962800
Weighted average number of equity shares in calculating diluted EPS	37962800	37962800
Earnings per share		
Basic [Nominal value of shares ₹10 (Previous Year : ₹10)]	3.82	4.45
Diluted [Nominal value of shares ₹10 (Previous Year :₹10)]	3.82	4.45

29. CSR Expenditure

(a) Gross amount required to be spent by the Company during the year ₹. 53.42 lakhs (previous year ₹. 51.00 lakhs).

(b) Amount spent during the year on:

(₹ in lakhs)

S.No.	Particulars	For the year ended 31 March 2017	For the year ended 31 March 2016
(i)	Construction/acquisition of any asset	–	–
(ii)	On purposes other than (i) above	53.50	51.00
		(51.00)	(24.00)

(Figures in bracket indicate previous year figures)

30. Contingent liabilities

(₹ in lakhs)

Particulars	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
Claims against the Company not acknowledged as debts **			
Disputed income tax matters	409.92 *	162.20	171.62

It is not possible for the Company to estimate the timings or amount of cash outflows, if any, in respect of the above pending resolution of the proceedings.

* The Company has received demand of ₹ 235.30 lakhs, ₹ 496.82 lakhs and ₹ 537.63 lakhs for assessment years 2012-13, 2013-14 and 2014-15 respectively wherein the assessing officer has disallowed the agricultural income of the assesse vide assessment orders passed under Section 143(3) of the Income Tax Act, 1961. The Company has preferred an

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (Contd.)

appeal with the Commissioner of Income Tax (Appeals) against the said demand orders. In addition to this, the Company has also filed rectification applications under section 154 of the Income Tax Act, 1961 for these years as the assessing officer has not considered the remaining brought forward business losses and / or unabsorbed depreciation available for those years. Considering the remaining brought forward losses and / or unabsorbed depreciation available for those years, the net possible liability comes to ₹246.16 lakhs. Hence, an amount of ₹ 246.16 lakhs has been included as contingent liability for such years.

** These amounts represent the best possible estimates arrived at on the basis of available information. The uncertainties are dependent on outcome of the legal processes which have been invoked by the Company or the claimants as the case may be and therefore cannot be predicted accurately. The Company engages competent advisors to protect its interest and has been advised that it has strong legal positions against such disputes.

31. Estimated amount of contracts remaining to be executed on capital account and not provided for ₹ Nil (31 March 2016 ₹ Nil, 1 April 2015 ₹ 1.70 lakh).

32. Operating Lease

i. As lessee

General description of the Company's operating lease arrangements:

The Company has entered into cancellable operating lease arrangements primarily for office premises, guest house, godowns etc. Some of the significant terms and conditions for the arrangements are:

- agreements range for period from 1 to 3 years except for lease of office which is for nine years and can generally be terminated by lessee/either parties by serving one to three months' notice or by paying the notice period rent in lieu thereof;
- the lease is generally renewable on the expiry of lease period subject to mutual agreement;
- the Company has no obligation towards the owner in case of damage to the property on account of risk factors like fire, flood, riots, natural calamities, etc.

(₹ in lakhs)

Particulars	For the year ended 31 March 2017	For the year ended 31 March 2016
Lease rentals charged to the Statement of Profit and Loss	890.78	706.16

ii. As lessor

The Company has entered into cancellable operating lease agreement with its holding Company for its land at the Manpura facility with effect from 18.02.2009. Some of the significant terms and conditions for the arrangements are:

- The agreement is for an initial term of 35 years and renewable for a further period of 35 years on mutual consent
- The lease can be terminated by lessee by serving three months' notice or by paying the notice period rent in lieu thereof;

33. Employee benefit plans:

Defined Benefit Plan

Gratuity: The Company has a gratuity plan for every employee as per the Payment of Gratuity Act, 1972. Employees who have completed five years or more of service are eligible for gratuity on departure at 15 days salary (last drawn salary) for each completed year of service. The scheme is funded with an insurance company in the form of a qualifying insurance policy.

Leave Encashment: 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.

Long Term Incentive Scheme: This scheme is for 5 year period from 1 April 2014 to 31 March 2019 and available to employees who have joined before or during this period and continue to be in service as on 30 June 2019. Those employees joining in between the specified period will be entitled to receive pro-rata benefits under the scheme. The employees would be eligible to receive a lump sum amount on 30 June 2019, based on their actual Cost to Company for each respective year. The said payment will depend upon the achievement of cumulative adjusted profit after tax over 5 year period from financial year 2014-15 to financial year 2018-19 vis-a-vis target profit. An amount of ₹ 20.36 lakhs (Previous year: ₹ 22.66 lakhs) has been charged to the Statement of Profit and Loss during the year.

Defined Contribution Plan

The Company has defined contribution plans and contributions are made to provident fund and employees state insurance scheme for employees as per regulations. The Provident Fund is being deposited with the Regional Provident Fund Commissioner, Chandigarh and Himachal Pradesh. The obligation of the Company is limited to the amount contributed.

Risk Management

The defined benefit plans expose the Company to actuarial deficit arising out of investment risk, interest rate risk, salary cost inflation risk. These plans are not exposed to any unusual, entity specific or scheme specific risks but there are general risks. Investment risks may arise from volatility in asset values and losses arising due to impairment of assets. The Scheme's accounting liabilities are calculated using a discount rate set with reference to the Government security yields. A decrease in yields will increase the fund liabilities, leading to accounting deficit in the funds. However, this may be partially offset by an increase in capital value of the scheme assets that have similar characteristics. Increase in salary due to adverse inflationary pressures might lead to higher liabilities. The gratuity scheme is funded with an insurance company in the form of the qualifying insurance policy. The plan liability is calculated using the discount rate with reference to bond yield, if plan asset underperform, these will create the deficit.

The following tables set out the Defined Benefits Plan as per Actuarial Valuation as on 31 March 2017 and 31 March 2016 and recognised in the financial statements in respect of Employee Benefit Scheme.

(₹ in Lakhs)

		Particulars	For the year ended	
			31 March 2017	31 March 2016
I	**Components of Employer Expense**			
	(A)	**Recognised in Statement of Profit and Loss**		
	1	Current Service Cost	7.14	4.93
	2	Net Interest Cost	0.52	0.16
	3	**Total expense recognised in the Statement of Profit and Loss**	7.66	5.09
	(B)	**Re-measurements recognised in Other Comprehensive Income**		
	4	(Return) on plan assets (excluding amounts included in Net interest cost)	3.27	(3.11)
	5	Effect of changes in demographic assumptions	1.15	(0.83)
	6	Effect of changes in financial assumptions	2.14	0.36
	7	Changes in asset ceiling (excluding interest income)	–	–
	8	Effect of experience adjustments	(2.09)	1.76
	9	**Total re-measurements included in OCI**	4.47	(1.82)
	10	**Total defined benefit cost recognised in Statement of Profit and Loss and Other Comprehensive Income (3+9)**	12.13	3.27

The current service cost and net interest expense for the year pertaining to Gratuity expenses have been recognized in 'Contribution to provident and other fund' under Note 23. The remeasurements of the net defined benefit liability are included in Other Comprehensive Income.

(₹ in Lakhs)

		Particulars	For the year ended 31 March 2017	For the year ended 31 March 2016
II	**Actual Returns**		(0.45)	5.83
III	**Net (Asset/Liability recognised in Balance Sheet)**			
	1	Present Value of Defined Benefit Obligation	55.57	45.06
	2	Fair Value of Plan Assets	37.79	37.33
	3	Status [(Surplus/Deficit)]	17.78	7.73

	Particulars	As at 31 March 2017		As at 31 March 2016		As at 1 April 2015	
		Current	Non-Current	Current	Non-Current	Current	Non-Current
4	Net (Asset)/ Liability recognised in Balance Sheet	–	17.78	–	7.73	–	5.46

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (Contd.)

(₹ in Lakhs)

		Particulars	For the year ended 31 March 2017	For the year ended 31 March 2016	
IV	**Change in Defined Benefit Obligation (DBO)**				
	1	Present Value of DBO at the beginning of the year.	45.06	38.34	
	2	Current Service Cost	7.14	4.93	
	3	Interest Cost	3.34	2.88	
	4	**Re-measurement gains/(losses):**			
		Effect of changes in demographic assumptions.	1.15	(0.83)	
		Effect of changes in financial assumptions.	2.14	0.36	
		Effect of experience adjustments.	(2.09)	(1.76)	
	5	Benefits Paid	(1.17)	(2.38)	
	6	Present Value of DBO at the end of the year.	55.57	45.06	
			As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
		Best Estimate of Employers' Expected Contribution for the next year.	3.00	3.00	3.00

(₹ in Lakhs)

		Particulars	For the year ended 31 March 2017	For the year ended 31 March 2016
V	**Change in Fair Value of Assets**			
	1	Plan Assets at the beginning of the year	37.33	32.88
	2	Expected Return on Plan Assets	2.81	2.72
	3	Re-measurement of Gains/(Losses) on plan assets	(3.27)	3.10
	4	Actual Company Contributions	2.09	1.01
	5	Benefits paid	(1.17)	(2.38)
	6	Plan Assets at the end of the year	37.79	37.33

		Particulars	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
VI	**Actuarial Assumptions**				
	1	Discount Rate (%)	6.75	7.50	7.75
	2	Expected Return on plan Assets (%)	6.75	7.50	7.75
	3	Long term rate of compensation increase (%)	12.50	12.50	12.50

The estimates of 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.

The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:

	Particulars	31 March 2017	31 March 2016	1 April 2015
VII	**Investments with insurer ***	100%	100%	100%

* In the absence of availability of information regarding plan assets which is funded with Insurance Company, the composition of each major category of plan assets, the percentage or amount for each category to the fair value of plan assets has not been disclosed.

VIII Basis Used to determine the Expected Rate of return on Plan Assets.

The expected rate of return on plan assets is based on the current portfolio of assets, investment strategy and market scenario. In order to protect the capital and optimise returns within acceptable risk parameters, the plan assets are well diversified.

(₹ in Lakhs)

		Particulars	For the year ended 31 March 2017	31 March 2016	31 March 2015	31 March 2014	31 March 2013
IX	**Net Asset /Liability) recognised in Balance sheet (Including Experience adjustment impact)**						
	1	Present Value of Defined Benefits Obligations	55.57	45.06	38.34	26.32	25.41
	2	Fair Value of Plan Assets	37.79	37.33	32.88	22.89	21.76
	3	Status [Surplus)/Deficit]	17.78	7.73	5.46	3.43	3.65
	4	Experience Adjustment of Plan Assets [Gain/ (loss)]	(3.27)	3.10	1.80	0.02	(1.43)
	5	Experience Adjustment of Obligation [Gain/ (loss)]	(2.09)	1.76	2.83	(2.53)	(0.56)

X Expected contributions to defined benefit plan for year ending 31 March 2018 are ₹ 9.94 lakhs. Details of expected cash flows for following years is given below:

(₹ in Lakhs)

	Particulars	For the year ended 31 March 2017	For the year ended 31 March 2016
1	Expected employer contributions next year	9.94	7.22
2	Expected benefits payment		
	Year 1	5.35	5.08
	Year 2	5.27	5.17
	Year 3	5.23	4.98
	Year 4	5.21	4.83
	Year 5	4.98	4.64
	Next 5 years	23.15	19.35

XI Sensitivity Analysis

The sensitivity analysis below has been determined based on reasonably possible change of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant. These sensitivities show the hypothetical impact of a change in each of the listed assumptions in isolation. While each of these sensitivities holds all other assumptions constant, in practice such assumptions rarely change in isolation and the asset value changes may offset the impact to some extent. For presenting the sensitivities, the present value of defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the Defined Benefit Obligation presented above.

(₹ in Lakhs)

XII		Particulars	DBO as at 31 March 2017	DBO as at 31 March 2016	DBO as at 31 March 2015
	1	Discount Rate + 100 basis points	52.11	42.66	36.43
	2	Discount Rate - 100 basis points	59.45	47.95	41.80
	3	Long term rate of Compensation Increase Rate +1%	58.18	47.10	41.04
	4	Long term rate of Compensation Increase Rate -1%	53.09	43.29	36.98

Amount towards Defined contribution plans have been recognised under 'Contribution to provident and other fund' in Note 23 - ₹ 14.71 Lakhs (2016: ₹ 10.99 Lakhs).

34. Share Based Payment

The eligible employees of the Company and deputed employees of ITC Limited have been granted stock options by ITC Limited, the holding company, under the ITC Employee Stock Option Scheme (ITC ESOS). These options vest over a period of three years from the date of grant. Such options entitle the holder thereof to apply for and be allotted ten Ordinary Shares of ITC Limited of ₹ 1.00 each upon payment of the exercise price during the exercise period, within a period of 5 years from the date of vesting.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (Contd.)

These Options have been granted at the 'market price' as defined under the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014. The fair value of the options granted is determined, using the Black Scholes Option Pricing model, by ITC Limited for all the Optionees covered under the Scheme as a whole.

The cost of options granted has been recognized as equity settled share based payment scheme in accordance with Ind AS 102 – Share Based Payment. The company accounts for its share of the cost of the fair value of the options granted based on the advice / on-charge by ITC Limited. Accordingly, an amount of ₹165.62 lakhs (previous year ₹ 183.95 lakhs) has been recognised as employee benefits expense and the aggregate on-charge of ₹ 349.47 lakhs (including ₹183.95 lakhs previously recognised as capital contribution) has been accounted for as other financial liabilities as at 31 March 2017.

The summary of movement of share options granted by ITC Limited to the eligible employees of the Company and deputed employees of ITC Limited and presently outstanding is as under:

Particulars *	As at 31 March 2017	As at 31 March 2016
	No. of Options	No. of Options
Outstanding at the beginning of the year	99,454	78,800
Add: Granted during the year @	74,372	25,030
Less: Lapsed during the year	–	–
Add / (Less): Movement due to transfer of employees within the group.	–	–
Less: Exercised during the year	15,050	4,376
Outstanding at the end of the year	1,58,776	99,454
Options exercisable at the end of the year	94,355	49,685

* The Weighted average exercise price of the options granted under the ITC ESOS to all Optionees covered under the Scheme is computed by ITC Limited as a whole.

@ Includes the number of options granted to the Key Management Personnel of the Company are 10,945 (2016 – 19,485).

35. Disclosure for Specified Bank Notes (SBNs) as required by notification no. G.S.R.308 (E) issued by Ministry of Corporate Affairs as follows:

(₹ in lakhs)

Particulars	SBNs	Other Denomination Notes	Total Amount
Closing cash in hand as on 8 November 2016	2.74	0.30	3.04
(+) Permitted receipts	–	28.73	28.73
(-) Permitted payments	–	2.96	2.96
(-) Amount deposited in Banks	2.74	22.75	25.49
Closing cash in hand as on 30 December 2016	–	3.32	3.32

36. Capital Management

a. **Risk Management**

The Company manages its capital to ensure that the Company will be able to continue as going concern while maximising the return of the stakeholders through optimum fund utilization. The capital structure of the Company comprises only of equity as detailed in the Statement of Changes in Equity. The Company does not have any long-term debt obligation and funds its operations mainly through internal accruals. The Company's objective when managing capital is to maintain an optimal structure so as to maximize shareholder value.

The Company is not exposed to any externally imposed capital requirements.

b. **Dividend**

(₹ in lakhs)

Particulars	31/03/2017	31/03/2016
Equity shares Interim dividend for the year ended 31 March 2017 of ₹. 7 per fully paid share (31 March 2016 - of ₹. Nil per fully paid share)	2657.40	Nil

37. Categories of Financial Instrument

(₹ in lakhs)

Particulars	As at 31 March 2017		As at 31 March 2016		As at 1 April 2015	
	Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value
A. Financial Assets						
a) Measured at fair value through profit and loss (FVTPL)						
Investments in Mutual Funds (Level 1)	5905.18	5905.18	8002.63	8002.63	10030.11	10030.11
b) Measured at amortised cost						
Cash and Bank Balances	58.98	58.98	111.03	111.03	37.25	37.25
Trade Receivables	305.04	305.04	224.16	224.16	161.28	161.28
Other Financial Assets	9.50	9.50	13.83	13.83	8.10	8.10
B. Financial Liabilities						
Measured at amortised cost						
Trade Payables	2007.79	2007.79	1315.81	1315.81	2346.49	2346.49
Other Financial Liabilities	454.74	454.74	46.26	46.26	39.44	39.44

38. Financial Risk Management Objectives

The Company's activities expose it to a variety of financial risks, including market risk, credit risk and liquidity risk. The Company continues to focus on a system based approach to business risk management. The Company's financial risk management process seeks to enable the early identification, evaluation and effective management of key risks facing the business. Backed by strong internal control systems, the current Risk Management Framework rests on policies and procedures issued by appropriate authorities; process of regular reviews / audits to set appropriate risk limits and controls; monitoring of such risks and compliance confirmation for the same.

(a) Market risk

The Company's business operations expose it to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Such market risk may arise out of volatility in currency rates, interest rates and prices. The Company has in place appropriate risk management policies to limit the impact of these risks on its financial performance.

The Company ensures optimisation of cash through fund planning, robust cash management practices and manages interest rate risk and foreign exchange risk.

i) Foreign currency risk

The Company undertakes transactions denominated in foreign currency which results in exchange rate fluctuations. Such exchange rate risk primarily arises from transactions made in foreign exchange and reinstatement risks arising from recognised assets and liabilities which are not in the Company's functional currency (INR). Further, in view of low proportion of export/ imports, as compared to the overall operations, the exposure of the Company to foreign exchange risk is also not considered to be material. Particulars of un-hedged foreign currency exposure are given hereunder.

(figures in lakhs)

Particulars	Currency	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
Trade receivables	AUD$	2.38	4.145	3.050
Other payables	AUD$	–	0.01	–

No sensitivity analysis is given due to immaterial balances of financial assets and financial liabilities at the year end.

ii) Interest rate risk

Interest rate risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As majority of the financial assets and financial liabilities are non-interest bearing and the Company's net exposure to interest risk is negligible, hence no sensitivity analysis is given.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (Contd.)

iii) **Price risk**

The Company invests its surplus funds primarily for short tenor in debt mutual funds measured at fair value through profit or loss. Aggregate value of such investments as at 31 March 2017 is ₹ 5905.18 lakhs (31 March 2016 - ₹ 8002.63 lakhs, 1 April 2015 - ₹ 10030.11 lakhs). Accordingly, these do not pose any significant price risk, hence, no sensitivity analysis is given.

(b) Liquidity risk

Liquidity risk is defined as the risk that the Company will not be able to settle or meet its obligations as they become due. The Company's investment decisions relating to deployment of surplus liquidity are guided by the tenets of safety, liquidity and return. The Company manages its liquidity risk by ensuring that it will always have sufficient liquidity to meet its liabilities when due. Considering the dynamic nature of business, the Company also maintains committed credit lines with HDFC Bank Limited.

The table below provides details regarding the remaining contractual maturities of significant financial liabilities at the reporting date.

(₹ in lakhs)

As at 31 March 2017 Contractual cash flows *						
Particulars	**Carrying Value**	**Less than 3 months**	**More than 3 months up to 6 months**	**More than 6 months up to 1 year**	**More than 1 year**	**Total**
Trade Payables	2007.79	1736.08	8.89	262.82	–	2007.79
Other Financial Liabilities	454.74	393.08	61.66	–	–	454.74
Total	**2462.53**	**2129.16**	**70.55**	**262.82**	**–**	**2462.53**

(₹ in lakhs)

As at 31 March 2016 Contractual cash flows *						
Particulars	**Carrying Value**	**Less than 3 months**	**More than 3 months up to 6 months**	**More than 6 months up to 1 year**	**More than 1 year**	**Total**
Trade Payables	1315.81	1118.71	–	197.10	–	1315.81
Other Financial Liabilities	46.26	6.88	39.38	–	–	46.26
Total	**1362.07**	**1125.59**	**39.38**	**197.10**	**–**	**1362.07**

(₹ in lakhs)

As at 1 April 2015 Contractual cash flows *						
Particulars	**Carrying Value**	**Less than 3 months**	**More than 3 months up to 6 months**	**More than 6 months up to 1 year**	**More than 1 year**	**Total**
Trade Payables	2346.49	2181.34	–	165.15	–	2346.49
Other Financial Liabilities	39.44	6.14	33.30	–	–	39.44
Total	**2385.93**	**2187.48**	**33.30**	**165.15**	**–**	**2385.93**

* The table has been drawn up based on the earliest date on which the Company can be required to pay.

(c) Credit risk

Credit risk is the risk that Counterparty will not meet its obligations under a financial instrument which may lead to a financial loss to the Company. Apart from its operating activities, wherein the Company deals with large number of customers, the Company is also exposed to credit risk from its investing activities.

There is no significant increase in credit risk since initial recognition. The Company believes that credit risk is low at the reporting date as the terms of trade are generally in advance / cash payment. In certain circumstances credit is extended to customers, taking into account market conditions, general economic scenario etc. A default on a financial asset is when the counterparty fails to make contractual payments within the credit period when they fall due. This definition of default is determined by considering the business environment in which the Company operate and other micro economic factors. Interest is generally not charged and / or paid on customer balances.

Credit risk with respect to trade receivables is not material and is limited due to the diverse customer base. The Company's historical experience of collecting receivables, supported by the level of default, is that credit risk is low and so trade receivables are considered to be a single class of financial assets. Individual customer credit limits are imposed based on relevant factors such as market feedback, banker's introduction, business potential etc. All Customer balances which are overdue for more than 180 days are evaluated for provisioning and considered for impairment on an individual basis. The customer balances are written-off as bad debts, when legal remedies available to the Company are exhausted and / or it becomes certain that said balances will not be recovered. The Company has used practical expedient in computing allowance for doubtful receivables based on the ageing of the customer's balances, specific credit circumstances and Company's historical and forward looking information.

Movement in the provisions for impairment of trade receivables is as follows:

(₹ in lakhs)

Particulars	For the year ended 31 March 2017	For the year ended 31 March 2016
Balance at the beginning of the year	183.70	183.17
Provided during the year	–	0.53
Adjusted during the year	–	–
Balance at the end of the year	183.70	183.70

Investment in mutual funds are made only with approved mutual funds and credit risk in such funds are limited because the underlying investments are diversified and the Company's investment framework considers the credit quality of the underlying investments made by the fund house.

39. Fair Value Measurement

Fair value hierarchy:

Fair value of the financial instruments is classified in various fair value hierarchies based on the following three levels:

Level 1: Quoted prices (unadjusted) in active market for identical assets or liabilities

Level 2: Inputs other than quoted price including within level 1 that are

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (Contd.)

observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximize the use of observable market data and rely as little as possible on entity-specific estimates. If significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

Level 3: Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs). If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case with listed instruments where market is not liquid and for unlisted instruments.

There are no assets or liabilities, the fair value of which has been benchmarked / derived with quoted benchmarks and accordingly, there are no assets / liabilities classified at Level 2.

The following table provides the fair value measurement hierarchy for financial assets measured at fair value:

(₹ in lakhs)

Financial Asset	Fair Value Hierarchy	Valuation Techniques	Fair Value as at		
			31 March 2017	31 March 2016	1 April 2015
Investments in Mutual Funds	Level 1	Net Asset Value as declared by the Fund/quoted prices in active markets	5905.18	8002.63	10030.11

The fair value of trade receivables and payables, other financial assets and other financial liabilities is considered to be equal to the carrying amounts of these items due to their short – term nature.

40. Segment reporting

The Company's operations comprise of only one segment i.e. seed potatoes and potatoes. The Operating Segments have been reported in a manner consistent with the internal reporting provided to the Board of Directors, which is the Chief Operating Decision Maker.

The details of Geographical segments are given below :

Geographical segment wise revenue:

(₹ in lakhs)

S. No.	Particulars	For the year ended 31 March 2017	For the year ended 31 March 2016
(a)	Revenue from domestic market	10601.17	9211.11
(b)	Revenue from overseas market	138.06	215.42
	Total	10739.23	9426.53

The Company has common assets for producing goods for domestic markets and overseas markets. Hence, separate figures for assets/addition to fixed assets cannot be furnished.

No customer individually accounts for more than 10 % of the revenue of the Company.

41. Related party disclosures

(a) Names of related parties and nature of relationship

Ultimate Holding Company : ITC Limited
(Holding Company w.e.f. 22 March,2016)

Holding Company : Technico Pty Limited, Australia (TPL)
(Ceased to be Holding Company w.e.f. 22 March,2016)
(Fellow subsidiary w.e.f. 23 March 2016)

(b) Other related parties with whom transactions have taken place during the year

Enterprise under common control : ITC Infotech India Limited

(c) Key Management Personnel (KMP)

Mr. Surampudi Sivakumar : Director
Mr. Arup Kumar Mukerji : Director
Mr. Ganesh Kumar Sundararaman : Director
Mr. David Charles McDonald : Director
Mr. Sachidanand Shivprakash Madan : Whole Time Director & Company Secretary
Mr. Hari Mohan Jha : Independent Director
Mr. Pawan Kumar Verma : Independent Director
Mr. Sanjeev Kumar Madan : Chief Financial Officer

(d) Details of transactions carried out during the financial year ended 31 March 2017 with related parties in the ordinary course of business:

(₹ in lakhs)

Particulars	Ultimate Holding Company (ITC Limited)*		Holding Company (Technico Pty Limited)*		Entity under Common Control		KMP	
	31 March 2017	31 March 2016	31 March 2017	31 March 2016	31 March 2017	31 March 2016	31 March 2017	31 March 2016
Sale of products								
- ITC Limited	526.03	34.14	–	–	–	–	–	–
- Technico Pty Limited	–	–	–	197.74	134.98	–	–	–
Lease rental income								
- ITC Limited	101.93	101.93	–	–	–	–	–	–
Remuneration of managers on deputation reimbursed								
- ITC Limited	226.54	91.20	–	–	–	–	–	–
Value of Share based payment								
- Capital Contribution	–	183.95	–	–	–	–	–	–
- Reimbursement **	349.47	–	–	–	–	–	–	–
Interim Dividend								
- ITC Limited	2657.40	–	–	–	–	–	–	–
Purchase of services								
- ITC Limited	5.95	0.90	–	–	–	–	–	–
-ITC Infotech India Limited	–	–	–	–	13.09	8.89	–	–
Expenses reimbursed								
- ITC Limited	24.14	10.36	–	–	–	–	–	–
Expenses recovered								
- ITC Limited	–	0.23	–	–	–	–	–	–
- Technico Pty Limited	–	–	–	18.05	9.38	–	–	–

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (Contd.)

(₹ in lakhs)

Particulars	Ultimate Holding Company (ITC Limited)*		Holding Company (Technico Pty Limited)*		Entity under Common Control		KMP	
	31 March 2017	31 March 2016	31 March 2017	31 March 2016	31 March 2017	31 March 2016	31 March 2017	31 March 2016
Sitting fees - Directors								
- Mr. Hari Mohan Jha	–	–	–	–	–	–	1.80	1.20
- Mr. Pawan K. Verma	–	–	–	–	–	–	1.60	1.50
Remuneration paid**								
- Mr. Sachidanand S.Madan	–	–	–	–	–	–	119.23	–
- Mr. Sanjeev K. Madan	–	–	–	–	–	–	38.87	34.20
Cost towards taking on assignment / license								
- Technico Pty Limited	–	–	–	0.50@	–	–	–	–

(e) Details of balances with the related parties :

(₹ in lakhs)

Particulars	Ultimate Holding Company (ITC Limited)*			Holding Company (Technico Pty Limited)*			Entity under Common Control		
	31 March 2017	31 March 2016	1 April 2015	31 March 2017	31 March 2016	1 April 2015	31 March 2017	31 March 2016	1 April 2015
Trade receivables									
- Technico Pty Limited	–	–	–	–	211.31	144.99	117.85	–	–
-Other receivables									
- ITC Limited	–	–	0.01	–	–	–	–	–	–
- Technico Pty Limited	–	–	–	–	4.36	–	–	–	–
Trade payables									
- ITC Limited	–	–	6.63	–	–	–	–	–	–
Other payables									
- ITC Limited	368.27	–	–	–	–	–	–	–	–
- Technico Pty Limited	–	–	–	–	0.51@	–	–	–	–

* On 22 March 2016, ITC Limited acquired the entire shareholding of the Company from Technico Pty Limited, Australia. Thus, with effect from 22 March, 2016, Technico Pty Limited, Australia, ceased to be Holding Company of Technico Agri Sciences Limited and became fellow subsidiary with effect from 23 March 2016.

** Including ₹ 183.95 lakhs pertaining to previous year.

@ Represents consideration of AUD 1000 payable to Technico Pty Limited, Australia, in terms of Memorandum of Agreement dated 29 March 2016 for taking on assignment of TECHNITUBER®, TECHNICO™ and all other related trademarks registered / applied for in India and perpetual, royalty-free, non-exclusive license to the Company to use the aforesaid trademarks in Pakistan, Bangladesh, Nepal, Bhutan and Sri Lanka. The transaction has been approved by the Audit Committee and the Board of Directors at their meetings held on 28 March 2016, in terms of Sections 177 and 188 of the Companies Act, 2013.

****Compensation of key managerial personnel**

(₹ in lakhs)

The remuneration of directors and other members of key managerial personnel #	For the year ended 31 March 2017	For the year ended 31 March 2016
Short term benefits	158.10	34.20

\# Post-employment benefits and other long term employee benefits are actuarially determined on overall basis and hence not separately provided. Also refer note 34 on share based payment.

Significant terms & conditions :

All the transactions with related parties are in ordinary course of business and on arm's length basis. All outstanding balances are unsecured and are repayable in cash.

Transaction relating to dividend was on normal terms that is applicable to each equity share and was approved by the Board of Directors.

42. First Time Adoption of Ind AS

(i) The Company has prepared the opening balance sheet as per Ind AS as on 1 April 2015 (the transition date) by recognising all assets and liabilities whose recognition is required by Ind AS, not recognising items of assets or liabilities which are not permitted by Ind AS, by reclassifying items from previous Generally Accepted Accounting Principles (GAAP) to Ind AS as required under Ind AS, and applying Ind AS in measurement of recognised assets and liabilities.

(ii) Reconciliation of the financial results of those reported under previous GAAP are summarized below:

(₹ in lakhs)

Particulars	Notes	For the year ended 31 March 2016
Profit After Tax as reported under previous GAAP		**1575.97**
Effect of Transition to Ind AS :		
Impact of measuring investments at Fair Value through Profit or Loss (net of tax)	42(iv) a & b	299.02
Impact of recognising the cost of the employee stock option scheme at fair value	42(iv) d	(183.95)
Reclassification of actuarial gains/losses, arising in respect of employee benefit schemes, to Other Comprehensive Income (OCI)	42(iv) c	(1.82)
Tax Adjustments related to OCI	42(iv) c	0.10
Profit After Tax as reported under Ind AS		**1689.32**
Other Comprehensive Income (net of tax)	42(iv) c	1.72
Total Comprehensive Income as reported under Ind AS		**1691.04**

The reconciliation of total equity as previously reported under Indian GAAP to Ind AS is summarized as follows:

(₹ in lakhs)

Particulars	Notes	As at 31 March 2016	As at 1 April 2015
Equity as reported under previous GAAP		**13680.34**	**12104.37**
Effect of Transition to Ind AS :			
Impact of measuring investments at Fair Value through Profit or Loss (net of tax)	42(iv) a & b	518.36	219.34
Impact of recognising the cost of the employee stock option scheme at fair value	42(iv) d	(183.95)	–
Impact of recognising the cost of the employee stock option scheme as contribution from parent	42(iv) d	183.95	–
Equity as reported under Ind AS		**14198.70**	**12323.71**

(iii) Ind AS 101 allows first-time adopters exemptions from the retrospective application of certain requirements under Ind AS. With respect to Property, Plant and Equipment and Intangible assets, the Company has elected to consider the net carrying values as on 31 March 2015 as per previous GAAP as their deemed cost at the date of transition.

(iv) In addition to the above, the principal adjustments made by the Company in restating its previous GAAP financial statements, including the balance sheet as at 1 April 2015 and the financial statements as at and for the year ended 31 March 2016 are detailed below:

a. Investment in Mutual Funds classified as non-current under previous GAAP and carried at cost as on 31 March 2016, have been measured at Fair Value through Profit or Loss (FVTPL) and fair value changes after the date of transition have been recognized in profit or loss.

b. Under previous GAAP, current investments were stated at lower of cost and fair value. Under Ind AS, these financial assets have been classified as Fair Value through Profit or Loss (FVTPL) on the date of transition and fair value changes after the date of transition have been recognized in profit or loss.

c. Under previous GAAP, actuarial gains and losses related to the defined benefit scheme for gratuity were recognised in profit or loss. Under Ind AS, the actuarial gains and losses form part of remeasurement of the net defined benefit liability / asset which is recognised in OCI. Consequently, the tax effect of the same has also been recognised in OCI instead of profit or loss.

d. Under previous GAAP, the cost of options granted was recognised using the intrinsic value method. Under this method, no expenses were recognised in the statement of profit and loss as the fair value of the shares on the date of grant equaled the exercise price. Under Ind AS, fair value of such stock options is calculated using the Black Scholes Option Pricing model at the grant date. Such cost is recognised in the Statement of Profit and Loss with a corresponding increase in equity, net of reimbursements, if any.

43. Use of Estimates and Judgements

The key estimates and assumptions used in the preparation of financial statements are set out below:

- The Company has ongoing litigations with income tax authorities. Where an outflow of funds is believed to be probable and a reliable estimate of the outcome of the dispute can be made based on management's assessment of specific circumstances of each dispute and relevant external advice, management provides for its best estimate of the liability. Such accruals are by nature complex and can take number of years to resolve and can involve estimation uncertainty.
- The determination of Company's liability towards defined benefit obligation to employees is made through independent actuarial valuation including determination of amounts to be recognized in the Statement of Profit and Loss and in Other Comprehensive Income. Such valuation depends upon assumptions determined after taking into account inflation, seniority, promotion and other relevant factors such as supply and demand factors in the employment market.
- On initial recognition and at the end of each reporting period, the biological assets are measured at fair value less cost to sell. Gains and losses arising on initial recognition of both biological asset and agricultural produce and any subsequent changes in fair value are recognised in the statement of Profit and Loss in the period in which they arise.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (Contd.)

44. Ministry of Corporate Affairs (MCA) had issued the Companies (Indian Accounting Standards) (Amendment) Rules, 2017 on 17 March 2017 notifying the amendments to Ind AS 7, 'Statement of cash flows' and Ind AS 102, 'Share-based payment'. These amendments are applicable for annual periods beginning on or after 1 April 2017. The Company expects that there will be no material impact on the financial statements resulting from the implementation of these standards.

45. The financial statement for the year ended 31 March 2017 are adopted and authorized for issue by Board of Directors on 29 April 2017.

46. As required by Ind AS, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

For Price Waterhouse
Firm Registration Number: 301112E
Chartered Accountants

For and on behalf of the Board of Directors of Technico Agri Sciences Limited

Avijit Mukerji
Partner
Membership No.: 056155

Arup K. Mukerji
Director

Sachidanand S. Madan
Director and Company Secretary

Sanjeev K. Madan
Chief Financial Officer

Place: Kolkata
Date: 29 April 2017

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH, 2017

Your directors submit their report for the financial year ended 31 March 2017.

Directors

The names of the directors in office at any time during or since the end of the year are:

Mr Surampudi Sivakumar	Mr David Charles McDonald
Mr Arup Kumar Mukerji	Mr Allan Hendry
Mr Sachidanand Madan	

All the directors have been in office since the start of the financial year until the date of this report.

Corporate information

Technico Pty Limited is a company limited by shares that is incorporated and domiciled in Australia. Its parent entity is ITC Limited, a public company registered in India and listed in National Stock Exchange and Bombay Stock Exchange in India.

The registered office of Technico Pty Limited is located at:

Gillespies, Suite 5, 20 Bundaroo Street, BOWRAL NSW 2576, Australia

Principal activities

The principal activities of your company during the financial year under review were anchored on horticulture technology, its downstream implementation and commercialisation and activities associated therewith. The company owns the proprietary TECHNITUBER® Technology and has undertaken commercialisation of such technology through its wholly owned subsidiaries in different geographies viz.:

- Technico Asia Holdings Pty Limited, Australia ('TAHL')
- Technico Horticultural (Kunming) Co. Limited, China (100% subsidiary of TAHL)
- Technico Technologies Inc., Canada

Review and results of operations

Your company is focused on ensuring the continuous upgrading of the TECHNITUBER® Technology and customising its application across various geographies. Your company is also engaged in the marketing of TECHNITUBER® seeds to global customers by leveraging the production facilities of its subsidiaries in China and Canada as well as the facilities of its group company Technico Agri Sciences Limited, India ("TASL").

For the year under review, your company has reported revenues from sale of goods of A$ 2,456,296 (2016: A$2,308,577) reflecting a growth of 6.4% over the previous year and earned a net profit of A$ 1,358,386 (2016: A$ 10,953,238). You may recall that on 22nd March 2016, your company sold its entire shareholding in Technico Agri Sciences Limited, India ("TASL") to its parent company, ITC Ltd. India, for a consideration of A$ 23,841,840. This transaction resulted in a profit from sale of investment of A$ 10,542,294 and also triggered a tax cost of A$ 502,100 and other costs associated with or arising from the transaction aggregating to A$ 50,877 in the previous year. Excluding the effect of the aforesaid transaction, net profit for the year reflects an increase principally due to reduced expenses in Middle East and North Africa and lower administrative costs.

The sale of TASL resulted in surplus funds with your Company. As its business plans did not envisage significant investments in the near / medium term, your Company has, during the year, aligned its capital structure with business requirements by effecting a reduction of share capital by A$ 24.5 million (from A$ 43.99 million to A$ 19.49 million) and has returned such capital to its sole shareholder, ITC Limited.

No dividends have been paid or declared during the financial year.

Significant changes in the state of affairs

As stated earlier in this report, your company reduced its share capital by A$ 24,500,000 (reducing number of shares issued from 22,606,065 to 10,015,502) on 28th September 2016.

Significant events after balance sheet date

There are no significant events after the balance sheet date to be reported.

Future developments and results

Further development of the TECHNITUBER® Technology is being pursued.

Environmental regulation and performance

The company is not subject to any particular or significant environmental regulation.

Auditor independence

The auditor's independence declaration from Kelly Partners (Southern Highlands) Pty Limited is on page 22 of this report.

It may be noted that M/s Gillespies, the auditors for the previous year, have merged with Kelly Partners (Southern Highlands) Pty Limited during the year under review.

Signed in accordance with a resolution of the Board of Directors:

Allan Hendry
Director

Place: Sydney, Australia
Date: 29th April 2017

DIRECTORS' DECLARATION FOR THE YEAR ENDED 31 MARCH, 2017

In accordance with a resolution of the directors of Technico Pty Limited, we state that in the opinion of the directors:

(a) the company is not a reporting entity as defined in the Australian Accounting Standards;

(b) the financial statements and notes of the company are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the company's financial position as at 31 March 2017 and of their performance for the year ended on that date; and

(ii) complying with Accounting Standards and Corporations Regulations; and

(c) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

On behalf of the Board:

Allan Hendry
Director
Sydney, Australia
Dated this 29th day of April 2017

AUDITOR'S INDEPENDENCE DECLARATION

UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

To the Directors of the Technico Pty Limited

I declare that, to the best of my knowledge and belief, during the year ended 31 March 2017 there has been:

a) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit, and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

Kelly Partners (Southern Highlands) Pty Limited

David M Duff

Registered Auditor Number 282971

Bowral

Dated this 29th day of April 2017

INDEPENDENT AUDIT REPORT

To the Members of Technico Pty Limited,

Opinion

We have audited the financial report of Technico Pty Limited, which comprises the statement of financial position as at 31 March 2017, the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of Technico Pty Limited is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the company's financial position as at 31 March 2017 and of its financial performance for the year then ended; and

(b) complying with Australian Accounting Standards to the extent described in Note 1, and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The directors are responsible for the other information. The other information comprises the directors' report for the year ended 31 March 2017, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Emphasis of Matter – Basis of Accounting

We draw attention to Note 1 to the financial report, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the directors' financial reporting responsibilities under the *Corporations Act 2001*. As a result, the financial report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Responsibilities of the Directors for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view and have determined that the basis of preparation described in Note 1 to the financial report is appropriate to meet the requirements of the *Corporations Act 2001* and is appropriate to meet the needs of the members. The directors' responsibility also includes such internal control as the directors determine is necessary to enable the preparation of a financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Kelly Partners (Southern Highlands) Pty Limited

David M Duff
Registered Auditor Number 282971

Bowral
Dated this 29th day of April 2017

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH, 2017

	Note	**2017** $	**2017** ₹	2016 $	2016 ₹
Continuing operations					
Sale of goods		**2,456,296**	**123,502,563**	2,308,577	113,720,503
Cost of sales:					
Other cost of sales		**(1,223,555)**	**(61,520,345)**	(1,042,739)	(51,365,323)
Inventory write off and write down		**–**	**–**	–	–
Gross profit		**1,232,741**	**61,982,217**	1,265,838	62,355,180
Other income	2(a)	**555,802**	**27945,725**	11,076,008	545,604,154
Middle East & North Africa expenses		**(89,749)**	**(4,512,580)**	(195,580)	(9,634,271)
Research and development expenses		**(54,843)**	**(2,757,506)**	(48,591)	(2,393,593)
Occupancy expenses		**(3,273)**	**(164,566)**	(3,273)	(161,228)
Administration expenses:					
Other administration expenses		**(254,935)**	**(12,818,132)**	(639,064)	(31,480,292)
Profit from continuing operations before income tax expense		**1,385,743**	**69,675,158**	11,455,338	564,289,950
Income tax expense	3	**(27,357)**	**(1,375,510)**	(502,100)	(24,733,446)
Total comprehensive income attributable to members of Technico Pty Ltd		**1,358,386**	**68,299,648**	**10,953,238**	**539,556,504**
Other comprehensive income		**–**	**–**	–	–
Total comprehensive income for the period		**1,358,386**	**68,299,648**	10,953,238	539,556,504
Profit from continuing operations after income tax expense		**1,358,386**	**68,299,648**	10,953,238	539, 556,504
Net profit for the period		**1,358,386**	**68,299,648**	10,953,238	539, 556,504
Net profit attributable to members of Technico Pty Limited		**1,358,386**	**68,299,648**	10,953,238	539, 556,504

BALANCE SHEET AS AT 31 MARCH, 2017

	Note	2017 $	2017 ₹	2016 $	2016 ₹
Current assets					
Cash and cash equivalents	4	**2,417,371**	**119,853,254**	25,703,502	1,310,364,532
Trade and other receivables	5	**1,437,175**	**71,255,137**	1,821,227	92,846,152
Other	6	**38,316**	**1,899,707**	51,526	2,626,795
Total current assets		**3,892,862**	**193,008,098**	27,576,255	1,405,837,480
Non-current assets					
Other financial assets	7	**969,736**	**48,079,511**	969,736	49,437,141
Property, plant and equipment	8	**–**	**–**	–	–
Intangible assets	9	**14,571**	**722,430**	8,683	442,659
Total non-current assets		**984,307**	**48,801,941**	978,419	49,879,800
Total assets		**4,877,169**	**241,810,039**	28,554,674	1,455,717,280
Current liabilities					
Trade and other payables	10	**1,165,711**	**57,795,951**	1,675,634	85,423,821
Provisions	11	**–**	**–**	25,968	1,323,849
Total current liabilities		**1,165,711**	**57,795,951**	1,701,602	86,747,670
Total liabilities		**1,165,711**	**57,795,951**	1,701,602	86,747,670
Net assets		**3,711,458**	**184,014,088**	26,853,072	1,368,969,610
Equity					
Contributed equity	12	**19,489,182**	**966,273,644**	43,989,182	2,242,568,498
Accumulated losses	13	**(15,777,724)**	**(782,259,556)**	(17,136,110)	(873,598,888)
Total equity		**3,711,458**	**184,014,088**	26,853,072	1,368,969,610

STATEMENT OF CHANGES IN EQUITY AS AT 31 MARCH, 2017

	Contributed Equity $	Retained earnings $	Total $
At 1 April 2015	43,989,182	(28,089,348)	15,899,834
Profit for the period	–	10,953,238	10,953,238
At 31 March 2016	43,989,182	(17,136,110)	26,853,072
Profit for the period	–	1,358,386	1,358,386
Share capital redemption	(24,500,000)	–	(24,500,000)
At 31 March 2017	**19,489,182**	**(15,777,724)**	**3,711,458**

	Contributed Equity ₹	Retained earnings ₹	Total ₹
At 1 April 2015	2,091,025,766	(1,335,227,157)	755,798,659
Profit for the period	–	539,556,504	539,556,504
Balance sheet exchange rate variance	151,542,732	(77,928,235)	73,614,497
At 31 March 2016	2,242,568,498	(873,598,888)	1,368,969,610
Profit for the period	–	68,299,648	68,299,648
Share capital redemption	(1,214,710,000)	–	(1,214,710,000)
Balance sheet exchange rate variance	(61,584,854)	23,039,684	(38,545,170)
At 31 March 2017	**966,273,644**	**(782,259,556)**	**184,014,088**

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH, 2017

	2017		2016	
	$	₹	$	₹
Cash flow from operating activities				
Receipts from customers	3,521,795	177,075,853	2,562,304	126,219,095
Receipts of sundry income	15,099	759,178	97,078	4,782,062
Payments to suppliers and employees	(2,460,240)	(123,700,767)	(2,156,557)	(106,231,998)
Goods and services tax received/(paid)	5,791	291,171	6,633	326,742
Interest received	140,615	7,070,122	64,196	3,162,295
Borrowing costs	–	–	–	–
Net cash flows from operating activities	1,223,060	61,495,557	573,654	28,258,196
Cash flow from investing activities				
Additions/(disposals) to intangible assets	–	–	904	44,529
Payments for protection of technology	(9,191)	(462,123)	–	–
Net cash flows from/(used in) investing activities	(9,191)	(462,123)	904	44,529
Cash flows from financing activities				
Sale of investment in subsidiary/trademark	–	–	23,840,742	1,174,394,953
Share capital redemption	(24,500,000)	(1,231,860,000)	–	–
Net cash flows (used in)/from financing activities	(24,500,000)	(1,231,860,000)	23,840,742	1,174,394,953
Net increase/(decrease) in cash held	(23,286,131)	(1,170,826,667)	24,415,300	1,202,697,678
Add opening cash brought forward	25,703,502	1,310,364,532	1,288,202	61,234,682
Non cash exchange gain/(loss) on translation of opening cash balance	–	(19,984,601)	–	46,432,172
Cash and cash equivalents at end of period	2,417,371	119,853,254	25,703,502	1,310,364,532

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS AS AT 31 MARCH, 2017

Corporate information

Technico Pty Limited is a company limited by shares that is incorporated and domiciled in Australia. Its parent entity is ITC Limited, a public company listed in National Stock Exchange and Bombay Stock Exchange in India.

The registered office of Technico Pty Limited is located at:

Suite 5, 20 Bundaroo Street BOWRAL NSW 2576 Australia

Note 1: Statement of significant accounting policies

(a) Basis of preparation

The directors have prepared the financial statements on the basis that the company is a non-reporting entity because there are no users dependent on general purpose financial statements. The financial statements are therefore special purpose financial statements that have been prepared in order to meet the requirements of the Corporations Act 2001.

The financial report is prepared for distribution to members of the company to fulfil the directors' financial reporting requirements under Chapter 2M of the Corporations Act 2001, wherein the company is considered to be a large proprietary company. The accounting policies used in the preparation of this report, as described below, are in the opinion of the directors, appropriate to meet the needs of members.

The financial report has been prepared on a historical cost basis and is presented in Australian dollars. The supplementary information in INR (Indian Rupees), which are unaudited, have been arrived at by applying the year end inter-bank exchange rate of 1 AUD = INR 49.58 for the current year balance sheet (2016: INR 50.98) and the average rate of 1 AUD = INR 50.28 for the current year income statement and cash flow statement (2016: INR 49.26), and have been included in the financial report as required by the parent entity.

The directors have determined that the company is not a "reporting entity". Consequently the requirements of Accounting Standards issued by the AASB and other professional reporting requirements do not have mandatory applicability to Technico Pty Limited in relation to the year ended 31 March 2017. However, the directors have determined that in order for the financial report to give a true and fair view of the company's results of operations and state of affairs, the requirements of Accounting Standards and other professional reporting requirements in Australia relating to the measurement and recognition of assets, liabilities, revenues, expenses and equity should be complied with.

Accordingly, the directors have prepared the financial report in accordance with the following Accounting Standards:

AASB 101: Presentation of Financial Statements

AASB 107: Cash Flow Statements

AASB 108: Accounting Policies, Changes in Accounting Estimates and Errors

AASB 1048: Interpretation and Application of Standards

The material accounting policies that have been adopted in the preparation of these statements are as follows:

(b) Significant accounting judgements, estimates and assumptions

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

Investment in subsidiaries

The carrying value of the investment in subsidiaries is assessed at each reporting date as to whether there is an indication that the asset may be impaired. The assessment includes estimates and assumptions of future events including anticipated rates of growth, gross margins, together with the application of a discount rate. These assumptions correspond with the best estimates of management at reporting date.

(c) Foreign currency translation

The functional and presentation currency of Technico Pty Limited is Australian dollars ($).

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

All exchange differences in the financial report are taken to profit or loss.

(d) Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of six months or less.

For the purposes of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

(e) Receivables

Trade receivables are recognised and carried at the original amount less any provision for doubtful debts. A provision is recognised when collection of the full amount is no longer probable. Bad debts are written off as incurred.

(f) Other financial assets

Investments in controlled entities are recorded at cost less impairment of the investment value.

(g) Impairment of assets

The company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset.

(h) Property, plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated on a straight-line basis over the estimated useful life of the assets as follows:

Class of fixed asset	**2017**	2016
Plant and equipment	**27%**	27%

The assets' residual values, useful lives and amortisation methods are reviewed and adjusted, if appropriate, at each financial year end.

Derecognition and disposal

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

(i) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term. Lease incentives are recognised in the income statement as an integral part of the total lease expense.

Finance leases, which transfer to the company substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense in profit and loss.

(j) Payables

Trade payables and other payables are carried at amortised costs and represent liabilities for goods and services provided to the company prior to the end of the financial year that are unpaid and arise when the company becomes obliged to make future payments in respect of the purchase of these goods and services.

(k) Provisions

Provisions are recognised when the company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement. Provisions are measured at the present value of management best estimate of the expenditure required to settle the present obligation at the balance sheet date.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

(l) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(m) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. The following recognition criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised upon the delivery of goods to customers.

Interest

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Rendering of services

Revenue from the provision of services is recognised when control of the right to be compensated for the services and the stage of completion can be reliably measured.

(n) Taxation

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax basis of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

  Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

(o) Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Cash flows are included in the cash flow statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which are recoverable from, or payable to, the taxation authority, are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(p) Employee benefits

(i) Wages, salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within twelve months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled.

(ii) Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

(q) Intangibles other than goodwill on acquisition

Technology, patents and trademarks

Intangibles include TECHNITUBER® technology of the company and trademarks and are considered to have finite lives, and are amortised over the useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. If benefit is no longer expected to be received, the asset will be written down to its net realisable value.

(r) Comparatives

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

	2017 $	2017 ₹	2016 $	2016 ₹
Note 2: Revenues and expenses				
Revenue and expenses from continuing activities				
(a) Revenue& Other Income				
Finance revenue	**140,615**	**7,070,122**	64,196	3,162,295
Agronomy support income	**40,613**	**2,042,022**	71,565	3,525,292
Sundry income	**53,915**	**2,710,846**	358,935	17,681,138
Realised foreign exchange gain/loss	**320,659**	**16,122,735**	39,116	1,926,854
Profit on sale of investment/Trademark (net)	**–**	**–**	10,542,196	519,308,575
	555,802	**27,945,725**	11,076,008	545,604,154
Breakdown of finance revenue:				
Bank interest	**140,615**	**7,070,122**	64,196	3,162,295
(b) Depreciation, amortisation and costs of inventories included in the income statement (continued)				
Amortisation of non-current assets:				
Technology and trademarks	**3,304**	**166,125**	3,778	186,104
Total amortisation of non-current assets	**3,304**	**166,125**	3,778	186,104
(c) Employee benefit expense				
Wages and salaries	**113,167**	**5,690,037**	193,078	9,511,022
Workers' compensation costs	**388**	**19,509**	379	18,670
Annual leave provision	**(25,968)**	**(1,305,671)**	1,882	92,707

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

	2017 $	2017 ₹	2016 $	2016 ₹
Note 3: Income tax				
The major components of income tax expenses are:				
Income statement				
Current income tax				
Current income tax charge	**62,570**	**3,146,020**	502,100	24,733,446
Overprovision – prior year	**(35,213)**	**(1,770,510)**	–	–
Income tax expense reported in the income statement	**27,357**	**1,375,510**	502,100	24,733.446
A reconciliation between income tax expense and the product of accounting profit before income tax multiplied by the company's applicable income tax rate is as follows:				
Accounting profit before income from continuing operations at the statutory income tax rate of 30%	**415,723**	**20,902,552**	3,436,601	169,286,965
Amortisation of technology	**(101)**	**(5,078)**	(101)	(4,975)
Movement in employee entitlements	**(7,790)**	**(391,681)**	(564)	(27,782)
Write back or write down of investments in wholly owned subsidiaries	–	–	–	–
Non-deductible expenses/timing differences	**(90,220)**	**(4,536,262)**	(105,000)	(5,172,300)
Recoupment of prior year tax losses	**(290,255)**	**(14,594,021)**	(2,828,836)	(139,348,461)
Income tax attributable to ordinary activities	**27,357**	**1,375,510**	502,100	24,733,446

Income tax losses

Future income tax benefits arising from revenue timing differences and tax losses of the parent entity amounted to $290,255 (2016: $2,828,866). This has not been brought to account at balance sheet date as realisation is not considered probable.

The future income tax benefit will only be obtained if:

(i) future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised;
(ii) the conditions for deductibility imposed by tax legislation continue to be complied with; and
(iii) no changes in tax legislation adversely affect the economic entity in realising the benefit.

	2017 $	2017 ₹	2016 $	2016 ₹
Note 4: Cash and cash equivalents				
Current				
Cash at bank	**102,497**	**5,081,801**	20,768	1,058,753
Deposits at call	**2,314,874**	**114,771,453**	2,089,756	106,535,766
Term deposit	–	–	23,592,978	1,202,770,013
	2,417,371	**119,853,254**	25,703,502	1,310,364,532

(a) Terms and conditions relating to the above financial instruments:

(i) cash at bank has a weighted average interest rate of 0% (2016: 0%); and
(ii) deposits at call has a weighted average effective interest rate of 2.95% AUD account (2016: 2.97% AUD Account)

	Note	2017 $	2017 ₹	2016 $	2016 ₹
(b) Reconciliation of net profit/(loss) after tax to the net cash flows from operations:					
Net profit		**1,358,386**	**68,299,648**	10,953,238	539,556,504
Non-cash items:					
Amortisation/disposal of non-current assets		**3,304**	**166,125**	4,778	235,364
(Profit)/loss on sale of investments	7	–	–	(10,542,196)	(519,308,574)
Income tax expense		–	–	502,100	24,733,446
Changes in assets and liabilities:					
(Increase)/decrease in trade and other receivables		**384,052**	**19,310,135**	(80,695)	(3,975,036)
Decrease/(increase) in other current assets		**13,210**	**664,199**	(36,349)	(1,790,552)
Increase/(decrease) in trade creditors and accruals		**(509,922)**	**(25,638,878)**	(229,104)	(11,285,663)
Increase in employee provisions		**(25,970)**	**(1,305,672)**	1,882	92,707
Cash flows from operations		**1,223,060**	**61,495,557**	573,654	28,258,195

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

	Note	2017 $	2017 ₹	2016 $	2016 ₹
Note 5: Trade and other receivables					
Current					
Trade debtors	(a)	**1,438,627**	**71,327,127**	1,832,277	93,409,481
Provision for doubtful debts		**–**	**–**	–	–
		1,438,627	**71,327,127**	1,832,277	93,409,481
Other debtors	(a)	**(1,452)**	**(71,990)**	(11,050)	(563,329)
		1,437,175	**71,255,137**	1,821,227	92,846,152

(a) Terms and conditions

Terms and conditions relating to the above financial instruments:

(i) current trade debtors are non-interest bearing and generally on 180 day terms; and

(ii) other debtors are non-interest bearing and generally have repayment terms of 30 days.

	Note	2017 $	2017 ₹	2016 $	2016 ₹
Note 6: Other assets					
Current					
Prepayments		**8,903**	**441,410**	10,356	527,949
Interest accrual		**29,413**	**1,458,297**	41,170	2,098,846
		38,316	**1,899,707**	51,526	2,626,795
Note 7: Other financial assets					
Non-current					
Shares in subsidiaries:					
At cost		**4,880,863**	**241,993,188**	4,880,863	248,826,396
Provision for write-down	(a)	**(3,911,127)**	**(193,913,677)**	(3,911,127)	(199,389,255)
Total other financial assets		**969,736**	**48,079,511**	969,736	49,437,141

(a) Provision for write-down of subsidiaries

The losses generated within the subsidiaries have resulted in a provision for write-down to net assets being recorded against the cost amount of the investment.

Interest in subsidiaries

	Percentage of equity interest held by the consolidated entity country of incorporation	%	Investment (Provision for diminution) 2017 $	2017 ₹	2016 $	2016 ₹
Technico Asia Holdings Pty Ltd (formerly known as Technico China Pty Ltd)	Australia	100	**3,684,522**	**182,678,601**	3,684,522	187,836,932
			(2,714,786)	**(134,599,090)**	(2,714,786)	(138,399,791)
			969,736	**48,079,511**	969,736	49,437,141
Technico Technologies Inc	Canada	100	**1,196,341**	**59,314,587**	1,196,341	60,989,464
			(1,196,341)	**(59,314,587)**	(1,196,341)	(60,989,464)
			–	**–**	–	–

	2017 $	2017 ₹	2016 $	2016 ₹
Note 8: Property, plant and equipment				
Non-current				
Plant and equipment at cost	**2,838**	**140,708**	2,838	144,681
Accumulated depreciation and impairment	**(2,838)**	**(140,708)**	(2,838)	(144,681)
Net carrying amount	**–**	**–**	–	–
Total net carrying amount of plant and equipment	**–**	**–**	–	–
Total property, plant and equipment at cost	**2,838**	**140,708**	2,838	144,681
Accumulated depreciation, amortisation and impairment	**(2,838)**	**(140,708)**	(2,838)	(144,681)
Total property, plant and equipment	**–**	**–**	–	–

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

	2017 $	2017 ₹	2016 $	2016 ₹
Note 9: Intangible assets				
Non-current				
TECHNITUBER® technology, patents and trademarks at cost	3,409,832	169,059,470	3,400,640	173,364,627
Less: Accumulated amortisation	(3,395,261)	(168,337,040)	(3,391,957)	(172,921,968)
	14,571	722,430	8,683	442,659
Movement in intangibles				
Balance at beginning of the year	8,684	430,552	13,365	681,348
Additions	9,191	455,690	194	9,890
Withdrawals	–	–	(1,098)	(55,976)
Amortisation expense	(3,304)	(163,812)	(3,778)	(192,602)
Balance at the end of the year	14,571	722,430	8,683	442,659
Note 10: Trade and other payables				
Current				
Trade creditors	883,680	43,812,854	902,791	46,024,285
Sundry creditors and accruals	282,031	13,983,097	772,843	39,399,536
	1,165,711	57,795,951	1,675,634	85,423,821

Terms and conditions relating to the above financial instruments:

(i) trade creditors are non-interest bearing and are normally settled on 180 day terms; and

(ii) balance due to sundry creditors is non-interest bearing and is normally settled on 30 day terms.

	2017 $	2017 ₹	2016 $	2016 ₹
Note 11: Provisions				
Current				
Employee entitlements	–	–	25,968	1,323,849
Note 12: Contributed equity				
(a) Issued and paid up capital				
Ordinary shares fully paid 10,015,502 shares (2016: 22,606,065)	44,098,046	2,186,381,121	44,098,046	2,248,118,385
Share capital redemption	(24,500,000)	(1,214,710,000)	-	-
Discount on issue	(108,864)	(5,397,477)	(108,864)	(5,549,887)
	19,489,182	966,273,644	43,989,182	2,242,568,498

(b) Terms and conditions of contributed equity

Ordinary shares

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the company.

	2017 $	2017 ₹	2016 $	2016 ₹
Note 13: Reserves and accumulated losses				
Accumulated losses	15,777,725	782,259,606	17,136,110	873,598,888
Balance at beginning of year	17,136,110	873,598,888	28,089,348	1,335,227,157
Net (profit)/loss attributable to the members of Technico Pty Ltd	(1,358,386)	(91,339,332)	(10,953,238)	(461,628,269)
Total unavailable for appropriation	15,777,724	782,259,556	17,136,110	873,598,888
Dividends paid or provided for	–	–	–	–
Balance at end of period	15,777,724	782,259,556	17,136,110	873,598,888
Note 14: Contingent liabilities				
Estimates of material amounts of contingent liabilities, not provided for in the financial report	–	–	–	–

Note 15: Events subsequent to reporting date

There are no subsequent events to be reported.

	2017 $	2017 ₹	2016 $	2016 ₹
Note 16: Remuneration of auditors				
Amounts received or due and receivable by auditor:				
Audit of the entity by auditor/group auditor	21,500	1,081,020	36,000	1,773,360
Other services in relation to the entity	–	–	–	–
	21,500	1,081,020	36,000	1,773,360

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH, 2017

Your directors submit their Report for the financial year ended 31 March 2017.

Directors

The following directors held office since the start of the financial year until the date of this report:

Ms Bhavani Parameswar
Mr David Charles McDonald
Mr Sachidanand Madan

Corporate information

Technico Technologies Inc. is a company limited by shares that is incorporated and domiciled in Canada. It is a wholly owned subsidiary of Technico Pty Ltd, a company incorporated in Australia.

The registered office of Technico Technologies Inc. is located at:

Stewart McKelvey Stirling Scales
Suite 600, Frederick Square,
77 Westmoreland
Fredericton, New Brunswick
E3B 5B4 Canada

Principal activities

The principal activities of your company during the financial year under review were production of TECHNITUBER® seed potatoes for sale in the Canadian and export markets and production of early generation field seed potatoes under a joint farming arrangement with local potato farmers.

Review and results of operations

The TECHNITUBER® brand continues to gain recognition in Canada, though the scale of operations remains small.

Technico Technologies Inc., Canada registered sales of Canadian Dollar (C$) 0.28 million (previous year C$ 0.24 million) and posted a net profit of C$ 0.05 million (previous year C$ 0.04 million).

No dividends have been paid or declared during the financial year.

Auditors

The Company has engaged M/s Teed Saunders Doyle & Co as auditors for the year under review whose report is annexed to the financial report.

Future developments and results

Your company's early generation seed potatoes continue to demonstrate superior quality and farmer interest in the product has been gaining strength. The focus of this business will be to build on the reputation of its technology and its isolated seed production environment to obtain a price premium commensurate with the quality and performance. The company will continue to build on exports to new markets.

Environmental regulation and performance

Your company is not subject to any particular or significant environmental regulation.

Bhavani Parameswar
Director

Place: New Jersey, USA

Date: 25th April, 2017

INDEPENDENT AUDITOR'S REPORT

To the Shareholder of Technico Technologies Inc.

We have audited the accompanying financial statements of Technico Technologies Inc., which comprise the balance sheet as at March 31, 2017 and the statements of income, retained earnings (deficit) and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for private enterprises, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of Technico Technologies Inc. as at March 31, 2017 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for private enterprises.

April 10, 2017
Fredericton, New Brunswick
CHARTERED PROFESSIONAL ACCOUNTANTS

BALANCE SHEET
AS AT MARCH 31, 2017

ASSETS

	2017	2017	2016	2016
	$	₹	$	₹
Current Assets				
Cash	**226,758**	**11,018,171**	137,581	7,048,275
Accounts receivable	**4,066**	**197,567**	26,765	1,371,171
Inventory	**104,856**	**5,094,953**	154,643	7,922,361
Prepaid expenses	**3,376**	**164,040**	3,164	162,092
	339,056	**16,474,731**	322,153	16,503,899
Property and Equipment (note 4)	**66,464**	**3,229,486**	76,328	3,910,283
	405,520	**19,704,217**	398,481	20,414,182

	2017	2017	2016	2016
	$	₹	$	₹
LIABILITIES				
Current Liabilities				
Accounts payable and accrued liabilities	38,259	1,859,005	25,720	1,317,636
Current portion of long term debt	58,031	2,819,726	35,466	1,816,923
	96,290	4,678,731	61,186	3,134,559
Unamortized Government Assistance (note 5)	2,735	132,894	7,269	372,391
Long Term Debt (note 6)	–	–	58,031	2,972,928
	99,025	4,811,625	126,486	6,479,878
SHAREHOLDERS' EQUITY				
Capital Stock (note 9)	1,186,964	57,674,581	1,198,974	61,423,438
Deficit	(880,469)	(42,781,989)	(926,979)	(47,489,134)
	306,495	14,892,592	271,995	13,934,304
	405,520	19,704,217	398,481	20,414,182

STATEMENT OF RETAINED EARNINGS (DEFICIT)
FOR THE YEAR ENDED MARCH 31, 2017

	2017	2017	2016	2016
	$	₹	$	₹
Deficit At Beginning Of Year	(926,979)	(47,489,134)	(963,371)	(47,236,489)
Net Income For The Year	46,510	2,321,315	36,392	1,824,334
Change In Unrealized Foreign Exchange				
During The Year	–	2,385,830	–	(2,076,979)
Deficit At End Of Year	(880,469)	(42,781,989)	(926,979)	(47,489,134)

STATEMENT OF INCOME
FOR THE YEAR ENDED MARCH 31, 2017

	2017	2017	2016	2016
	$	₹	$	₹
Sales	277,107	13,830,410	241,665	12,114,666
Cost Of Sales	181,506	9,058,964	152,562	7,647,933
Gross Profit	95,601	4,771,446	89,103	4,466,733
Expenses				
Advertising and trade shows	–	–	1,257	63,013
Amortization of property and equipment	8,191	408,813	10,995	551,179
Bank charges	602	30,046	395	19,801
Insurance	5,589	278,947	5,673	284,387
Interest on long-term debt	4,534	226,292	5,884	294,965
Occupancy costs	6,771	337,941	7,024	352,113
Office and supplies	1,795	89,588	2,693	135,000
Professional services	13,030	650,327	10,626	532,681
Staff training	1,119	55,849	–	–
Telephone	2,984	148,931	2,842	142,469
Vehicle and travel	1,237	61,739	5,717	286,593
Wages and benefits	21,966	1,096,323	23,219	1,163,968
	67,818	3,384,796	76,325	3,826,169
	27,783	1,386,650	12,778	640,564
Other Income				
Government assistance - Interest subsidy	4,534	226,292	5,884	294,965
Net revenue - Support services (note 10)	14,193	708,373	17,730	888,805
	18,727	934,665	23,614	1,183,770
Net Income For The Year	46,510	2,321,315	36,392	1,824,334

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2017

	2017	2017	2016	2016
	$	₹	$	₹
Cash Provided By (Required For):				
Operating Activities				
Net income for the year	46,510	2,321,314	36,392	1,824,334
Items not affecting cash				
Amortization of property and equipment	8,191	408,813	10,995	551,179
Amortization capitalized to inventory	1,674	83,549	2,105	105,524
Foreign currency fluctuations	–	(437,628)	–	424,508
	56,375	2,376,048	49,492	2,905,545
Changes in non-cash operating working capital (note 8)	84,812	4,121,014	2,401	123,004
	141,187	6,497,062	51,893	3,028,549
Financing Activities				
Capital stock issuance (redemption)	(12,010)	(583,566)	(52,717)	(2,700,692)
Repayment of long-term debt	(35,466)	(1,723,293)	(24,116)	(1,235,463)
Unamortized government assistance	(4,534)	(220,307)	(5,884)	(301,437)
	(52,010)	(2,527,166)	(82,717)	(4,237,592)
Increase (Decrease) In Cash During The Year	89,177	3,969,896	(30,824)	(1,209,043)
Cash Position At Beginning Of Year	137,581	7,048,275	168,405	8,257,318
Cash Position At End Of Year	226,758	11,018,171	137,581	7,048,275

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2017

1. Nature of Business Activities

The company is a wholly owned subsidiary of Technico Pty Limited (Australia) and produces early generation seed potatoes for the North American Market.

2. Significant Accounting Policies

Basis of Presentation

The financial statements include Indian Rupee equivalent figures, arrived at by applying the year end exchange rate of CAD $1 = Rs. 48.59 (2016 - CAD $1 = Rs. 51.23) to the balance sheet and the average annual exchange rate of CAD $1 = Rs. 49.91 (2016 - CAD $1 = Rs. 50.13) to the income statement as provided by the parent company.

Financial Instruments

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in income. All other financial instruments are reported at amortized cost, and tested for impairment at each reporting date. Transaction costs on the acquisition, sale or issue of the financial instruments are expensed when incurred.

Measurement Uncertainty

The preparation of financial statements in conformity with Canadian accounting standards for private enterprises requires management to make estimates and assumptions that affect the reported amount of net assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

Inventory

Inventory is valued at the lower of production cost and net realizable value. Inventory includes capitalized amortization of $1,674 (2016 $2,105)

Revenue

Revenue is recognized when products and services are delivered to the customer and ultimate collection is reasonably assured.

Amortization

Amortization of property and equipment is recorded on a straight - line basis at the following annual rates:

Buildings	10%
Equipment	13.34%, 20%

Income Taxes

Income taxes are reported using the tax payable method. Under this policy, only current income tax assets and liabilities are recognized and future income taxes are not recorded. Future taxes represent the temporary differences between the carrying amounts of assets and liabilities for accounting purposes and the amounts used for tax purposes along with the benefit of unutilized tax losses carrying forward. The estimated amount of unrecorded future tax credits at year end is a future income tax asset of $297,092 (2016 - $276,109).

3. Financial Instruments

Credit Risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The company is exposed to credit risk from customers. In order to reduce its credit risk, the company reviews a new customer's credit history before extending credit and conducts regular reviews of its existing customers' credit performance. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information.

Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The company is exposed to this risk mainly in respect of its receipt of funds from its customers and other related sources and the payment of funds for accounts payables and long-term debt.

4. Property and Equipment

	Cost	Accumulated Amortization	2017 Net	2016 Net
	$	$	$	$
Land	46,564	–	46,564	46,564
Buildings	289,698	287,765	1,933	2,480
Equipment	290,202	272,235	17,967	27,284
	626,464	560,000	66,464	76,328

	Cost	Accumulated Amortization	2017 Net	2016 Net
	₹	₹	₹	₹
Land	2,262,545	–	2,262,545	2,385,474
Buildings	14,076,426	13,982,501	93,925	127,051
Equipment	14,100,915	13,227,899	873,016	1,397,758
	30,439,886	27,210,400	3,229,486	3,910,283

5. Unamortized Government Assistance

Unamortized government assistance represents the unamortized amount of interest subsidy relative to a non-market rate loan received from the Atlantic Canada Opportunities Agency. The amortization of the loan interest subsidy is recorded as other income in the statement of income.

6. Long-Term Debt

	2017	2017	2016	2016
	$	₹	$	₹
Non-interest bearing loan payable to the Atlantic Canada Opportunities Agency, net of an unamortized fair value discount of $2,735 (2016 - $7,269) at 4.5%, in annual installments of $60,766, unsecured, due August 2017.	58,031	2,819,726	93,497	4,789,851
Less current portion	58,031	2,819,726	35,466	1,816,923
	–	–	58,031	2,972,928

Principal repayment of long-term debt net of implicit interest over the next year is as follows:

	$	₹
2018	58,031	2,819,726

7. Income Taxes

The company has non-capital losses for income tax purposes of $940,561 which may be carried forward to reduce taxable income in future years. If not applied against taxable income, the non-capital losses will expire as follows:

	$	₹
2026	306,920	14,913,243
2027	283,750	13,787,413
2028	214,636	10,429,163
2030	115,010	5,588,336
2031	12,550	609,805
2032	7,695	373,900
	940,561	45,701,860

The company has investment tax credits of $37,896 available to reduce taxes payable of future years. The benefit of investment tax credits and non-capital losses carried forward have not been recorded in the financial statements.

8. Changes In Non-Cash Operating Working Capital

	2017	2017	2016	2016
	$	₹	$	₹
Accounts receivable	22,699	1,102,944	(16,219)	(830,899)
Inventory	49,787	2,419,150	20,625	1,056,619
Prepaid expenses	(212)	(10,301)	272	13,935
Accounts payable and accrued liabilities	12,538	609,221	(811)	(41,548)
Deferred revenue	–	–	(1,466)	(75,103)
	84,812	4,121,014	2,401	123,004

9. Capital Stock

	2017	2017	2016	2016
	$	₹	$	₹
Authorized				
An unlimited number of common shares				
200,000 non-voting, non-cumulative, non-participating, redeemable and retractable Class A preferred shares				
Issued				
1,087,999 Common shares	1,087,998	52,865,823	1,087,998	55,738,138
98,966 Class A preferred shares (2016 - 110,976 shares)	98,966	4,808,758	110,976	5,685,300
	1,186,964	57,674,581	1,198,974	61,423,438

The company's common shares are owned by Technico Pty Limited.

The company's Class A preferred shares are owned by the Province of New Brunswick and are redeemable on the basis of 33% of after-tax profits of the preceding fiscal year and are fully retractable by the holder should specified corporate obligations not be met. During the year, the company redeemed 12,010 Class A preferred shares (2016 - 52,717 Class A preferred shares).

10. Net Revenue - Support Services

Support services revenue is generated entirely from ITC Infotech (USA) Inc., a wholly owned subsidiary of ITC Infotech India Limited, which in turn, is a wholly owned subsidiary company of ITC Limited, which is the ultimate parent company of Technico Technologies Inc. (Canada) and the parent company of Technico Pty Limited (Australia). These related party transactions are recorded at the exchange amount as established and agreed to by the related parties and are subject to normal trade terms.

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2017

Your directors present their report on the company for the financial year ended 31 March 2017.

Directors

The names of the directors in office at any time during or since the end of the year are:

Mr David Charles McDonald
Mr Sachidanand Madan
Mr Arup Kumar Mukerji
Mr Allan Hendry

Corporate information

Technico Asia Holdings Pty Limited is a company limited by shares that is incorporated and domiciled in Australia. It is a wholly owned subsidiary of Technico Pty Ltd, a company incorporated in Australia

The registered office of Technico Asia Holdings Pty Limited is located at:

Suite 5, 20 Bundaroo Street, BOWRAL NSW 2576, Australia

The company had no employees during the year.

Principal activities

During the year, the entity did not have any activity other than holding 100% of the shares of Technico Horticultural (Kunming) Co Limited, China.

Review and results of operations

During the year, the company earned a profit of A$ nil [2016: nil].

Significant events after balance date

There are no significant events after the balance date to be reported.

Environmental regulation and performance

The company is not subject to any particular or significant environmental regulation.

Indemnification and insurance of directors

Indemnification

The company has not, during or since the financial year, indemnified or agreed to indemnify a current or former director or officer or auditor of the company or of any related body corporate against a liability incurred whilst engaged as a director or officer or auditor.

Insurance

The company has not, during or since the financial year, paid any insurance premium or agreed to pay a premium insuring directors, officers and auditors of the company against liabilities for costs and expenses incurred in defending civil or criminal proceedings.

Auditor independence

The auditor's independence declaration from Kelly Partners (Southern Highlands) Pty Limited is on page 12 of this report.

Signed in accordance with a resolution of the Board of Directors:

Allan Hendry
Director

Place: Sydney, Australia
Date: 29th April 2017

DIRECTORS' DECLARATION FOR THE YEAR ENDED 31 MARCH 2017

In accordance with a resolution of the directors of Technico Asia Holdings Pty Limited, we state that in the opinion of the directors:

(a) the company is not a reporting entity as defined in the Australian Accounting Standards;

(b) the financial statements and notes of the company are in accordance with the Corporations Act 2001, including:

  (i) giving a true and fair view of the company's financial position as at 31 March 2017 and of their performance for the year ended on that date;

  (ii) complying with Accounting Standards and Corporations Regulations; and

(c) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

On behalf of the Board:

Allan Hendry
Director

Place: Sydney, Australia
Date: 29th April 2017

AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

To the Directors of the Technico Asia Holdings Pty Limited

I declare that, to the best of my knowledge and belief, during the year ended 31 March 2017 there has been:

a) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit, and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

Kelly Partners (Southern Highlands) Pty Limited

David M Duff

Registered Auditor Number 282971

Bowral

Dated: 29th April 2017

INDEPENDENT AUDIT REPORT
To the Members of Technico Asia Holdings Pty Limited,

Opinion

We have audited the financial report of Technico Asia Holdings Pty Limited, which comprises the statement of financial position as at 31 March 2017, the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of Technico Asia Holdings Pty Limited is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the company's financial position as at 31 March 2017 and of its financial performance for the year then ended; and

(b) complying with Australian Accounting Standards to the extent described in Note 1, and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The directors are responsible for the other information. The other information comprises the directors' report for the year ended 31 March 2017, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Emphasis of Matter – Basis of Accounting

We draw attention to Note 1 to the financial report, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the directors' financial reporting responsibilities under the Corporations Act 2001. As a result, the financial report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Responsibilities of the Directors for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view and have determined that the basis of preparation described in Note 1 to the financial report is appropriate to meet the requirements of the Corporations Act 2001 and is appropriate to meet the needs of the members. The directors' responsibility also includes such internal control as the directors determine is necessary to enable the preparation of a financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Kelly Partners (Southern Highlands) Pty Limited

David M Duff
Registered Auditor Number 282971

Bowral
Dated: 29th April 2017

INCOME STATEMENT FOR THE YEAR ENDED 31 MARCH 2017

	Notes	2017 $	2017 ₹	2016 $	2016 ₹
Continuing operations					
Sale of goods		–	–	–	–
Cost of sales:					
Other cost of sales		–	–	–	–
Inventory write off and write down		–	–	–	–
Gross profit					
Other income		–	–	–	–
Marketing expenses		–	–	–	–
Research and development expenses		–	–	–	–
Occupancy expenses		–	–	–	–
Administration expenses:		–	–	–	–
Other administration expenses		–	–	–	–
Recovery investments and loans		–	–	–	–
Finance costs		–	–	–	–
Other revenues/(expenses) from ordinary activities		–	–	–	–
Profit from continuing operations before income tax expense		–	–	–	–
Income tax expense		–	–	–	–
Net profit attributable to members of Technico Asia Holdings Pty Ltd		–	–	–	–

BALANCE SHEET AS AT 31 MARCH 2017

	Notes	2017 $	2017 ₹	2016 $	2016 ₹
Current assets					
Cash and cash equivalents		–	–	–	–
Trade and other receivables	2	–	–	–	–
Inventories		–	–	–	–
Other		–	–	–	–
Total current assets		–	–	–	–
Non-current assets					
Receivables		–	–	–	–
Other financial assets	3	969,736	48,079,511	969,736	49,437,141
Property, plant and equipment		–	–	–	–
Intangible assets		–	–	–	–
Total non-current assets		969,736	48,079,511	969,736	49,437,141
Total assets		969,736	48,079,511	969,736	49,437,141
Current liabilities					
Trade and other payables	4	–	–	–	–
Loans and borrowings	5	–	–	–	–
Provisions		–	–	–	–
Total current liabilities		–	–	–	–
Non-current liabilities					
Interest free loans and borrowings		–	–	–	–
Provisions		–	–	–	–
Total non-current liabilities		–	–	–	–
Total liabilities		–	–	–	–
Net assets		969,736	48,079,511	969,736	49,437,141
Equity					
Contributed equity	6	3,684,522	182,678,601	3,684,522	187,836,932
Accumulated losses	7	(2,714,786)	(134,599,090)	(2,714,786)	(138,399,791)
Total equity		969,736	48,079,511	969,736	49,437,141

STATEMENT OF CHANGES IN EQUITY AS AT 31 MARCH 2017

	Contributed equity $	Retained earnings $	Total $
At 1 April 2015	3,684,522	(2,714,786)	969,736
Profit for the period	–	–	–
At 31 March 2016	3,684,522	(2,714,786)	969,736
Profit for the period	–	–	–
At 31 March 2017	**3,684,522**	**(2,714,786)**	**969,736**

	Contributed equity ₹	Retained earnings ₹	Total ₹
At 1 April 2015	175,143,753	(129,047,352)	46,096,401
Unrealised exchange gain/(loss)	12,693,179	(9,352,439)	3,340,740
At 31 March 2016	187,836,932	(138,399,791)	49,437,141
Unrealised exchange gain/(loss)	(5,158,331)	3,800,701	(1,357,630)
At 31 March 2017	**182,678,601**	**(134,599,090)**	**48,079,511**

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2017

	Notes	2017 $	2017 ₹	2016 $	2016 ₹
Cash flow from operating activities					
Net cash flows (used in)/from operating activities		–	–	–	–
Cash flows from financing activities					
Net cash flows (used in)/from financing activities		–	–	–	–
Net increase/(decrease) in cash held		–	–	–	–
Add opening cash brought forward		–	–	–	–
Cash and cash equivalents at end of period		–	–	–	–

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS AS AT 31 MARCH 2017

Note 1: Statement of significant accounting policies

(a) Basis of preparation and going concern

The financial report is a special purpose financial report prepared for distribution to members of the company to fulfil the directors' financial reporting requirements under Chapter 2M of the Corporations Act 2001. The accounting policies used in the preparation of this report, as described below, are in the opinion of the directors, appropriate to meet the needs of members.

The financial report has been prepared on a historical cost basis and is presented in Australian dollars. The supplementary information in INR (Indian Rupees), which are unaudited, have been arrived at by applying the year end inter-bank exchange rate of 1 AUD = INR 49.58 for the current year balance sheet (2016: INR 50.98) and the average rate of 1 AUD = INR 50.28 for the current year income statement and cash flow statement (2016: INR 49.26), and have been included in the financial report as required by the parent entity.

The directors have determined that the company is not a "reporting entity". Consequently the requirements of Accounting Standards issued by the AASB and other professional reporting requirements do not have mandatory applicability to Technico Asia Holdings Pty Limited in relation to the year ended 31 March 2017. However, the directors have determined that in order for the financial report to give a true and fair view of the company's results of operations and state of affairs, the requirements of Accounting Standards and other professional reporting requirements in Australia relating to the measurement and recognition of assets, liabilities, revenues, expenses and equity should be complied with.

Accordingly, the directors have prepared the financial report in accordance with the following Accounting Standards:

AASB 101	:	Presentation of Financial Statements
AASB 107	:	Cash Flow Statements
AASB 108	:	Accounting Policies, Changes in Accounting Estimates and Errors
AASB 1048	:	Interpretation and Application of Standards

(b) Significant accounting judgements, estimates and assumptions

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

Investment in subsidiaries
The carrying value of the investment in subsidiaries is assessed at each reporting date as to whether there is an indication that the asset may be impaired. The assessment includes estimates and assumptions of future events including anticipated rates of growth, gross margins, together with the application of a discount rate. These assumptions correspond with the best estimates of management at reporting date.

(c) Receivables

Trade/other receivables are recognised and carried at the original amount less any provision for doubtful debts. A provision is recognised when collection of the full amount is no longer probable. Bad debts are written off as incurred.

(d) Other financial assets

Investments in controlled entities are recorded at cost less impairment of the investment value.

(e) Impairment of assets

The company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset.

(f) Payables

Trade payables and other payables are carried at amortised costs and represent liabilities for goods and services provided to the company prior to the end of the financial year that are unpaid and arise when the company becomes obliged to make future payments in respect of the purchase of these goods and services.

(g) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Note 2: Trade and other receivables

	2017 $	2017 ₹	2016 $	2016 ₹
Current				
Trade and other receivables	–	–	–	–

	2017 $	2017 ₹	2016 $	2016 ₹
Note 3: Other financial assets				
Non-current				
Shares in subsidiaries:				
At cost	**3,684,522**	**182,678,601**	3,684,522	187,836,932
Provision for write-down	**(2,714,786)**	**(134,599,090)**	(2,714,786)	(138,399,791)
Total other financial assets	**969,736**	**48,079,511**	969,736	49,437,141

Provision for write-down of subsidiaries

The losses generated within the subsidiaries have resulted in a provision for write-down to net assets being recorded against the cost amount of the investment.

	Percentage of equity interest held by the consolidated entity country of incorporation	%	Investment (Provision for diminution) 2017 $	2017 ₹	2016 $	2016 ₹
Technico Horticultural (Kunming) Co Ltd	China	100	**3,684,522**	**182,678,601**	3,684,522	187,836,932
			(2,714,786)	**(134,599,090)**	(2,714,786)	(138,399,791)
			969,736	**48,079,511**	969,736	49,437,141

		2017 $	2017 ₹	2016 $	2016 ₹
Note 4: Trade and other payables					
Current					
Trade creditors	(i)	–	–	–	–

Terms and conditions relating to the above financial instruments:

(i) trade creditors are non-interest bearing and are normally settled on 30 day terms.

	2017 $	2017 ₹	2016 $	2016 ₹
Note 5: Loans and borrowings				
Current				
Loans and borrowings	–	–	–	–
Note 6: Contributed equity				
Issued and paid up capital				
3,684,522 Ordinary shares fully paid	**3,684,522**	**182,678,601**	3,684,522	187,836,932

Terms and conditions of contributed equity
Ordinary shares
Ordinary shares have the right to receive dividends as declared and, in the event of winding up the company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the company.

	2017 $	2017 ₹	2016 $	2016 ₹
Note 7: Reserves and accumulated losses				
Accumulated losses				
Balance at beginning of year	**(2,714,786)**	**(134,599,090)**	(2,714,786)	(138,399,791)
Net profit attributable to the members of Technico Asia Holdings Ltd	–	–	–	–
Total available for appropriation	**(2,714,786)**	**(134,599,090)**	(2,714,786)	(138,399,791)
Dividends paid or provided for	–	–	–	–
Aggregate amount transferred (to)/from reserves	–	–	–	–
Balance at end of period	**(2,714,786)**	**(134,599,090)**	(2,714,786)	(138,399,791)

Note 8: Events subsequent to reporting date

There are no subsequent events to be reported.

MANAGEMENT REPORT FOR THE YEAR ENDED 31 DECEMBER 2016

Your management submits its report for the financial year ended 31 December 2016.

Corporate Information

Technico Horticultural (Kunming) Co Ltd ("Company") is domiciled in Yunnan Province, People's Republic of China. Its parent entity is Technico Asia Holdings Pty Ltd, a company incorporated in Australia.

The registered office of the Company is located at,

A-38 Yanglin Industrial Development Zone,
Songming,
Yunnan Province,
People's Republic of China.

Principal activities

The Company is primarily engaged in production and supply of TECHNITUBER® Seed potatoes to export markets.

Business Review

For the year under review, the Company achieved a turnover of CNY 5,078,757 (2015: CNY 2,961,480) and incurred a loss of CNY 833,227 (2015: Loss of CNY 189,712). While selling prices and margins saw a decline in the face of softer demand, operating expenses have risen, primarily due to a sharp increase in real estate taxes.

In view of the accumulated losses, no dividend has been paid or declared during the financial year.

Auditors

The Company has engaged M/s Ruihua Certified Public Accountant (LLP) Yunnan as auditors for the year under review whose report is annexed to the financial report.

Environmental regulation and performance

Your Company complies with the applicable environmental regulations set by the Songming Environmental Bureau.

Haoxuan Shen
Legal Representative

Place: Songming　　Date: 7 April 2017

AUDITOR'S REPORT
To the Management
Technico Horticultural (Kunming) Co., Ltd.

We have audited the accompanying financial statements of Technico Horticultural (Kunming) Company, which comprise the balance sheet as at 31 December 2016, and the income statement and profit apporiation, the cash flow statement for the year then ended, and the notes to the financial statements.

1. **Management's responsibility for the financial statements**

   Management of Technico Horticultural (Kunming) Company is responsible for the preparation and fair presentation of these financial statements. This responsibility includes: (1) preparing the financial statements in accordance with Accounting Standards for Business Enterprises and "The Accounting Systems of PRC Enterprises" to achieve fair presentation of the financial statements; (2) designing, implementing and maintaining internal control which is necessary to enable that the financial statements are free from material misstatement, whether due to fraud or error.

2. **Auditor's responsibility**

   Our responsibility is to express an audit opinion on these financial statements based on our audit. We conducted our audit in accordance with China Standards on Auditing. China Standards on Auditing require that we comply with the Code of Ethics for Chinese Certified Public Accountants and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

   An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, Certified Public Accountants consider the internal control relevant to the preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

   We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

3. **Opinion**

   In our opinion, the financial statements of Technico Horticultural (Kunming) Company present fairly, in all material respects, the company's financial position as of 31 December 2016, and the company's results of operations and cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises and "The Accounting Systems of PRC Enterprises".

Ruihua Certified Public Accountant (LLP)

Chinese Certified Public Accountants:

Yunnan Branch　　Chinese Certified Public Accountants:

Kunming, The People's Republic of China

7 April 2017

BALANCE SHEET AS ON 31ST DECEMBER 2016

Printed by Technico Horticultural (Kunming) Co. Ltd.

ITEMS	LINE	31-Dec-15		31-Dec-16	
	NO.	CNY	INR	CNY	INR
CURRENT ASSETS	1				
Cash and cash equivalents	2	37,62,320	3,83,19,233	**39,70,472**	**3,88,21,688**
Transaction monetary assets	3	0	0	**0**	**0**
Short-term investments	4	0	0	**0**	**0**
Notes receivable	5	0	0	**0**	**0**
Accounts receivable	6	21,52,018	2,19,18,308	**35,73,373**	**3,49,39,008**
Advance to suppliers debts	7	0	0	**0**	**0**
Dividend receivable	8	0	0	**0**	**0**
Interest receivable	9	0	0	**10,544**	**1,03,098**
Other notes receivable	10	249	2,540	**0**	**0**
Inventories	11	27,56,621	2,80,76,182	**8,34,646**	**81,60,834**
Including: Raw materials	12	0	0	**0**	**0**
Finished goods	13	24,30,329	2,47,52,900	**5,08,354**	**49,70,483**
In one year expired noncurrent assets	14	0	0	**0**	**0**
Other current assets	15	14,596	1,48,661	**15,379**	**1,50,374**
Total current assets	16	86,85,805	8,84,64,924	**84,04,414**	**8,21,75,002**
NONCURRENT ASSETS	17	0	0	**0**	**0**
Financial assets available for sale	18	0	0	**0**	**0**
Hold investment due	19	0	0	**0**	**0**
Long-term investment on bonds	20	0	0	**0**	**0**
Long-term account receivable	21	0	0	**0**	**0**
Long-term investment on stocks	22	0	0	**0**	**0**
Right to trade in previously non-tradable shares	23	0	0	**0**	**0**
Investment real eastate	24	0	0	**0**	**0**
Fixed assets-cost	25	2,69,27,363	27,42,55,190	**2,70,66,113**	**26,46,41,625**
Less: Accumulated depreciations	26	2,27,60,889	23,18,19,657	**2,32,45,548**	**22,72,85,669**
Fixed assets-net value	27	41,66,474	4,24,35,533	**38,20,565**	**3,73,55,955**
Less: Fixed assets depreciation reserves	28	0	0	**0**	**0**
Fixed assets-net equity	29	41,66,474	4,24,35,533	**38,20,565**	**3,73,55,955**
Construction in progressliab	30	0	0	**0**	**0**
Project goods and material	31	0	0	**0**	**0**
Liquidation of fixed assets	32	0	0	**0**	**0**
Productive living assets	33	0	0	**0**	**0**
Oil and gas assets	34	0	0	**0**	**0**
Intangible assets	35	13,32,094	1,35,67,375	**12,91,106**	**1,26,23,920**
Including: right to use land	36	13,32,094	1,35,67,375	**12,91,106**	**1,26,23,920**
Development expenditures	37	0	0	**0**	**0**
Business reputation	38	0	0	**0**	**0**
Cost-book value differentials	39	0	0	**0**	**0**
Long-term deferred and prepaid expenses	40	0	0	**0**	**0**
Deferred income tax assets	41	0	0	**0**	**0**
Deferred taxes debit	42	0	0	**0**	**0**
Other noncurrent assets	43	0	0	**0**	**0**
Including: specially approved reserving materials	44	0	0	**0**	**0**
Total noncurrent assets	45	54,98,567	5,60,02,908	**51,11,671**	**4,99,79,876**
TOTAL ASSETS	46	1,41,84,372	14,44,67,832	**1,35,16,086**	**13,21,54,878**
CURRENT LIABILITIES	47		0		**0**
Short term loans	48	0	0	**0**	**0**
Transaction financial liabilities	49	0	0	**0**	**0**
Warrants payable	50	0	0	**0**	**0**
Notes payable	51	0	0	**0**	**0**
Accounts payable	52	13,180	1,34,238	**8,100**	**79,199**
Advances from customers	53	0	0	**0**	**0**
Employee pay payable	54	2,19,295	22,33,521	**96,834**	**9,46,800**
Including: accrued wages	55	2,19,295	22,33,521	**96,834**	**9,46,800**
accrued welfarism	56	0	0	**0**	**0**
Including: staff and worker' bonus and welfare fund	57	0	0	**0**	**0**

BALANCE SHEET AS ON 31ST DECEMBER 2016 (Contd.)

Printed by Technico Horticultural (Kunming) Co. Ltd.

ITEMS	LINE	31-Dec-15		31-Dec-16	
	NO.	CNY	INR	CNY	INR
Taxes and dues payable	58	0	0	2,18,009	21,31,603
Including: Taxes payable	59	0	0	0	0
Interest payable	60	0	0	0	0
Dividends payable	61	0	0	0	0
Other payables	62	1,30,558	13,29,733	2,05,031	20,04,709
Due within one year of noncurrent liabilities	63	0	0	0	0
Other current liabilities	64	0	0	0	0
Total current liabilities	65	3,63,033	36,97,492	5,27,973	51,62,311
NONCURRENT LIABILITIES	66	0	0	0	0
Long-term loans	67	0	0	0	0
Bonds payable	68	0	0	0	0
Long-term account payable	69	0	0	0	0
Special payable	70	0	0	0	0
Projected liabilities	71	0	0	0	0
Deferred income tax liabilities	72	0	0	0	0
Deferred taxes credit	73	0	0	0	0
Other noncurrent liabilities	74	0	0	0	0
Including: special reserve fund	75	0	0	0	0
Total non-current liabilities	76	0	0	0	0
Total liabilities	77	3,63,033	36,97,492	5,27,973	51,62,311
OWNERS' EQUITY	78	0	0	0	0
Practical capital collected (or share capital)	79	1,90,13,598	19,36,53,496	1,90,13,598	18,59,07,356
National capital	80	0	0	0	0
Collective capital	81	0	0	0	0
Legal person"s capital	82	0	0	0	0
Including: State-owned legal person"s capital	83	0	0	0	0
Collective legal person"s capital	84	0	0	0	0
Personal capital	85	0	0	0	0
Foreign businessmen"s capital	86	1,90,13,598	13,03,28,708	1,90,13,598	13,03,28,708
Less: Investment returned	87	0	0	0	0
Net paid in capital	88	1,90,13,598	13,00,33,997	1,90,13,598	13,00,33,997
Capital reserves	89	42,667	4,41,992	42,667	4,41,992
Less: treasury stock	90	0	0	0	0
Surplus reserves	91	0	0	0	0
Including: Legal surplus	92	0	0	0	0
Free surplus reserves	93	0	0	0	0
Reserve fund	94	0	0	0	0
Enterprise expension fund	95	0	0	0	0
Profits capitalized on return of investment	96	0	0	0	0
Unaffirmed investment loss	97	0	0	0	0
Undistributed profit	98	-52,34,925	-3,16,15,745	-60,68,152	-2,72,92,247
Including: cash dividends	99	0	0	0	0
*Margin of Translation of Foreign Currency Financial Statements	100	0	4,19,10,096	0	2,38,08,824
Total equity attributable to equity holders of the Parent	101	1,38,21,339	14,07,70,340	1,29,88,112	12,69,92,566
*minority stockholder's interest	102	0	0	0	0
Total owners' equity	103	1,38,21,339	14,07,70,340	1,29,88,112	12,69,92,566
Less: assets loss	104	0	1	0	1
Total owners'equity (net value less loss on assets)	105	1,38,21,339	14,07,70,340	1,29,88,112	12,69,92,566
TOTAL LIABILITIES AND OWNERS' EQUITY	106	1,41,84,372	14,44,67,832	1,35,16,086	13,21,54,878

Income statement and profit appropriation 2016

Printed by Technico Horticultural (Kunming) Co. Ltd.

ITEMS	LINE NO.	2016 CNY	2016 INR	2015 CNY	2015 INR
Income for main business	1	50,78,756.96	5,06,92,596.84	29,61,480.06	3,04,20,323.18
Less: cost of main buiness	2	48,29,189.13	4,82,01,585.46	24,13,854.79	2,47,95,116.40
Taxation and additional of main	3				
Main business profit	4	2,49,567.83	24,91,011.38	5,47,625.27	56,25,206.77
Add: other profit	5				
Less: Operating expenses	6	1,55,850.06	15,55,586.20	3,37,900.56	34,70,914.55
Management expenses	7	9,47,120.32	94,53,492.05	3,16,216.85	32,48,179.48
Including: Business entertainment	8				
Research and development expense	9				
Financial Expenses	10	-18,526.77	-1,84,921.25	24,816.74	2,54,917.55
Including: Interest exchange	11				
Interest income	12	76,931.59	7,67,877.28	1,10,925.33	11,39,424.99
Foreign exchange profit and loss	13	57,004.19	5,68,975.92	1,32,949.06	13,65,652.74
Operation Profit	14	-8,34,875.78	-83,33,145.62	-1,31,308.88	-13,48,804.82
Add: Investment income	15				
Including: for the investment benefits from the invested business and the united business and joint venture	16				
Subsidy Income	17				
Non-operating income	18	1,648.84	16,457.57	2,133.26	21,912.85
Including: income from disposal of long term assets	19				
Income from non-monetary assets exchage	20				
Government grands (subsidy income)	21				
Income from debt restructuring	22				
Less: Non-operating expenses	23			60,536.00	6,21,825.79
Including: Loss on disposal of long-term assets	24				
Loss on non-monetary assets exchange	25				
Loss on debt restructuring	26				
Total Profit	27	-8,33,226.94	-83,16,688.06	-1,89,711.62	-19,48,717.76
Less: Income tax	28				
Net Profit	29	-8,33,226.94	-83,16,688.06	-1,89,711.62	-19,48,717.76
Add:Undistributed Profit at the beginning of year	30	-52,34,925.40	-5,22,51,360.90	-50,45,213.78	-5,18,24,435.95
Other transfer-in	31				
Profit available for distribution	32				
Less: Appropriation of statutory surplus reserves	33				
Appropriation of Company expand fund	34				
Appropriation of staff incentive and welfare fund	35				
Capital redemption	36				
Profit available for owners' distribution	37	-60,68,152.34	-6,05,68,048.95	-52,34,925.40	-5,37,73,153.71
Less:Appropriated profit	38				
Common stock turn to capital	39				
Undivided Profit	40	-60,68,152.34	-6,05,68,048.95	-52,34,925.40	-5,37,73,153.71
Supplementary Information:	41				
Gains on disposal of operating divisions or investments	42				
Losses from natural disaster	43				
Increase (decrease) in profit due to changes in accounting policies	44				
Increase (decrease) in profit due to changes in accounting estimates	45				
Losses from debt restructuring	46				
Other	47				

CASHFLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2016

Printed by Technico Horticultural (Kunming) Co. Ltd.

ITEMS	LINE NO.	2015		2016	
		RMB	INR	RMB	INR
1. Cash Flow from Operating Activities	1				
Cash from selling commodities or offering labor	2	36,47,082	3,74,62,823	38,33,892	3,82,67,230
Refund of tax and fee received	3		0		0
Other cash received related to operating activities	4	1,15,484	11,86,254	73,001	7,28,642
Cash InflowSubtotal	5	37,62,566	3,86,49,077	39,06,893	3,89,95,872
Cash paid for commodities or labor	6	27,55,054	2,82,99,915	15,03,382	1,50,05,707
Cash paid to and for employees	7	16,31,744	1,67,61,271	19,84,183	1,98,04,724
Taxes and fees paid	8	2,42,779	24,93,827	37,106	3,70,362
Other cash paid related to operating activities	9	1,80,595	18,55,075	36,401	3,63,326
Cash OutflowSubtotal	10	48,10,172	4,94,10,088	35,61,071	3,55,44,119
Cash flow generated from operating activitiesNet Amount	11	-10,47,606	-1,07,61,011	3,45,822	34,51,753
2. Cash Flow from Investing Activities	12		0		0
Cash from investment withdrawal	13		0		0
Cash from investment income	14		0		0
Net cash from disposing fixed assets: intangible assets and other long-term ass	15		0		0
Net cash inflows of disposal of subsidiaries and other business entities	16		0		0
Other cash received related to investing activities	17		0		0
Cash InflowSubtotal	18		0		0
Cash paid for buying fixed assets: intangible assets and other long-term investm	19	20,900	2,14,685	1,38,750	13,84,905
Cash paid for investment	20		0		0
Net cash outflows of procurement of subsidiaries and other business units	21		0		0
Other cash paid related to investing activities	22		0		0
Cash OutflowSubtotal	23	20,900	2,14,685	1,38,750	13,84,905
Cash flow generated from investing activities Net Amount	24	-20,900	-2,14,685	-1,38,750	-13,84,905
3. Cash Flow from Financing Activities	25		0		0
Cash received from accepting investment	26		0		0
Including: cash inflows from minority investment in subsidiaries	27		0		0
Borrowings	28		0		0
Other cash received related to financing activities	29		0		0
Cash InflowSubtotal	30		0		0
Cash paid for debt	31		0		0
Cash paid for dividend, profit or interest	32		0		0
Including: dividends and earnings paid to minorities by subsidiaries	33		0		0
Other cash paid related to financing activities	34		0		0
Cash OutflowSubtotal	35		0		0
Cash flow from financing activitiesNet Amount	36		0		0
4. Foreign Currency Translation Gains (Losses)	37	239	2,453	1,080	10,777
5. Net Increase Of Cash and Cash Equivalents	38	-10,68,267	-1,09,73,243	2,08,152	20,77,625
Add: cash and cash equivalents beginning bal.	39	48,30,588	4,96,19,797	37,62,320	3,75,52,848
6. cash and cash equivalents ending bal.	40	37,62,320	3,86,46,555	39,70,472	3,96,30,473

NOTES TO THE FINANCIAL STATEMENTS

1. Brief information on the Company

Technico Horticultural (Kunming) Co., Ltd. (the "company") was established as a wholly foreign-owned enterprise invested by Technico Asia Holdings Pty Limited., under the "laws of the People's Republic of China (the "PRC") on Enterprises Operated Exclusively with Foreign Capital" and through the approval by the Foreign Economic and Trade Department of Yunnan province in the certification Dian zi (1997) No.0049. The Company of the registered capital USD2,300,000.00 was registered, with the business license number of Qi Du Zong zi No.000716, on 8 December 1997. The tenure of the Company is 50 years and may be extended upon application by the board of directors and approval of the relevant government authorities. The principal activities of the Company are the development, production and supply of microtuber potato.

2. Significant accounting policies and accounting estimates

(1) Accounting regulations

The Company implements "The Accounting Standards for Enterprises" and "The Accounting Regulations of Enterprises" and the supplementary stipulate.

(2) Fiscal year

The fiscal year for the Company is from 1 January to 31 December of each calendar year.

(3) Accounting currency

The Company's financial records are maintained and the financial statements are stated in Renminbi ("RMB").

(4) Accounting basis and principle

The accounting basis of The Company is accrual principle, and the accounting principle is historical cost principle.

(5) Foreign currency transactions

All foreign currency transactions have been translated into RMB at the market rates of exchange prevailing on the dates of transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into RMB at the market rates of exchange ruling at that date. The resulting exchange gains or losses are capitalized if they have relation to acquiring fixed assets before the fixed assets intended-use have been commenced; or are accounted as long-term prepaid expense in the preparative duration, or are dealt with in the profit and loss account in the operating duration, if they have not relation to acquiring fixed assets.

(6) Cash equivalents

Cash equivalents are the short-term investments, which are held by the Company at the short-term (generally within 3 months from the purchasing date to the date due), are easy in currency and conversion to known-account cashes, are of little value fluctuations.

(7) Allowances for uncollectible accounts

The Company uses the allowance method in which the allowances for uncollectible accounts for the receivable items (including the accounts receivable and other receivable) are recognized in the aging receivable account method and are dealt with in the profit and loss account at the balance sheet. The aging receivable account method is made as follows:

a. Within 1 year, at 0.5 percent on the amount of the part;

b. 1-2 year, at 10 percent on the amount of the part;

c. 2-3 year, at 30 percent on the amount of the part.

If any receivable is evidently different from the others, the specific identification method is made for the receivable item.

(8) Inventories

Inventories, which are recorded at actual cost, include finished goods, work-in-progress and raw material.

For the unrecoverable inventory cost due to the damage, partly or wholly obsolescence, or market price lower than the cost, the provision for decline in value of inventories is determined according to the difference of the actual cost lower than net realizable value on an item-by-item basis, at the end of the period.

(9) Fixed assets and depreciation

Fixed assets are recorded based on the actual cost. At the inception of a lease, the fixed assets by a lessee under a finance lease are recorded at an amount equal to the lower of the carrying amount of the leased asset originally recorded in the books of the lessor and the present value of the minimum lease payments. (If the proportion of the recorded amount of the leased assets to the total amount of assets is lower than 30 percent, the leased assets are recorded at an amount equal to the total minimum lease payments.)

The standard about fixed asset: House and building, machinery and equipment, Motor vehicle and so on of the useful life more than one year, and non-principle operating equipment of the unit value over 2000 yuan and the useful life more than two years

Depreciation is calculated on the straight-line basis to write off the cost of each asset over its estimated useful life after deducting the estimated residual value. The categories, useful life and residual value, annual depreciation rate are as follows:

Category	Estimated useful life	Annual depreciation rate	Residual value
House and building	20years	4.50%	10.00%
Production equipment	10years	9.00%	10.00%
Motor vehicle	5years	18.00%	10.00%
Office equipment and other	5years	18.00%	10.00%

Provision for impairment: At the end of each period, The Company examines its fixed assets and if market value of the fixed asset has declined continually, become obsolete in technology, been not in use in the long term, or been damage, and the recoverable amount of the fixed asset is less than its carrying amount, the provision for impairment is determined according to the difference of the recoverable amount of the fixed asset lower than its carrying amount on an item-by-item basis.

(10)Intangible assets

An intangible asset, which is acquired separately, is recorded based on the actual purchase price paid.

The cost of an intangible asset is amortized evenly over its expected useful life starting in the month in which it is obtained.

If the expected useful life exceeds the beneficial period stipulated in the relevant contract or the effective period stipulated by law, the amortization period of an intangible asset is determined in accordance with the following rules:

a. If the relevant contract stipulates the beneficial period but the law does not stipulate the effective period, the amortization period is not longer than the beneficial stipulated by the relevant contract;

b. If the relevant contract does not stipulate the beneficial period but the law stipulates the effective period, the amortization period is not longer than the effective period stipulated by law;

c. If the relevant contract stipulates the beneficial period but the law also stipulate the effective period, the amortization period is not longer than the shorter of the beneficial period and the effective period.

If the relevant contract does not stipulate the beneficial period and the law does not stipulate the effective period, the amortization period does not exceed 10 years.

If an intangible asset is no longer expected to be able to generate any economic benefits that flow to the enterprise, the carrying amount of the intangible asset is written off and is recognized as gain or loss the current period.

The Company reviews the carrying amount of the intangible asset at the end of each period. The difference of the expected receivable amount lower than the carrying amount of the intangible asset is recognized as provision for impairment on an item-by-item basis.

(11) Long-term prepaid expense

Long-term prepaid expenses are recorded based on the actual payments and amortized on the straight-line basis in the beneficial period.

The expenses (except for acquiring fixed assets), which occur in the preparative duration, are recorded as long-term expense, and are amortized in the month starting the operating

(12) Principle for recognition of revenue

a. Revenue from the sale of goods

The revenue is recognized when all the following conditions have been satisfied: the Company has transferred to the buyer the significant risks and rewards of ownership of the goods; the enterprise retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold; it is probable that the economic benefits will flow to the Company; the relevant amount of revenue and costs can be measured reliably.

b. Revenue from rendering of services

When the provision of services is started and completed within the same accounting year, revenue is recognized at the time of completion of the services, and receipt of money or holding the qualification of acquiring money;

When the provision of services is started and completed in different accounting year, the total income and the completion degree involving the service contract can be estimated reliably, it is probable that the economic benefits will flow to the Company, the outcome of a transaction involving the rendering of services can be estimated reliably, the service revenue is recognized at the balance sheet date by the use of the percentage of completion method.

The revenue referred to above is recognized when all the following conditions have been satisfied:

a. It is probable that the economic benefits will flow to the Company;

b. The amount of the revenue can be measured reliably.
(13) Corporation income tax

Corporation income tax is accounted on the tax payable basis.

3. Tax

VAT: According to the relevant tax laws in the PRC, the Company is exempted from VAT for the sales of the agricultural produce harvested by the Company.

Corporation income tax is accounted on the tax payable basis at a rate of 25% on its taxable income. However, according to the new income tax-laws in the PRC, the Company is an agricultural production company which is exempted from corporate income tax.

4. Notes to significant items in the financial statements

(1) Cash

Items	Ending Balance Amount	Beginning Balance Amount
Cash on hand	437.02	1,430.29
Cash in bank	3,970,035.03	3,760,890.05
Total	3,970,472.05	3,762,320.34

(2) Account receivable

Aging	Ending Balance			Beginning Balance		
	Amount	Percentage (%)	Provision for bad debts	Amount	Percentage (%)	Provision for bad debts
Within 1 year	3,591,329.28	100.00	17,956.65	2,162,832.65	100.00	10,814.16
Total	3,591,329.28	100.00	17,956.65	2,162,832.65	100.00	10,814.16

(3) Other receivables

Aging	Ending Balance			Beginning Balance		
	Amount	Percentage (%)	Provision for bad debts	Amount	Percentage (%)	Provision for bad debts
Within 1 year				249.41	100.00%	
Total				249.41	100.00%	

(4) Inventories and provision for loss on realization of inventory

	Ending balance	Beginning balance
Work-in-progress	326,291.82	326,291.82
Finished goods	1,138,354.110	2,430,328.90
	1,464,645.930	2,756,620.72
Less: Provision for loss on realization of inventory	630,000.00	
	834,645.93	2,756,620.72

(5) Fixed assets

Item	Beginning balance	Increase of this year	Decrease of this year	Ending book balance
(1) Total original book value	26,927,362.82	138,750.00		27,066,112.82
Including: Houses and building	11,648,161.00	57,750.00		11,705,911.00
Production equipment	14,788,595.66	81,000.00		14,869,595.66
Transportation	159,347.00			159,347.00
Office and other equipment	331,259.16			331,259.16
(2) Total accumulated Depreciation	22,760,889.29	484,658.64		23,245,547.93
Including: Houses and building	9,539,582.46	351,406.30		9,890,988.76
Production equipment	12,779,217.26	131,435.76		12,910,653.02
Transportation	143,412.31			143,412.31
Office and other equipment	298,677.26	1,816.58		300,493.84
(3) Total net book value	4,166,473.53			3,820,564.89
Including: Houses and building	2,108,578.54			1,814,922.24
Production equipment	2,009,378.40			1,958,942.64
Transportation	15,934.69			15,934.69
Office and other equipment	32,581.90			30,765.32
(4) Total impairment provision				
Including: Houses and building				
Production equipment				
Transportation				
Office and other equipment				
(5) Total book value	4,166,473.53			3,820,564.89
Including: Houses and building	2,108,578.54			1,814,922.24
Production equipment	2,009,378.40			1,958,942.64
Transportation	15,934.69			15,934.69
Office and other equipment	32,581.90			30,765.32

(6) Intangible assets

Item	Beginning balance	Increase of this year	Decrease of this year	Ending balance
(1) Total original price	2,049,375.00			
Including:Land use rights	2,049,375.00			
(2) Total accumulated amortization	717,281.25	40,987.50		758,268.75
Land use rights	717,281.25	40,987.50		758,268.75
(3) Total impairment provision				
Including:Land use rights				
(4) Total book value	1,332,093.75			1,291,106.25
Including:Land use rights	1,332,093.75			1,291,106.25

The amortization term is 50 years, and there have been 31years and 6 months left by 31 December 2016.

(7) Accounts payable

Aging	Ending balance	Beginning balance
Within 1 year (including 1 year)	8,100.00	4,180.00
1-2 years (including 2 years)		9,000.00
2-3 years (including 3 years)		
Over 3 years		
Total	8,100.00	13,180.00

(8) Tax payable

	Ending balance	Beginning balance
Personal income tax	1,018.52	
Land use tax	150,000.00	
Real estate tax	66,990.33	
	218,008.85	

(9) Other payables

Aging	Ending balance	Beginning balance
Within 1 year (including 1 year)	205,030.80	72,394.00
1-2 years (including 2 years)		58,164.00
2-3 years (including 3 years)		
Over 3 years		
Total	205,030.80	130,558.00

(10) Paid-in capital

Investors	Beginning balance		Ending balance	
	Shareholding percentage	Contributed amount	Shareholding percentage	Contributed amount
Technico Asia Holdings Pty Limited	100.00	19,013,598.02	100.00	19,013,598.02
Total	100.00	19,013,598.02	100.00	19,013,598.02

(11) Capital surplus

Item	Beginning balance	Increase of this year	Decrease of this year	Ending balance	Change reason
Translation reserve	42,666.57			42,666.57	
Total	42,666.57			42,666.57	

(12) Retained Earning

Items	Ending balance
Undistributed Profit at the beginning of year	-5,234,925.40
Add: Net Profit	-833,226.94
Other	
Less: Appropriation of statutory surplus reserves	
Appropriation of Company expand fund	
Appropriation of staff incentive and welfare fund	
Capital redemption	
Appropriated profit	
Common stock turn to capital	
Undivided Profit	-6,068,152.34

(13) Primary operating profit

Item	Operating revenue		Operating cost	
	Amount incurred this year	Amount incurred last year	**Amount incurred this year**	Amount incurred last year
Sales income TT	**5,078,756.96**	2,961,480.06	**4,829,189.13**	2,413,854.79
Total	**5,078,756.96**	2,961,480.06	**4,829,189.13**	2,413,854.79

(14) Finance expense

	Amount incurred this year	Amount incurred last year
Interest expense		
Less: Interest income	**76,931.59**	110,925.33
Foreign exchange loss	**57,004.19**	132,949.06
Less: Foreign exchange gain		
Bank fee	**1,400.63**	2,793.01
Total	**-18,526.77**	24,816.74

5. **Contingencies**
   Up to 31 December 2016, there are no material contingencies for the Company.

6. **Promised events**
   Up to 31 December 2016, there are no material promised events for the Company.

7. **Non-adjusting events subsequent to the balance sheet date**
   Not material non-adjusting events subsequent to the balance sheet date for the Company.

8. **Other material events stated**
   Up to 31 December 2016, there are no other material matters specially stated for the Company.

REPORT OF THE DIRECTORS FOR THE FINANCIAL YEAR ENDED 31ST ASADH 2073 (15TH JULY 2016)

Your Directors are pleased to submit their Report and Audited Accounts of your Company for the year ended 31st Asadh 2073 (15th July 2016).

SOCIO ECONOMIC ENVIRONMENT

The year under review continued to be turbulent for Nepal. GDP grew by a mere 0.77% during the year compared to a growth of 2.32% in the previous year. On the external side, due to the economic slow-down in countries like Malaysia, UAE and Saudi Arabia – all major foreign employment destinations – the number of outbound Nepalese job seekers decreased by 18.4% compared to the previous year. This has consequently impacted the rate of growth of inward remittances which slowed down to 7.7% as compared to 13.6% in the previous year. Annual average consumer inflation increased to 9.9% against 7.2% in the previous year. This does not augur well for the economy which is expected to be sluggish over the short to medium term with subdued growth in demand.

The industry sector de-grew by 6.3% against 3.6% growth last year. The supply situation, which was adversely impacted due to severe earthquake last year, has slowly returned to normalcy. However, the path to revitalizing the economy lies very clearly in sustained political stability and enabling policies that encourage trade, commerce and industry. In this context the Government has already initiated the process of re-aligning the existing legislative framework of the country with the new Constitution.

Contemporary intellectual property laws that are compatible with provisions of the World Trade Organisation (WTO) framework and the Paris Convention of the World intellectual Property Organization (WIPO), together with bilateral and multilateral trade treaties and investment friendly trade and taxation regulations will enhance investor confidence and attract further foreign investments.

As in the past, in a spirit of participatory governance, your Company will continue to engage with the policy – makers and regulators with its suggestions and views for rejuvenation of the economy.

The cigarette industry comprises about 18% of the manufacturing GDP of the country and provides more than 10% of the excise revenue collected by the Government of Nepal and also supports the livelihood of more than 4 lakh farmers, farm workers and others engaged in tobacco cultivation and tobacco trade. Inspite of such special economic significance, the operating landscape for the industry continues to be extremely challenging with high levels of punitive and discriminatory taxation and an increasingly draconian regulatory framework.

Unlike the global trend where more than 90% of tobacco consumption is in cigarette form, in Nepal such consumption is only 19% of the total tobacco consumed in the country. The balance 81% of the tobacco is consumed in the form of bidis and smokeless tobacco (SLT) products like khaini, gutka, snuff and betel-quid ("Paan"). These products are lightly taxed and, in many events, evade taxes and avoid statutory compliance with provisions of the Tobacco Products Control Act (TOPCA), including those relating to Graphic Health Warnings (GHW), by virtue of fragmented manufacture over thousands of units operating in the unorganised sector.

Cigarettes, on the other hand, are taxed at rates that are 9 times more than those imposed on SLTs and contribute more than 81% of total revenue generated from the tobacco sector, despite accounting for only 19% of tobacco consumption. The punitive and discriminatory taxes make cigarettes less affordable to consumers and diverts consumption to the cheaper (by virtue of being lightly taxed/tax evaded) tobacco products like bidis and SLTs and smuggled cigarettes of international brands. Since manufacture / sourcing of these products is mostly unregulated, their credentials of quality and hygiene are also highly questionable. The importance of increasing taxes on non-cigarette tobacco products has been recognized in the Technical Manual on Tobacco Administration published by the World Health Organisation. Despite this, the tax on tobacco products in Nepal continues to be cigarette focused. Thus, not only does the cigarette centric tax policy of the Government undermine the revenue potential from the tobacco sector but also defeats the health objectives of tobacco control besides giving a huge incentive to the growth of contraband. These distortions in the Government's tax policy on tobacco products have also been highlighted in the Report on Tobacco Control in Nepal published by the Ministry of Health.

Another factor responsible for the increase in smuggled cigarettes is the Tobacco Products Control and Regulation Act (TOPCA) which stipulates that cigarette packages have to carry Graphic Health Warning (GHW) that covers at least 75% of the area of the packages. Since the smuggled international brands do not carry the GHW, these cigarettes are perceived by consumers to be less harmful. The resultant growth in demand for these brands will adversely impact the income levels of tobacco farmers since the smuggled cigarettes do not contain any Nepalese tobacco. The requirement of 75% GHW is one of the most stringent in the world. Studies conducted by the Canadian Cancer Society reveal that of the 198 countries/jurisdiction, 119 do not require GHW as can be seen from the table below:

Particulars of Warnings	No. of Countries/Jurisdictions
No Warnings Required	55
Only Textual Warnings	64
Graphic Health Warnings	79
Total	198

Pertinently, USA, China and Japan – countries that account for more than half the global tobacco consumption do not mandate any GHW on cigarette packages and have, instead, adopted textual warnings only and that too covering upto only 30% of the pack area.

Significantly, GHW proposed by the US Food and Drug Administration (FDA) have been found to be unconstitutional by US Courts on the grounds that they are factually incorrect and evidence regarding their efficacy is lacking. The Courts have observed in this regard that GHWs do not impart purely factual and uncontroversial information to consumers and that FDA has not provided a shred of evidence showing that the graphic warnings will directly advance its interest in reducing the number of Americans who smoke and in fact one of the principal researchers, David Hammond on whom FDA relies recently surveyed the relevant literature and conceded that there is no way to attribute declines in smoking to the new health warnings.

Similarly no correlation has been established between implementation of GHW and reduction in consumption or increase in cessation of tobacco use in Nepal. Despite this, the Ministry of Health issued two new Directives in Kartik'71 and Poush'71 (Nov'14 and Jan'15), which, inter alia, required manufacturers to print multiple pictorial warnings and warning messages on at least 90% of the pack area.

The proposed GHWs will commoditise the market where price will be the sole or prime driver of consumer choice thus eroding the value of locally manufactured brands that have been developed and nurtured over the years. On the other hand, the new GSW will incourage illegal trade in brands owned by international companies into the country since such brands are manufactured in many jurisdictions which do not mandate the printing of GSW on cigarettes packages. As already stated, these are perceived to be realtively safer products by the consumer vis-à-vis domestic legal cigarettes which are mandated to carry large health warnings. Besides, these illegal cigarettes will be available at a fraction of a price of legal cigarettes since these have not been subjected to any tax. The proposed GSW has since been challeged in the Hon'ble Supreme Court of Nepal.

The Domestic industry including your Company, farmers and retailers had made several representations expressing concern on the ultra-virus nature of the proposed directives. Thereafter, the Ministry of Indusry has asked the Ministry of Health to keep the implementation of the new directives in abeyance.

The tobacco policies/regulations on GHWs have to be equitable, pragmatic and implementable and should take into account the fact there is no evidence that demonstrate GHWs/ larger GHWs lead to decrease in tobacco consumption. They should be tailored to Nepalese conditions taking into account the important role that tobacco plays in the country's economy and the adverse impact these measures are likely to have – particularly in terms of agricultural employment, export potential and revenue generation.

Whilst your Company has always complied with the law and will always do so in future, it continues to engage with the policy-makers for evidence-based, practical, reasonable and non-discriminatory tobacco control legislation.

COMPANY PERFORMANCE

Your Company posted Gross revenue of NRs. 2,568 (₹ 1,605) Crores for the year ended 31st Asadh 2073 as against NRs. 2,209 (₹ 1,381) Crores during the previous year. Profit before taxation increased to NRs. 932 (₹ 583) Crores from NRs. 750 (₹ 469) Crores during the previous year. The Company registered Net Profit of NRs. 652 (₹ 408) Crores as against NRs. 522 (₹ 326) Crores in previous year. Earnings per share for the year, after allocation of Employee Housing Reserve, stands at NRs. 298 (₹ 186) {Previous year NRs. 238 (₹ 149)}. Net cash flows from operations aggregated NRs. 793 (₹ 496) Crores compared to NRs. 674 (₹ 421) Crores in the previous year.

CONTRIBUTION TO THE EXCHEQUER

Your Company continues to be one of the largest contributors to the Government Exchequer, accounting for about 3% of the total revenues of the Government of Nepal. Your Company paid NRs. 1,382 (₹ 864) Crores by way of Excise Duty, Excise sticker charges, VAT Customs duty, Dividend distribution tax and Income Tax during the year {Previous Year: NRs. 1,165 (₹ 728) Crores}. Your Company's Excise Duty contribution to the exchequer constitutes nearly 10% of the Government's total Excise revenue while the VAT and Income Tax contribution constitute nearly 2.5% of the Government's total VAT & Income Tax revenue.

Though the existing income tax law permits set-off of losses from one business with the profits generated from other businesses, tax assessment authorities of the Government are not allowing such set off by interpreting the law differently. This is acting as a disincentive to diversification and inhibiting the capacity of the Company to further invest in the Country. Your Company while representing the matter to the relevant Government authorities is also exploring the legal remedies on the matter.

EMPLOYMENT GENERATION

Your Company, through its multi-product business portfolio remains one of the largest employers in the country providing direct/indirect employment to more than a lakh people in the country, which includes engagement of estimated 8,500 farmers and 21,000 farm labourers. Further, the Company's Agarbatti and Matches business remain providers of employment to economically disadvantaged sections of society, especially women.

As a responsible corporate citizen of the country, your Company is committed to creating enablers for generating employment and economic surplus for the nation.

BUSINESS SEGMENTS

A. AGARBATTI BUSINESS

During the year, your Company significantly improved its market standing through a strategy of deploying a diverse portfolio of offerings targeting all consumer segments. In addition new launches in identified geographies, rapid scaling up of availability across markets supplemented with brand investments grew consumer franchise. Outsourced manufacturing was scaled up to cater to the growing demand. The focus has been to build and strengthen local Supply Chain capacity and capability, involving Small & Medium Enterprises (SMEs), which provides employment opportunities to economically deprived sections of society, thereby enabling and inclusive growth of the economy. This underlines your Company's commitment to contribution to society.

B. CIGARETTE BUSINESS

Your Company strengthened its market standing during the year through sustained focus on product quality, portfolio of offerings and Trade Marketing & Distribution practices. The relentless focus on developing world class product offerings through product innovation and adoption of international standards sets your Company's offerings at a significant advantage over the rest of the industry. The Product & Packaging Agreement entered into by your Company with ITC Limited contributes significantly towards innovation and adoption of best practices in packaging and product design. Further, during the year your Company also extended the term of the Agreement executed with ITC Limited for availing Business Advisory Services by another 5 years. During the year under review, your Company's distribution and supply chain was further strengthened with specific focus on emerging channels, thereby ensuring pan-Nepal availability.

The manufacturing system of your Company continued to deliver benchmarks in Quality, Productivity and Sustainability. The new factory in Seratar delivered an impressive performance across all parameters and has been fully stabilised in terms of induction of new technologies, building skill levels of the team and efficient operations. The availability of capacity at Seratar factory was a critical advantage to the Company in mitigating the risk of business discontinuity during the period of market disturbances. With the stabilisation of Seratar factory, your Company has been able to achieve its objectives of de-risking the Supply Chain. During the year a long-term agreement valid for a period of two years has been signed with the workmen of your Company's cigarette factory in Simra in cordial circumstances.

The Company's commitment to the environment has been reflected in several initiatives that were successfully implemented during the year. The environment-friendly design, systems and processes of the Seratar factory was recognized by the Indian Green Building Council which awarded its 'Gold' rating – the first of its kind in Nepal. In addition, your Company made significant progress in Renewable Energy using solar technologies. During the year, two solar plant of 400 KW and 30 KW capacity were made operational in Simara factory and Simara Housing Colony respectively. Initiatives in water usage have resulted in a significant drop in consumption during the year.

C. GARMENT BUSINESS

Your Company's offering, John Players is a leading brand in the premium segment of the branded Menswear segment, and has a significant presence across markets through Exclusive Branded Outlets, Departmental Chains and Multi-brand Outlets. The business offers a diverse range of products – Formal wear, Casual wear and Denims, that cater to the quality conscious and discerning consumer. The focus continues to be on building efficiencies in the Supply Chain and generating brand salience and loyalty through targeted marketing initiatives.

D. SAFETY MATCHES BUSINESS

During the year, your Company strengthened its market leadership in the industry, leveraging the investments made in the wooden matches segment and its trade marketing and distribution reach to ensure availability across markets. Your Company is now the largest domestic player in the Wooden Matches segment. The supply chain of Wooden Matches that was set up through an outsourced contract manufacturing model has stabilized, delivering superior quality.

LEAF TOBACCO

Your Company continued to partner with Tobacco farmers in Nepal to enable higher productivity and quality enhancement at the farm level through the induction of sustainable agricultural best practices. The adoption of such practices and other inputs provided by the Company has led to a consistent improvement in quality of domestic grades of tobacco thereby improving usage, marketability of the crop and farmer returns.

As part of extension services, support to the farmers on livestock management and agro-forestry through Poplar plantation promoting "Grow Wood Grow Food" concept through inter-cropping continued.

ENVIRONMENT HEALTH AND SAFETY

Your Company continues to focus on ensuring a safe and healthy workplace by institutionalizing systems with respect to environment & occupational health and safety enabling creation of a benchmarked and safe work environment for all employees. The Company continued to upgrade the EHS standards of its Supply Chain infrastructure across the country with specific focus in the current year to upgrade EHS standards also in all leased warehouses storing finished goods.

DIVIDEND

Your Directors have declared an Interim Dividend of NRs 37.50 (₹ 23.44) per Ordinary Share for the year ended 31st Asadh 2073. The consequent outflow on this account, including Dividend Tax, amounts to NRs. 75.60 (₹ 47.25) Crores. Your Board has also recommended a Final Dividend of NRs. 260.50 (₹ 162.81) per Ordinary Share.

All dividends have been paid within the prescribed period and there are no unclaimed dividends lying with your Company.

TAX MATTERS

As reported in earlier years, the Hon'ble Supreme Court of Nepal, during the year 2009-10, passed judgments in favour of your Company, with regard to certain Excise and Income Tax demands on the issue of theoretical production.

The Inland Revenue Department, citing the judgments passed in favour of your Company by the Hon'ble Supreme Court of Nepal, on 11th February, 2011 and 12th August, 2013 decided the following administrative review petitions in favour of the Company:

1. VAT demand – NRs. 19.01 (₹ 11.88) Crores for the financial years 2058-59 (2001-02) and 2064-65 (2007-08).
2. Income Tax demand – NRs. 4.91 (₹ 3.07) Crores for the financial year 2062-63 (2005-06).

All other pending Show Cause Notices (SCNs) and demands related to Excise, Income tax and VAT received from time to time on the issue of theoretical production are similarly based on an untenable contention by the Revenue authorities that the Company could have produced more cigarettes than it has actually produced in a given year, based on an input-output ratio allegedly submitted by the Company in the year 2047-48 (1990-91) and that the Company is liable to pay taxes on such cigarettes that could have been theoretically produced. This, despite the fact that the Company's cigarette factory was under 'physical control' of the Revenue authorities and the cigarettes produced are duly accounted for and certified as such by the Revenue authorities. No fresh demand has been received during the year and the cumulative demand on the Company on account of theoretical production that remains pending stands at NRs. 68.97 (₹ 43.11) Crores as stated below are under appeal before the Supreme Court.

(a) Excise Demands – NRs. 27.80 (₹ 17.38) Crores.

(b) VAT Demands – NRs. 17.49 (₹ 10.93) Crores.

(c) Income Tax Demands – NRs. 23.68 (₹ 14.80) Crores.

Your Company has been advised by its eminent counsel that the cases made out by the Department have no legal or factual basis and that the demand notices raised against your Company are not sustainable, particularly in the light of the decision passed on 29th October, 2009 in favour of your Company by the Full Bench of the Hon'ble Supreme Court on similar matters. The subsequent decisions of the Supreme Court of Nepal and the Inland Revenue Department have further reinforced this position.

RISK MANAGEMENT

Your Company's Corporate Governance Policy has laid down the structure, roles and responsibilities of the key entities in the governance process and also mandated periodic reviews of the key areas of operations. In addition, your Company has amongst others, robust policies, procedures and internal control systems covering areas such as Finance & Accounting and Information Technology.

CORPORATE SOCIAL RESPONSIBILITY (CSR) INITIATIVES

Your Company, as a responsible corporate citizen, places immense emphasis, on contributions that go towards building the social and economic capital of the Nation. Towards this endeavour, your Company pursues an integrated CSR strategy that operates through the following platforms:

- "Prakriti" - Platform for initiatives on environmental preservation.
- "Khelparyatan" - Platform to promote sports tourism in the country.
- "Asha" - Platform for initiatives on social empowerment.
- "Suswasthya"- Platform for promoting community health.

Your Company accordingly:

- Continued with its programme to assist village farmers, proximate to the Simara factory, in agro forestry through high quality Poplar plantation promoting "Grow Wood Grow Food" concept through inter cropping.
- Continued to support an initiative in the animal husbandry sector by providing extension services covering animal breeding, health and nutrition that will drive yield improvement and higher returns for underprivileged farmers.
- Under its CSR platform "Khelparyatan", continued to sponsor sports tournaments and leverage the same to promote sports tourism in the country.
- Continued to focus on providing community health services through various programmes such as periodic health camps and awareness programmes in the catchment areas of the manufacturing units.
- Providing employment and skill development opportunities in the Agarbatti and Matches business to women from economically disadvantaged sections of society.

EMPLOYEES

The Directors of your Company place on record their sincere appreciation for the contribution made by the employees during the year.

Your Company continues to provide one of the best employment conditions in the country, which include facilities like housing, medical etc.

DIRECTORS

Mr. P V Dhobale, nominated by ITC Limited, ceased to be a Director of your Company with effect from 6th December, 2015, on withdrawal of his nomination by ITC Limited consequent to his retirement. Mr. Sanjiv Puri has been nominated by ITC Limited and was appointed a Director of your Company with effect from 6th December, 2015. Consequent to the appointment of Mr. Sanjiv Puri as a Director, he ceased to be Alternate Director to Mr. Y C Deveshwar with effect from the said date. Mr. B Sumant was appointed as Alternate Director to Mr. Y C Deveshwar with effect from 6th December, 2015.

There were no other changes in the composition of the Board of Directors during the year.

The number of shares held by your Directors in the Company as on 31st Asadh 2073 is annexed to this Report (Annexure I). The Directors have confirmed that none of them or their close relatives has 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. No amounts are due to the Company from any of the Directors, Managing Director or their close relatives.

The details of payments made during the year to the Directors, Managing Director and other officials, by way of Board meeting fees etc., are also annexed to this Report (Annexure II).

Further, details of Management expenses for the year 2072 / 73 are annexed to this Report (Annexure III).

AUDITORS

M/s. N Amatya & Company, Chartered Accountants, Kathmandu, Nepal, and M/s. T R Upadhya & Co, Chartered Accountants, Kathmandu, Nepal, Auditors of the Company, retire at the ensuing Annual General Meeting and being eligible, have offered themselves for re-appointment.

FUTURE OUTLOOK

Your Company continues to explore and pursue opportunities for profitable and sustainable growth and looks forward to the future with optimism and confidence and stands committed to creating a brighter future for all stakeholders.

On behalf of the Board

Date: 23rd September, 2016	**Y C Deveshwar**	**Sanjiv Puri**	**A K Poddar**
(7th Aswin 2073)	Chairman	Director	Managing Director

Annexure I

Sl. No.	Name of Director	Number of Ordinary Shares of NRs. 100/- each held singly and / or jointly as on 31st Asadh 2073 (15th July, 2016)
1.	Y C Deveshwar	Nil
2.	A K Mukerji	Nil
3.	B B Chatterjee	Nil
4.	S Puri	Nil
5.	S R Pandey	67,212
6.	S SJB Rana	600
7.	A K Poddar	Nil

Annexure II

THE AMOUNT OF REMUNERATION, ALLOWANCE AND FACILITIES PAID TO DIRECTOR, MANAGING DIRECTOR, CHIEF EXECUTIVE AND COMPANY OFFICIALS

During the financial year 2072/73, the following amounts have been paid to the Directors:

- Board Meeting Fee paid –NRs. 70,588 (₹ 44,118)
- Incidental expenses paid –NRs. 26,471 (₹ 16,544)

Payment to / on behalf of the Managing Director for the financial year 2072/73:

- Salary – NRs. 88,87,069 (₹ 55,54,418)
- Allowances – NRs. 29,97,158 (₹ 18,73,224)

In addition to the above, the Managing Director, as applicable, has been provided the following as per his terms of appointment:

- Furnished accommodation with necessary security at residence.
- Entrance fees and annual subscription charges for two clubs.
- Personal accident insurance.
- Company car with driver and telephone at residence.
- Fuel for generator and reimbursement of water tanker charges for residence.
- Stock Options as may be granted by ITC Limited under its Employee Stock Option Scheme.

Payment to/ on behalf of Company officials for the financial year 2072/73:

- Salary – NRs. 2,16,31,978 (₹ 13,519,986)
- Allowances – NRs. 68,99,138 (₹ 4,311,961)

In addition to the above, some of the Company officials, as applicable, have been provided the following as per their terms of appointment:

- Furnished accommodation with necessary security at residence.
- Entrance fees and annual subscription charges for clubs as applicable.
- Personal accident insurance.
- Company car with driver and telephone at residence.
- Fuel for generator and reimbursement of water tanker charges for residence.
- Stock Options as may be granted by ITC Limited under its Employee Stock Option Scheme.

Annexure III

MANAGEMENT EXPENSES

The expenses incurred by the Company for its management and administration for the financial year 2072/73 comprising rent, electricity, fuel & water, rates & taxes, insurance premium, repairs & improvements, safety & pollution control cost, maintenance, travel & conveyance, postage, telephone, telex, fax, bank charges, legal fees, printing & stationery, consultancy charges, professional service charges & other fees, information technology services, business entertainment expenses, board meeting fees, donations, books & periodicals and miscellaneous expenses amounted to NRs. 1,11,26,94,741 (₹ 69,54,34,213).

AUDITOR'S REPORT TO THE SHAREHOLDERS OF SURYA NEPAL PRIVATE LIMITED

We have audited the accompanying financial statements of **Surya Nepal Private Limited**, which comprise the Balance Sheet as at 31st Asadh 2073 (15th July, 2016), the Profit & Loss Account, Statement of Changes in Equity and Cash Flow Statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Nepal Accounting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Nepal Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Surya Nepal Pvt Ltd as of 31st Asadh 2073 (15th July, 2016) and of its financial performance and its cash flows for the year then ended in accordance with Nepal Accounting Standards and the requirements of the Companies Act 2063.

Report on the Requirements of the Companies Act 2063

We have obtained information and explanations asked for, which, to the best of our knowledge and belief, were necessary for the purpose of our audit. In our opinion, the balance sheet, the profit and loss account, cash flows statement and the statement of changes in equity have been prepared in accordance with the requirements of the Companies Act 2063 and are in agreement with the books of account of the Company; and proper books of account as required by law have been kept by the Company.

To the best of our information and according to explanations given to us and from our examination of the books of account of the Company necessary for the purpose of our audit, we have not come across cases where Board of Directors or any employees of the Company have acted contrary to the provisions of law relating to the accounts or committed any misappropriation or caused loss or damage to the Company, relating to the accounts, in the Company.

	Nem Lal Amatya	Shashi Satyal
	Partner	Partner
Date: 7th Aswin 2072		
(23 September, 2016)	N. Amatya & Co.	T R Upadhya & Co.
Place: Kolkata	Chartered Accountants	Chartered Accountants

BALANCE SHEET AS AT 31ST ASADH 2073 (15TH JULY 2016)

	Note	Figures in NRs. As at 31st Asadh 2073 (15th July 2016)	Figures in ₹ As at 31st Asadh 2073 (15th July 2016)	Figures in NRs. As at 31st Asadh 2072 (16th July 2015)	Figures in ₹ As at 31st Asadh 2072 (16th July 2015)
CAPITAL & LIABILITIES					
SHARE CAPITAL AND RESERVES					
(a) Share Capital	1	2,016,000,000	1,260,000,000	2,016,000,000	1,260,000,000
(b) Reserves & Surplus	2	8,515,791,016	5,322,369,378	6,795,170,108	4,246,981,311
DEFERRED TAX LIABILITY - NET	3A	-	-	50,256,606	31,410,380
CURRENT LIABILITIES AND PROVISIONS					
(a) Trade and Other Payables	4	2,595,776,188	1,622,360,117	2,374,143,356	1,483,839,600
(b) Short Term Borrowings	5	-	-	926,827,907	579,267,442
(c) Provisions for Taxation	6	327,397,059	204,623,162	162,984,449	101,865,281
(d) Provisions	7	209,827,290	131,142,056	172,743,160	107,964,475
Total		13,664,791,553	8,540,494,713	12,498,125,586	7,811,328,489
ASSETS					
FIXED ASSETS	8				
(a) Tangible Assets - Property, Plant & Equipment		5,920,144,364	3,700,090,223	6,530,860,481	4,081,787,801
(b) Intangible Assets		133,350,679	83,344,170	183,031,120	114,394,450
(c) Capital Work-in-Progress - Tangible Assets		326,222,815	203,889,259	526,776,326	329,235,203
INVESTMENTS	9	25,632,338	16,020,211	25,632,338	16,020,211
DEFERRED TAX ASSET - NET	3B	25,637,795	16,023,622	-	-
CURRENT ASSETS					
(a) Cash and Cash Equivalents	10	1,819,806,757	1,137,379,224	19,606,679	12,254,175
(b) Trade and Other Receivables	11	81,352,264	50,845,165	153,096,312	95,685,196
(c) Inventories	12	3,499,847,331	2,187,404,581	2,734,741,010	1,709,213,131
(d) Loans and Advances	13	1,832,246,132	1,145,153,834	2,323,233,452	1,452,020,904
(e) Other Current Assets	14	551,078	344,424	1,147,868	717,418
Total		13,664,791,553	8,540,494,713	12,498,125,586	7,811,328,489

The accompanying notes 1 to 23 are an integral part of the Financial Statements.
This is the Balance Sheet referred to in our Report of even date.

Subhraketan Mitra
Head of Finance

Abhimanyu Kumar Poddar
Managing Director

Saurya SJB Rana
Alternate Director

S Puri
Director

Y C Deveshwar
Chairman

S R Pandey
Director

A K Mukerji
Director

B B Chatterjee
Director

Nem Lal Amatya
Partner
N. Amatya & Co.
Chartered Accountants

Shashi Satyal
Partner
T R Upadhya & Co.
Chartered Accountants

Date: 7th Aswin 2073 (23rd September 2016)

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST ASADH 2073 (15TH JULY 2016)

	Note	Figures in NRs. For the year ended 31st Asadh 2073 (15th July 2016)	Figures in ₹ For the year ended 31st Asadh 2073 (15th July 2016)	Figures in NRs. For the year ended 31st Asadh 2072 (16th July 2015)	Figures in ₹ For the year ended 31st Asadh 2072 (16th July 2015)
Gross Revenue from sale of products	15	25,681,147,130	16,050,716,958	22,093,992,218	13,808,745,136
Less: Duties	16	6,723,206,185	4,202,003,866	5,818,687,784	3,636,679,865
Net Revenue from sale of products		18,957,940,945	11,848,713,092	16,275,304,434	10,172,065,271
Other Operating Income	17	12,108,577	7,567,861	185,897,652	116,186,033
Net Revenue from operations		18,970,049,522	11,856,280,953	16,461,202,086	10,288,251,304
Raw Materials Consumed, etc.	18	5,203,027,622	3,251,892,263	4,682,956,117	2,926,847,574
Manufacturing, Admin, Selling Expenses etc.	19	2,509,089,591	1,568,180,996	2,762,795,940	1,726,747,467
Provision for Employees' Bonus		880,882,034	550,551,271	709,261,913	443,288,696
Operating Profit		10,377,050,275	6,485,656,423	8,306,188,116	5,191,367,567
Other Income	20	38,754,580	24,221,613	19,916,884	12,448,053
Finance Cost	21	44,895,852	28,059,908	231,720,291	144,825,182
Depreciation and Amortisation Expenses		1,052,104,332	657,565,208	591,140,266	369,462,666
Profit before Taxation		9,318,804,671	5,824,252,920	7,503,244,443	4,689,527,772
Provision for Taxation (Refer 2G of Note 23)	22	2,800,103,763	1,750,064,852	2,286,309,965	1,428,943,728
Net Profit		6,518,700,908	4,074,188,068	5,216,934,478	3,260,584,044
Transferred from Accumulated Profit / Loss		4,798,080,000	2,998,800,000	4,032,000,000	2,520,000,000
Available for Appropriation		11,316,780,908	7,072,988,068	9,248,934,478	5,780,584,044
Appropriation					
Provision for Employees' Housing		509,984,335	318,740,209	410,625,318	256,640,824
Interim Dividend		604,800,000	378,000,000	504,000,000	315,000,000
Final Dividend		4,193,280,000	2,620,800,000	3,528,000,000	2,205,000,000
Balance Carried Over to Balance Sheet		6,008,716,573	3,755,447,859	4,806,309,160	3,003,943,220
		11,316,780,908	7,072,988,068	9,248,934,478	5,780,584,044

The accompanying notes 1 to 23 are an integral part of the Financial Statements.
This is the Profit & Loss Account referred to in our Report of even date.

Subhraketan Mitra
Head of Finance

Abhimanyu Kumar Poddar
Managing Director

Saurya SJB Rana
Alternate Director

S Puri
Director

Y C Deveshwar
Chairman

S R Pandey
Director

A K Mukerji
Director

B B Chatterjee
Director

Nem Lal Amatya
Partner
N. Amatya & Co.
Chartered Accountants

Shashi Satyal
Partner
T R Upadhya & Co.
Chartered Accountants

Date: 7th Aswin 2073 (23rd September 2016)

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST ASADH 2073 (15TH JULY 2016)

		Figures in NRs. For the year ended 31st Asadh 2073 (15th July 2016)	Figures in ₹ For the year ended 31st Asadh 2073 (15th July 2016)	Figures in NRs. For the year ended 31st Asadh 2072 (16th July 2015)	Figures in ₹ For the year ended 31st Asadh 2072 (16th July 2015)
A Cash Flow From Operating Activities					
Profit Before Tax		9,318,804,671	5,824,252,920	7,503,244,443	4,689,527,772
Adjustments for :					
Depreciation		1,052,104,332	657,565,208	591,140,266	369,462,666
Interest		44,895,852	28,059,908	231,720,291	144,825,182
Interest from Investments		(1,470,625)	(919,141)	(1,470,625)	(919,141)
Interest on Short Term/Call Deposits		(15,235,197)	(9,521,998)	(410,560)	(256,600)
Unrealised Loss/(Gain) on Foreign Exchange (Net)		(450,811)	(281,757)	(420,426)	(262,766)
Loss on Fixed Assets sold/discarded (Net)		4,120,706	2,575,441	(17,535)	(10,959)
Provision for Doubtful Debts and Advance		-	-	339,012	211,883
Provision for Sales Return		4,130,728	2,581,705	3,066,149	1,916,343
Provision for Doubtful Advance/Debts written back		(159,702)	(99,813)	-	-
Operating Profit Before Working Capital Changes		10,406,739,954	6,504,212,473	8,327,191,015	5,204,494,380
Adjustments for :					
Trade and Other Receivables, Loans and Advances and Other Current Assets		560,881,187	350,550,741	234,939,548	146,837,221
Inventories		(765,106,322)	(478,191,451)	261,758,262	163,598,914
Trade and Other Payables and Provisions		438,773,798	274,233,623	29,652,155	18,532,597
Cash Generated From Operation		10,641,288,617	6,650,805,386	8,853,540,980	5,533,463,112
Income Tax Paid		(2,711,585,554)	(1,694,740,971)	(2,109,619,010)	(1,318,511,881)
Net Cash From Operating Activities	(A)	7,929,703,063	4,956,064,415	6,743,921,970	4,214,951,231
B Cash Flow From Investing Activities					
Purchase of Fixed Assets		(389,700,962)	(243,563,101)	(945,493,511)	(590,933,444)
Proceeds from Disposal of Fixed Assets		12,345,133	7,715,708	1,222,017	763,761
Interest Received		17,439,990	10,899,993	1,147,796	717,373
Net Cash Used in Investing Activities	(B)	(359,915,839)	(224,947,400)	(943,123,698)	(589,452,310)
C Cash Flow From Financing Activities					
Repayment of Long Term Borrowing		-	-	(1,282,500,000)	(801,562,500)
Net Increase/(Decrease) in Cash Credit/Overdraft Facilities		(926,827,907)	(579,267,441)	(255,180,972)	(159,488,108)
Interest Paid		(45,130,050)	(28,206,281)	(239,704,101)	(149,815,063)
Dividends Paid		(4,798,080,000)	(2,998,800,000)	(4,032,000,000)	(2,520,000,000)
Net Cash Used in Financing Activities	(C)	(5,770,037,957)	(3,606,273,722)	(5,809,385,073)	(3,630,865,671)
Net Increase/(Decrease) in Cash & Cash Equivalents (A+B+C)		1,799,749,267	1,124,843,293	(8,586,801)	(5,366,750)
Cash and Cash Equivalents (Opening balance)		17,100,029	10,687,519	25,686,830	16,054,269
Cash and Cash Equivalents (Closing balance)		1,816,849,296	1,135,530,812	17,100,029	10,687,519
Cash and Cash Equivalents:					
Cash and Cash Equivalents as above		1,816,849,296	1,135,530,812	17,100,029	10,687,519
Unrealised Gain / (Loss) on Foreign Currency Cash and Cash Equivalents - Net		2,957,461	1,848,412	2,506,650	1,566,656
Cash and Cash Equivalents (Note 10)		1,819,806,757	1,137,379,224	19,606,679	12,254,175

The accompanying notes 1 to 23 are an integral part of the Financial Statements.

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

Subhraketan Mitra
Head of Finance

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Managing Director

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Alternate Director

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Director

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Partner
N. Amatya & Co.
Chartered Accountants

Shashi Satyal
Partner
T R Upadhya & Co.
Chartered Accountants

Date: 7th Aswin 2073 (23rd September 2016)

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31ST ASADH 2073 (15TH JULY 2016)

	Figures in NRs. Share Capital	Figures in ₹ Share Capital	Figures in NRs. Revaluation Reserve	Figures in ₹ Revaluation Reserve	Figures in NRs. General Reserve	Figures in ₹ General Reserve	Figures in NRs. Employees' Housing Reserve	Figures in ₹ Employees' Housing Reserve	Figures in NRs. Accumulated Profit / Loss	Figures in ₹ Accumulated Profit / Loss	Figures in NRs. Total	Figures in ₹ Total
Balance as at 32nd Asadh 2071 (16th July 2014)	2,016,000,000	1,260,000,000	12,181,280	7,613,300	108,778,401	67,986,497	1,456,602,122	910,376,327	4,032,673,827	2,520,421,143	7,626,235,630	4,766,397,267
Net Profit for the year	-	-	-	-	-	-	-	-	5,216,934,478	3,260,584,044	5,216,934,478	3,260,584,044
Transferred to Employees' Housing Reserve	-	-	-	-	-	-	410,625,318	256,640,824	(410,625,318)	(256,640,824)	-	-
Interim Dividend	-	-	-	-	-	-	-	-	(504,000,000)	(315,000,000)	(504,000,000)	(315,000,000)
Final Dividend	-	-	-	-	-	-	-	-	(3,528,000,000)	(2,205,000,000)	(3,528,000,000)	(2,205,000,000)
Total	-	-	-	-	-	-	410,625,318	256,640,824	774,309,160	483,943,220	1,184,934,478	740,584,044
Balance as at 31st Asadh 2072 (16th July 2015)	2,016,000,000	1,260,000,000	12,181,280	7,613,300	108,778,401	67,986,497	1,867,227,440	1,167,017,151	4,806,982,987	3,004,364,363	8,811,170,108	5,506,981,311
Net Profit for the year	-	-	-	-	-	-	-	-	6,518,700,908	4,074,188,068	6,518,700,908	4,074,188,068
Transferred to Employees' Housing Reserve	-	-	-	-	-	-	509,984,335	318,740,209	(509,984,335)	(318,740,209)	-	-
Interim Dividend	-	-	-	-	-	-	-	-	(604,800,000)	(378,000,000)	(604,800,000)	(378,000,000)
Final Dividend	-	-	-	-	-	-	-	-	(4,193,280,000)	(2,620,800,000)	(4,193,280,000)	(2,620,800,000)
Total	-	-	-	-	-	-	509,984,335	318,740,209	1,210,636,573	756,647,859	1,720,620,908	1,075,388,068
Balance as at 31st Asadh 2073 (15th July 2016)	2,016,000,000	1,260,000,000	12,181,280	7,613,300	108,778,401	67,986,497	2,377,211,775	1,485,757,360	6,017,619,560	3,761,012,222	10,531,791,016	6,582,369,379

The accompanying notes 1 to 23 are an integral part of the Financial Statements.

This is the Statement of Changes in Equity referred to in our Report of even date.

Subhraketan Mitra
Head of Finance

Abhimanyu Kumar Poddar
Managing Director

Saurya SJB Rana
Alternate Director

S Puri
Director

Y C Deveshwar
Chairman

S R Pandey
Director

A K Mukerji
Director

B B Chatterjee
Director

Nem Lal Amatya
Partner
N. Amatya & Co.
Chartered Accountants

Shashi Satyal
Partner
T R Upadhya & Co.
Chartered Accountants

Date: 7th Aswin 2073 (23rd September 2016)

NOTES TO THE FINANCIAL STATEMENTS

	Figures in NRs. As at 31st Asadh 2073 (15th July 2016)	**Figures in ₹ As at 31st Asadh 2073 (15th July 2016)**	Figures in NRs. As at 31st Asadh 2072 (16th July 2015)	Figures in ₹ As at 31st Asadh 2072 (16th July 2015)
1. SHARE CAPITAL				
Authorised				
65,000,000 Ordinary Shares of NRs. 100/- each	**6,500,000,000**	**4,062,500,000**	6,500,000,000	4,062,500,000
Issued, Subscribed & Paid up				
20,160,000 Ordinary Shares of NRs.100/- each, fully paid	**2,016,000,000**	**1,260,000,000**	2,016,000,000	1,260,000,000
	2,016,000,000	**1,260,000,000**	2,016,000,000	1,260,000,000

Out of the above:

1. 16,800,000 Ordinary Shares were issued as fully paid up bonus shares in 2065-66 (2008-09).
2. 2,800,000 Ordinary Shares were issued as fully paid up bonus shares in 2060-61 (2003-04).
3. 280,000 Ordinary Shares were issued as fully paid up bonus shares in 2052-53 (1995-96).
4. 11,894,400 Ordinary Shares are held by the Holding Company, ITC Limited.

Reconciliation of number of Shares outstanding:

			Number of Shares	
At the beginning of the year	**20,160,000**	**20,160,000**	20,160,000	20,160,000
At the end of the year	**20,160,000**	**20,160,000**	20,160,000	20,160,000

	Figures in NRs. As at 31st Asadh 2072 (16th July 2015)	Figures in ₹ As at 31st Asadh 2072 (16th July 2015)	**Figures in NRs. Addition**	**Figures in ₹ Addition**	**Figures in NRs. Withdrawal**	**Figures in ₹ Withdrawal**	Figures in NRs. As at 31st Asadh 2073 (15th July 2016)	Figures in ₹ As at 31st Asadh 2073 (15th July 2016)
2 RESERVES & SURPLUS								
Revaluation Reserve								
Revaluation of Land	12,181,280	7,613,300	–	–	–	–	12,181,280	7,613,300
Revenue Reserve								
General Reserve	108,778,401	67,986,497	–	–	–	–	108,778,401	67,986,497
Housing Fund								
Provision for Employee Housing	1,867,227,440	1,167,017,151	**509,984,335**	**318,740,209**	–	–	2,377,211,775	1,485,757,360
Accumulated Profit / Loss	4,806,982,987	3,004,364,363	**6,008,716,573**	**3,755,447,858**	**(4,798,080,000)**	**(2,998,800,000)**	6,017,619,560	3,761,012,221
	6,795,170,108	4,246,981,311	**6,518,700,908**	**4,074,188,067**	**(4,798,080,000)**	**(2,998,800,000)**	8,515,791,016	5,322,369,378

	Figures in NRs. As at 31st Asadh 2073 (15th July 2016)	**Figures in ₹ As at 31st Asadh 2073 (15th July 2016)**	Figures in NRs. As at 31st Asadh 2072 (16th July 2015)	Figures in ₹ As at 31st Asadh 2072 (16th July 2015)
3A. DEFERRED TAX LIABILITY - NET				
Deferred Tax Asset				
On Provision for Retirement and Other Employee Benefits	-	-	51,822,947	32,389,342
On Doubtful Advance	-	-	664,991	415,619
On Provision for Inventories	-	-	18,668,336	11,667,710
	-	-	71,156,274	44,472,671
Deferred Tax Liability				
On Finished Goods	-	-	15,432,284	9,645,178
On Fixed Assets	-	-	105,980,596	66,237,873
Deferred Tax Liability - Net	-	-	50,256,606	31,410,380

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

	Figures in NRs. As at 31st Asadh 2073 (15th July 2016)	Figures in ₹ As at 31st Asadh 2073 (15th July 2016)	Figures in NRs. As at 31st Asadh 2072 (16th July 2015)	Figures in ₹ As at 31st Asadh 2072 (16th July 2015)
3B. DEFERRED TAX ASSET - NET				
Deferred Tax Asset				
On Provision for Retirement and Other Employee Benefits	**62,948,187**	**39,342,617**	-	-
On Doubtful Advance	**617,080**	**385,675**	-	-
On Provision for Inventories	**22,230,319**	**13,893,949**	-	-
	85,795,586	**53,622,241**	-	-
Deferred Tax Liability				
On Finished Goods	**25,213,271**	**15,758,294**	-	-
On Fixed Assets	**34,944,520**	**21,840,325**	-	-
Deferred Tax Asset - Net	**25,637,795**	**16,023,622**	-	-
4. TRADE AND OTHER PAYABLES				
(Payable within twelve months, unless otherwise stated)				
Trade Payables				
- Goods and Services				
- Holding Company	**447,518,759**	**279,699,224**	423,990,339	264,993,962
- Others	**397,867,336**	**248,667,085**	466,791,893	291,744,933
- Advances from Customers	**529,408,535**	**330,880,334**	332,493,861	207,808,663
Payable for Fixed Assets	**17,583,128**	**10,989,455**	162,729,993	101,706,246
Retention Money				
- Capital Items	**6,915,943**	**4,322,464**	45,859,821	28,662,388
- Others	**2,651,988**	**1,657,493**	2,324,564	1,452,853
Statutory Liabilities	**274,517,345**	**171,573,341**	210,859,539	131,787,213
Payable for Employee Benefits	**32,931,120**	**20,581,950**	14,047,235	8,779,522
Provision for Employee's Bonus under The Bonus Act, 2030				
- Distribution by Company	**91,988,036**	**57,492,523**	89,956,799	56,222,999
- Deposit with Welfare Funds established under The Labour Act, 2048	**552,225,799**	**345,141,124**	433,513,580	270,945,988
- Deposit with National Level Welfare Fund established by Govt. of Nepal	**236,668,199**	**147,917,624**	185,791,534	116,119,709
Interest Accrued but not due				
- On Cash Credit / Overdrafts	-	-	234,198	146,374
Security Deposits from Customers	**5,500,000**	**3,437,500**	5,550,000	3,468,750
	2,595,776,188	**1,622,360,117**	2,374,143,356	1,483,839,600
5. SHORT TERM BORROWINGS				
Secured				
Cash Credit/Overdraft Facilities from Banks *	-	-	926,827,907	579,267,442
	-	-	926,827,907	579,267,442

* Secured by hypothecation, on a first charge over immovable fixed assets, certain current assets and investments of the Company and on inter se pari passu second charge over movable fixed assets and inventories of the Company, both present and future, as applicable.

6. PROVISIONS FOR TAXATION				
Provision for Income Tax	**2,968,939,789**	**1,855,587,368**	2,302,059,155	1,438,786,972
Less: Advance Tax paid / Withholding Tax deducted	**(2,641,542,730)**	**(1,650,964,206)**	(2,139,074,706)	(1,336,921,691)
	327,397,059	**204,623,162**	162,984,449	101,865,281
7. PROVISIONS				
Provision for Retirement and Other Employee Benefits {payable after 12 months NRs. 143,283,593 (₹ 89,552,246)} {2071-72 - NRs. 133,099,864 (₹ 83,187,415)}	**209,827,290**	**131,142,056**	172,743,160	107,964,475
	209,827,290	**131,142,056**	172,743,160	107,964,475

8. FIXED ASSETS

TANGIBLE ASSETS - PROPERTY, PLANT & EQUIPMENT

Description	Gross Block								Depreciation								Net Block			
	NRs.	₹	NRs.	₹	NRs.	₹	NRs.	₹	NRs.	₹	NRs.	₹	NRs.	₹	NRs.	₹	NRs.	₹	NRs.	₹
	As at 31.03.2072 (16.07.2015)	As at 31.03.2072 (16.07.2015)	Additions	Additions	Withdrawals/ Adjustments	Withdrawals/ Adjustments	As at 31.03.2073 (15.07.2016)	As at 31.03.2073 (15.07.2016)	As at 31.03.2072 (16.07.2015)	As at 31.03.2072 (16.07.2015)	For the Year *	For the Year *	Withdrawals/ Adjustments	Withdrawals/ Adjustments	As at 31.03.2073 (15.07.2016)	As at 31.03.2073 (15.07.2016)	As at 31.03.2073 (15.07.2016)	As at 31.03.2073 (15.07.2016)	As at 31.03.2072 (16.07.2015)	As at 31.03.2072 (16.07.2015)
Land & Land Development	305,147,856	190,717,410	-	-	-	-	305,147,856	190,717,410	-	-	-	-	-	-	-	-	305,147,856	190,717,410	305,147,856	190,717,410
Buildings	1,874,166,947	1,171,354,342	16,989,677	10,618,548	-	-	1,891,156,624	1,181,972,890	205,888,458	128,680,286	264,710,701	165,444,188	-	-	470,599,159	294,124,474	1,420,557,465	887,848,416	1,668,278,489	1,042,674,056
Plant and Machinery	6,895,701,380	4,309,813,362	377,749,964	236,093,728	-	-	7,273,451,344	4,545,907,090	2,690,171,598	1,681,357,249	607,367,702	379,604,814	-	-	3,297,539,300	2,060,962,063	3,975,912,044	2,484,945,027	4,205,529,782	2,628,456,113
Furniture and Fixtures	96,879,467	60,549,667	2,316,383	1,447,739	-	-	99,195,850	61,997,406	34,604,328	21,627,705	12,270,071	7,668,795	-	-	46,874,399	29,296,500	52,321,451	32,700,906	62,275,139	38,921,962
Vehicles	172,329,094	107,705,684	4,363,894	2,727,434	26,699,692	16,687,308	149,993,296	93,745,810	41,825,482	26,140,925	41,248,939	25,780,588	10,233,853	6,396,158	72,840,568	45,525,355	77,152,728	48,220,455	130,503,612	81,564,759
Computers	161,879,891	101,174,932	2,241,309	1,400,818	-	-	164,121,200	102,575,750	67,420,553	42,137,846	64,806,569	40,504,107	-	-	132,227,122	82,641,953	31,894,078	19,933,797	94,459,338	59,037,086
Office Equipments	99,723,427	62,327,142	4,512,386	2,820,241	-	-	104,235,813	65,147,383	35,057,162	21,910,727	12,019,909	7,512,444	-	-	47,077,071	29,423,171	57,158,742	35,724,212	64,666,265	40,416,415
Total	9,605,828,062	6,003,642,539	408,173,613	255,108,508	26,699,692	16,687,308	9,987,301,983	6,242,063,739	3,074,967,581	1,921,854,738	1,002,423,891	626,514,936	10,233,853	6,396,158	4,067,157,619	2,541,973,516	5,920,144,364	3,700,090,223	6,530,860,481	4,081,787,801
Capital Work-in-Progress	526,776,326	329,235,203	203,465,323	127,165,827	404,018,834	252,511,771	326,222,815	203,889,259	-	-	-	-	-	-	-	-	326,222,815	203,889,259	526,776,326	329,235,203
Grand Total	10,132,604,388	6,332,877,742	611,638,936	382,274,335	430,718,526	269,199,079	10,313,524,798	6,445,952,998	3,074,967,581	1,921,854,738	1,002,423,891	626,514,936	10,233,853	6,396,158	4,067,157,619	2,541,973,516	6,246,367,179	3,903,979,482	7,057,636,807	4,411,023,004
Previous Year	9,215,877,108	5,759,923,192	3,258,989,673	2,036,868,546	2,342,262,393	1,463,913,996	10,132,604,388	6,332,877,743	2,534,302,841	1,583,939,276	541,526,033	338,453,771	861,293	538,308	3,074,967,581	1,921,854,738	7,057,636,807	4,411,023,004		

INTANGIBLE ASSETS

Description	Gross Block								Amortisation								Net Block			
	NRs.	₹	NRs.	₹	NRs.	₹	NRs.	₹	NRs.	₹	NRs.	₹	NRs.	₹	NRs.	₹	NRs.	₹	NRs.	₹
	As at 31.03.2072 (16.07.2015)	As at 31.03.2072 (16.07.2015)	Additions	Additions	Withdrawals/ Adjustments	Withdrawals/ Adjustments	As at 31.03.2073 (15.07.2016)	As at 31.03.2073 (15.07.2016)	As at 31.03.2072 (16.07.2015)	As at 31.03.2072 (16.07.2015)	For the Year	For the Year	Withdrawals/ Adjustments	Withdrawals/ Adjustments	As at 31.03.2073 (15.07.2016)	As at 31.03.2073 (15.07.2016)	As at 31.03.2073 (15.07.2016)	As at 31.03.2073 (15.07.2016)	As at 31.03.2072 (16.07.2015)	As at 31.03.2072 (16.07.2015)
Capitalised Software	289,032,926	180,645,579	-	-	-	-	289,032,926	180,645,579	106,001,806	66,251,129	49,680,441	31,050,280	-	-	155,682,247	97,301,404	133,350,679	83,344,170	183,031,120	114,394,450
Grand Total	289,032,926	180,645,579	-	-	-	-	289,032,926	180,645,579	106,001,806	66,251,129	49,680,441	31,050,280	-	-	155,682,247	97,301,404	133,350,679	83,344,170	183,031,120	114,394,450
Previous Year	287,084,056	179,427,535	3,897,740	2,436,088	1,948,870	1,218,044	289,032,926	180,645,579	56,387,573	35,242,233	49,614,233	31,008,896	-	-	106,001,806	66,251,129	183,031,120	114,394,450		

* Includes additional depreciation amounting to NRs. 399,836,691 (₹ 249,897,932) {2071-72 - NRs. 770,329 (₹ 481,456)} arising from change in estimated useful life of certain Plant and Machinery, old Computers and Other Assets.

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

	Figures in NRs. As at 31st Asadh 2073 (15th July 2016)	Figures in ₹ As at 31st Asadh 2073 (15th July 2016)	Figures in NRs. As at 31st Asadh 2072 (16th July 2015)	Figures in ₹ As at 31st Asadh 2072 (16th July 2015)
9. INVESTMENTS *				
Investment in Promissory Note issued by Nepal Government 6.5% Bikash Rinpatra, 2075	25,632,338	16,020,211	25,632,338	16,020,211
	25,632,338	16,020,211	25,632,338	16,020,211
* Pledged with a bank for obtaining letter of credit, guarantee facilities.				
10. CASH AND CASH EQUIVALENTS				
Cash on Hand	91,825	57,391	91,325	57,078
Cash at Bank				
Current Account	22,197,640	13,873,525	1,388,036	867,523
Short Term - Call Deposits	1,796,041,352	1,122,525,845	18,065,497	11,290,936
Savings Account (Provident Fund)	62,795	39,247	61,821	38,638
Cheques on Hand	1,413,145	883,216	-	-
	1,819,806,757	1,137,379,224	19,606,679	12,254,175
11. TRADE AND OTHER RECEIVABLES				
(Receivable within twelve months, unless otherwise stated)				
Trade Receivables				
Due for more than six months				
Good and Unsecured				
From Others	3,516,295	2,197,684	4,541,809	2,838,631
Doubtful and Unsecured - From Others	339,012	211,883	339,012	211,883
Less: Provision for Doubtful Debts	(339,012)	(211,883)	(339,012)	(211,883)
Due for less than six months - considered good				
Secured	1,700,000	1,062,500	949,332	593,333
Unsecured				
From Others	75,817,107	47,385,692	146,164,339	91,352,712
Other Receivables				
Unsecured - Considered Good				
From Holding Company	318,862	199,289	1,440,832	900,520
	81,352,264	50,845,165	153,096,312	95,685,196
12. INVENTORIES				
Stores & Supplies (including in-transit)	242,619,570	151,637,231	246,293,880	153,933,675
Raw Materials (including in-transit)	1,709,757,851	1,068,598,657	1,271,295,381	794,559,613
Stock - In - Process	137,044,783	85,652,989	120,078,112	75,048,820
Finished Goods				
At Cost	1,406,591,879	879,119,924	1,095,592,893	684,745,558
At Net Realisable Value	3,833,248	2,395,780	1,480,744	925,465
	3,499,847,331	2,187,404,581	2,734,741,010	1,709,213,131
13. LOANS & ADVANCES				
Recoverable within 12 months				
Short Term				
Commercial Advances				
- Green Leaf / Sapling / Seeds Bought from Tobacco Farmers (net of loan disbursed by Bank)	4,725,322	2,953,326	3,743,710	2,339,819
- Less: Provision for Old Advance	(1,026,872)	(641,795)	(1,116,911)	(698,069)
- Other Goods and Services	10,348,416	6,467,760	26,438,086	16,523,804
- Less: Provision for Doubtful Advance	(4,528)	(2,830)	(4,528)	(2,830)
Capital Advances	-	-	2,009,883	1,256,177
Excise Duty Advance	34,755,455	21,722,159	949,670	593,544
Deposit with Govt. Authorities (Excise Sticker, Excise on Import, etc.)	193,590,812	120,994,258	151,096,435	94,435,272
Less: Provision for Import License for Tobacco and Excise Sticker	(1,030,063)	(643,789)	(1,030,063)	(643,789)
Employee Loans and Advances	12,889,004	8,055,628	14,760,061	9,225,032
Unexpired Expenses	115,750,132	72,343,833	108,363,782	67,727,364
Margin Money Deposit	1,397,815	873,634	392,530	245,331
Less: Provision for Margin Money Deposit	(29,776)	(18,610)	(99,439)	(62,149)
Other Deposits	1,178,352	736,470	1,178,352	736,470
Recoverable after 12 months				
Long Term				
Commercial Advances				
- Advance to Holding Company {Refer 2D of Note 23}	1,325,963,086	828,726,929	1,877,429,096	1,173,393,185
Employee Loans and Advances	43,549,509	27,218,443	54,867,320	34,292,075
Deposits with Government Authorities - Appeals	90,189,468	56,368,418	84,255,468	52,659,668
	1,832,246,132	1,145,153,834	2,323,233,452	1,452,020,904
14. OTHER CURRENT ASSETS				
Accrued Interest receivable				
- On Investments	193,397	120,873	928,710	580,444
- On Call Deposit with Banks	850	531	22	14
- On Commercial Advances	3,883	2,427	3,566	2,229
Unexpired Premium on Forward Contracts	352,948	220,593	215,570	134,731
	551,078	344,424	1,147,868	717,418

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

	Figures in NRs. For the year ended 31st Asadh 2073 (15th July 2016)	Figures in ₹ For the year ended 31st Asadh 2073 (15th July 2016)	Figures in NRs. For the year ended 31st Asadh 2072 (16th July 2015)	Figures in ₹ For the year ended 31st Asadh 2072 (16th July 2015)
15. GROSS REVENUE FROM SALE OF PRODUCTS*				
Cigarette	25,296,395,796	15,810,247,373	21,809,688,884	13,631,055,553
Apparel	89,987,833	56,242,396	77,947,741	48,717,338
Safety Matches	151,882,377	94,926,486	113,419,106	70,886,941
Agarbatti	142,881,124	89,300,703	92,936,487	58,085,304
	25,681,147,130	16,050,716,958	22,093,992,218	13,808,745,136
* Net of Sales return.				
16. DUTIES				
Excise Duty	6,598,916,059	4,124,322,537	5,702,819,990	3,564,262,494
Sticker Charges	124,290,126	77,681,329	115,867,794	72,417,371
	6,723,206,185	4,202,003,866	5,818,687,784	3,636,679,865
17. OTHER OPERATING INCOME				
Provision for doubtful advance/debts written back	159,702	99,814	-	-
Miscellaneous Income *	11,948,875	7,468,047	185,897,652	116,186,033
	12,108,577	7,567,861	185,897,652	116,186,033

* Includes insurance claim amount of NRs. Nil (₹ Nil) {2071-72 - NRs. 172,685,181 (₹ 107,928,238)} towards finished goods damaged / destroyed in fire incident at company's leased warehouse.

18. RAW MATERIALS CONSUMED ETC.				
Leaf and Casing Materials	2,723,553,202	1,702,220,751	2,311,073,732	1,444,421,083
Wrapping Materials	2,226,549,530	1,391,593,456	2,113,141,108	1,320,713,193
Fabrics, Trims etc. *	17,667,050	11,041,906	16,534,520	10,334,075
Purchase and Contract Manufacturing Charges	269,232,896	168,270,560	197,445,787	123,403,617
	5,237,002,678	3,273,126,673	4,638,195,147	2,898,871,968
Allocation of overheads etc. on Finished Goods				
Opening	106,179,403	66,362,127	150,940,373	94,337,733
Closing	(140,154,459)	(87,596,537)	(106,179,403)	(66,362,127)
	5,203,027,622	3,251,892,263	4,682,956,117	2,926,847,574

* Includes write back of provision amounting to NRs. 64,058 (₹ 40,036) {2071-72 - NRs. 7,783,868 (₹ 4,864,918)}.

19. MANUFACTURING, ADMIN, SELLING EXPENSES ETC.				
Salaries, Wages & Allowances	399,745,262	249,840,789	452,815,053	283,009,408
Contribution to Provident Fund	14,047,101	8,779,438	13,261,820	8,288,638
Provision for Retirement and Other Employee Benefits	77,044,324	48,152,703	59,868,090	37,417,556
Labour & Staff Welfare	33,868,531	21,167,832	50,402,605	31,501,628
Hired Machine Expenses	72,717,902	45,448,689	114,262,309	71,413,943
Rent	71,777,840	44,861,150	73,981,387	46,238,367
Electricity, Fuel & Water	143,035,291	89,397,057	161,418,630	100,886,644
Rates & Taxes	5,889,483	3,680,927	25,244,922	15,778,076
Insurance Premium	91,239,742	57,024,839	83,264,420	52,040,263
Repairs & Improvements - Depreciable Assets	152,760,611	95,475,382	183,570,731	114,731,707
Maintenance - Owned Properties	7,903,407	4,939,629	10,366,716	6,479,198
Maintenance - Other Properties	9,634,769	6,021,731	19,809,681	12,381,051
Safety & Pollution Control Cost	16,316,949	10,198,093	26,251,856	16,407,410
Consumption of Stores & Spare Parts *	45,199,183	28,249,489	44,447,647	27,779,779
Freight	78,659,958	49,162,474	67,292,753	42,057,971
Product & Packaging Development - Tools / Accessories	15,178,479	9,486,549	71,181,243	44,488,277
Product Development & License Fees	475,056,407	296,910,254	407,595,123	254,746,952
Advertising	4,033,385	2,520,866	3,414,800	2,134,250
Market Research	17,781,540	11,113,463	8,246,766	5,154,229
Retail Accessories	21,140,702	13,212,939	9,684,586	6,052,866
Trade Distribution Expenses	115,640,162	72,275,101	112,155,043	70,096,902
Information Technology Services	137,422,847	85,889,279	164,509,944	102,818,715
Travel & Conveyance	68,551,458	42,844,661	76,290,987	47,681,867
Training & Recruitment Expenses	3,505,871	2,191,169	17,208,631	10,755,394
Postage, Telephone, Telex, Fax etc.	6,192,249	3,870,156	7,181,724	4,488,578
Bank Charges and Commission	4,084,520	2,552,825	4,175,857	2,609,911
Premium on Forward Contracts	5,707,481	3,567,176	14,080,655	8,800,409
Audit Fees	845,000	528,125	845,000	528,125
Legal Fees	506,000	316,250	838,000	523,750
Printing & Stationery	6,334,203	3,958,877	4,838,496	3,024,060
Consultancy Charges	280,778,059	175,486,287	244,036,082	152,522,551
Professional Service Charges & Other Fees	93,495,838	58,434,899	100,372,508	62,732,818
Business Entertainment Expenses	4,124,837	2,578,023	5,326,288	3,328,930
Promotion & Sponsorship	11,575,719	7,234,824	9,195,860	5,747,413
Board Meeting Fees	70,588	44,118	61,765	38,603
Donations **	2,686,637	1,679,148	102,286,051	63,928,782
Books & Periodicals	355,638	222,274	570,524	356,578
Membership Fee	977,948	611,218	1,261,656	788,535
Loss / (Gain) on Fixed Assets Sold / Discarded (Net)	4,120,706	2,575,441	(17,535)	(10,959)
Provision for Doubtful Debts and Advances	-	-	339,012	211,883
Net Loss / (Gain) on Foreign Currency Transactions and Translations	(450,811)	(281,757)	(420,426)	(262,766)
Miscellaneous Expenses {Refer 2F of Note 23} ***	9,533,775	5,958,609	11,278,680	7,049,175
	2,509,089,591	1,568,180,996	2,762,795,940	1,726,747,467

* Includes provision for obsolescence of spares, relating to plant & machinery with no residual useful life for NRs. 11,873,275 (₹ 7,420,797) {2071-72 - NRs. 13,982,044 (₹ 8,738,778)}.
** Includes contribution to Prime Minister's Disaster Relief Fund NRs. Nil (Rs. Nil) {2071-72 - NRs. 100,000,000 (₹ 62,500,000)}.
*** Includes provision for sales return / discount, relating to Garments domestic business, for NRs. 4,130,728 (₹ 2,581,705) {2071-72 - NRs. 3,066,149 (₹ 1,916,343)}.

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

	Figures in NRs. For the year ended 31st Asadh 2073 (15th July 2016)	Figures in ₹ For the year ended 31st Asadh 2073 (15th July 2016)	Figures in NRs. For the year ended 31st Asadh 2072 (16th July 2015)	Figures in ₹ For the year ended 31st Asadh 2072 (16th July 2015)
20. OTHER INCOME				
Interest Received	**22,048,758**	**13,780,474**	18,035,699	11,272,312
Interest on Short Term/Call Deposit with Bank	**15,235,197**	**9,521,998**	410,560	256,600
Interest from Investments	**1,470,625**	**919,141**	1,470,625	919,141
	38,754,580	**24,221,613**	19,916,884	12,448,053
21. FINANCE COST				
Interest on Term Loan (from Holding Company)	**912,953**	**570,596**	76,507,780	47,817,363
Interest on Short Term Loans / Overdrafts	**27,005,373**	**16,878,358**	151,848,384	94,905,240
Interest on Trading Debts	**16,977,526**	**10,610,954**	3,364,127	2,102,579
	44,895,852	**28,059,908**	231,720,291	144,825,182
22. PROVISION FOR TAXATION				
Current Tax	**2,875,998,164**	**1,797,498,853**	2,209,047,354	1,380,654,596
Deferred Tax	**(75,894,401)**	**(47,434,001)**	77,262,611	48,289,132
	2,800,103,763	**1,750,064,852**	2,286,309,965	1,428,943,728

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

Note – 23

1. Significant Accounting Policies

i) Convention

These Financial Statements have been prepared in accordance with applicable Accounting Standards and Generally Accepted Accounting Principles (GAAPs) in Nepal. 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 Company Act, 2063 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.

The preparation of the accounts requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities at the date of the Financial Statements. The key estimates and assumptions are set out in the Accounting Policies below, together with the related notes to the Financial Statements.

The most significant items include:

a) The estimation of and accounting for retirement benefit costs. The determination of the carrying value of assets and liabilities, as well as the charge for the year, involves judgements made in conjunction with independent actuaries. These involve estimates about uncertain future events including life expectancy of members, attrition rate, salary increases as well as discount rates.

b) The estimation of provisions for taxation, which are subject to uncertain future events, may extend over several years and so the amount and/or timing may differ from current assumptions. The Accounting Policy for taxation is disclosed below in point no. (xiv) including the recognised Deferred Tax Assets and Liabilities.

iii) Fixed Assets

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 Revaluation Reserve. Subsequent acquisition of the above asset and the other assets are stated at cost of acquisition inclusive of inward freight, duties and taxes and incidental expenses related to acquisition.

Depreciation on Tangible Fixed Assets is computed in a manner that allocates the cost of the assets after commissioning (or other amount substituted for cost), less its residual value, over their useful lives. Useful lives and residual values are reviewed at each financial year end. The impact of depreciation arising from a change in estimated useful life of assets is adjusted prospectively.

To capitalise software where it is expected to provide future enduring economic benefits. Capitalisation costs include licence fees and cost of implementation / system integration services. The costs are capitalised in the year when the relevant software is implemented for use and are amortised over a period of five years.

Impairment loss, if any, ascertained as per Nepal Accounting Standard – 18 "Impairment of Assets" issued by Institute of Chartered Accountants of Nepal, is recognised.

iv) Inventories

Inventories are valued at cost or net realisable 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 of inventories 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) Revenue from sale of products

To recognise revenue at the time of delivery of goods net of trade discounts to customers and Value Added Tax recovered from customers but including excise duty and sticker charges payable by the Company. Net revenue is stated after deducting such excise duty and sticker charges.

vii) Investment Income

Income from investments is accounted for on an accrual basis, inclusive of related tax deducted at source.

viii) Foreign Exchange Transaction

Foreign Exchange transactions are recorded at the exchange rate prevailing on the date of transactions or where applicable, at the exchange rate covered by forward exchange contracts. Gains/losses arising out of fluctuations in the exchange rates are recognised in the Profit and Loss Account in the period in which they arise.

To account for differences between the forward exchange rates and the exchange rates at the inception of forward exchange contracts as income or expense over the life of the contracts. Gain/loss arising on cancellation or renewal of forward exchange contracts is recognised as income/expense for the period. Gains/losses on account of foreign exchange rate fluctuations relating to monetary items are accounted for in the Profit and Loss Account at the year end.

ix) Lease Rentals

Operating lease rentals are charged to the Profit and Loss Account as incurred.

x) Retirement Benefits

(a) Gratuity

Liability for gratuity benefits payable to the employees is actuarially determined at the year end and provided for.

(b) Provident Fund

Regular monthly contributions are made to Provident Funds, which are charged against revenue.

(c) Leave Encashment and Other Retirement Benefits

Leave encashment and other retirement benefits, wherever applicable, are determined on the basis of actuarial valuation at the year end and provided for.

xi) Bonus

Bonus is provided as per the provisions of the Bonus Act, 2030.

xii) Employees' Housing

Employees' Housing is provided as per the provisions of Labour Act, 2048.

xiii) Cash and Cash Equivalents

Cash and Cash Equivalents represent cash and cheques on hand and balance in Bank Accounts.

xiv) Tax on Income

Provision for current tax is made with reference to profit for the period covered by the Financial Statements as per the provisions of Income Tax Act, 2058.

Deferred Tax is recognised and provided for on temporary differences between carrying amount of assets and liabilities and their respective tax base, subject to consideration of prudence.

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

Deferred Tax Assets are recognised to the extent it is probable that future taxable profit will be available against which the temporary difference, unused tax losses and unused tax credit can be utilised, unless the Deferred Tax Asset arises from the initial recognition of an asset or liability in a transaction.

Deferred Tax is determined using the tax rates that have been enacted or substantively enacted at the Balance Sheet date and are expected to apply when the related deferred tax asset is realised or deferred tax liability is settled.

xv) Dividend

Interim Dividend is distributed to the shareholders after its declaration by the Board of Directors based on the audited financial statements of the Company. Final Dividend is distributed to the shareholders after its approval at the Annual General Meeting.

The dividend per share and the amount of dividend, declared / proposed after the balance sheet date for the period covered by the financial statements are disclosed in the notes to the Financial Statements in accordance with NAS 05 - "Events After Balance Sheet Date" read with NAS 01 - "Presentation of Financial Statements". Interim and Final Dividend, are recognised as appropriation in the financial statements of the period in which they are declared/ approved.

2. Notes to the Accounts

A. For the year ended 31st Asadh 2073 (15th July, 2016), the Board of Directors of the Company at its meeting held on 7th Aswin 2073 (23rd September 2016) have:

a) declared interim dividend of NRs. 37.50 (₹ 23.44) per share, amounting to NRs. 75.60 (₹ 47.31) Crores and

b) recommended final dividend of NRs. 260.50 (₹ 162.81) per share amounting to NRs. 525.17 (₹ 328.23) Crores.

B. Claims against the Company not acknowledged as debts:

a) Demands raised by Revenue Authorities on theoretical production of cigarettes:

Excise, Income Tax and Value Added Tax (VAT) authorities issued Show Cause Notices (SCNs) and raised demands to recover taxes for different years on theoretical production of cigarettes. The basis for all these SCNs and demands is an untenable contention by the Revenue Authorities that the Company could have produced more cigarettes than it has actually produced in a given year, by applying an input-output ratio allegedly submitted by the Company in the year 2047-48 (1990-91) and, that, the Company is liable to pay taxes on such cigarettes that could have been theoretically produced and sold. This, despite the fact that the Company's cigarette factory was under 'physical control' of the Revenue Authorities and cigarettes produced are duly accounted for and certified as such by the Revenue Authorities.

The above basis of theoretical production has been rejected by the Supreme Court of Nepal vide its orders dated 29th October, 2009 and 1st April, 2010. In the said order of the Supreme Court of Nepal dated 1st April, 2010, the Excise demands {(for the financial years 2055-56 to 2059-60 (1998-99 to 2002-03)} and Income Tax demands {for the financial year 2058-59 (2001-02)} were set aside. Citing the aforesaid decisions of the Supreme Court of Nepal, the Inland Revenue Department, on 11th February, 2011 and 12th August 2013 decided the following administrative review petitions in favour of the Company relating to theoretical production:

(i) Value Added Tax - NRs. 190,142,762 (₹ 118,839,226) for the financial years 2058-59 and 2064-65 (2001-02 and 2007-08).

(ii) Income Tax - NRs. 49,070,474 (₹ 30,669,046) for the financial year 2062-63 (2005-06).

The Company's counsel appearing in the matter has opined that the verdict of the Supreme Court of Nepal dated 29th October, 2009, which was delivered by a Full Bench of the Court, will add substantial strength to Company's case in all the other matters relating to the issue of theoretical production.

Following is the status of pending demands and Show Cause Notices received from the Revenue Authorities based on similar untenable contention:

Excise Demands and Show Cause Notice

1. Excise demand letter dated 22nd February 2008 for NRs. 149,515,509 (₹ 93,447,193) relating to the financial years 2060-61 to 2062-63 (2003-04 to 2005-06). The Company's writ petition, challenging the demand, has been admitted by the Supreme Court of Nepal on 2nd April 2008 and it has issued Show Cause Notices to the respondents.

2. Excise demand letter dated 30th November 2008 for NRs. 128,510,757 (₹ 80,319,223) relating to the financial year 2063-64 (2006-07). The Company's writ petition, challenging the demand, has been admitted by the Supreme Court of Nepal on 6th January 2009 and it has issued Show Cause Notices to the respondents.

3. Show Cause Notice dated 19th January 2010 seeking to demand NRs. 196,537,807 (₹ 122,836,129) by way of Excise Duty for the financial year 2064-65 (2007-08). Company's writ petition challenging the Notice was admitted by the Supreme Court of Nepal. On 7th March 2010, Supreme Court of Nepal issued interim order directing Inland Revenue Department not to raise demand, pending final disposal of the writ petition.

VAT Demands

4. VAT demand letter dated 8th August 2007 for NRs. 57,238,860 (₹ 35,774,288) relating to the financial year 2059-60 (2002-03). The Company's writ petition, challenging the demand, has been admitted by the Supreme Court of Nepal on 12th September 2007 and it has issued Show Cause Notices to the respondents.

5. VAT demand letter dated 5th August 2008 for NRs. 10,718,107 (₹ 6,698,817) relating to the financial year 2060-61 (2003-04). The Company's writ petition, challenging the demand, has been admitted by the Supreme Court of Nepal on 5th September 2008 and it has issued Show Cause Notices to the respondents.

6. VAT demand letter dated 10th July 2009, for NRs. 106,966,056 (₹ 66,853,785) relating to the financial years 2061-62 to 2063-64 (2004-05 to 2006-07). The Company's writ petition, challenging the demand, has been admitted by the Supreme Court of Nepal on 9th August 2009 and it has issued Show Cause Notices to the respondents.

Income Tax Demands

7. Income Tax demand letter dated 12th August 2007 for NRs. 196,092,971 (₹ 122,558,107) relating to the financial year 2059-60 (2002-03). The Company's writ petition, challenging the demand, has been admitted by the Supreme Court of Nepal on 12th September 2007 and it has issued Show Cause Notices to the respondents.

8. Income Tax demand letter dated 15th September 2008 for the financial year 2060-61 (2003-04). Out of total demand of NRs. 22,536,944 (₹14,085,590), the basis of the demand for NRs. 19,139,653 (₹ 11,962,238) is on theoretical production. The Company's writ petition, challenging the demand, has been admitted by the Supreme Court of Nepal on 8th December 2008 and it has issued Show Cause Notices to the respondents.

9. Income Tax demand letter dated 16th October 2009 for the financial year 2061-62 (2004-05). Out of a total demand of NRs. 22,626,609 (₹ 14,141,631), the basis of the demand for NRs. 21,565,409 (₹ 13,478,381) is on theoretical production. The Company filed an administrative review petition before the Director General, Inland Revenue Department on 18th December 2009. The Director General without dealing with the issues raised by the Company, summarily dismissed the petition by an order dated 2nd March 2010. The Company thereafter filed an appeal before the Revenue Tribunal, on 17th June 2010. The Revenue Tribunal, vide its order dated 9th July, 2012 (received by the Company on 2nd November, 2012), directed Director General, Inland Revenue Department to reassess the case. The Director General appealed to the Supreme Court of Nepal for admission of the case against the decision of the Revenue Tribunal. The Supreme Court has admitted the case on 11th March 2016 and issued notice to the Company for hearing, which is pending.

The Management considers that all the demands and show cause notice listed above have no legal or factual basis. Accordingly, the Management is of the view that there is no liability that is likely to arise, particularly in the light of the decisions in favour of the Company by the Supreme Court of Nepal and the Inland Revenue Department.

b) Other demands raised on account of:

1. Income Taxes for various assessment years amounting to NRs. 146,655,561 (₹ 91,659,726) {Previous year – NRs. 140,313,243 (₹ 87,695,777)} (net of provision made for the above assessment years) against which the Company has filed appeals with the appropriate authorities/Courts.

2. Value Added Tax matters under dispute, pertaining to various financial years amounting to NRs. 21,358,496 (₹ 13,349,060) {Previous year - NRs. 20,524,683 (₹ 12,827,927)}, which are under appeal / reassessment.

C. Estimated amount of contracts remaining to be executed on capital account NRs. 47,513,340 (₹ 29,695,838){2071-72 NRs. 96,599,371 (₹ 60,374,607)}.

D. Commercial advance to Holding Company towards purchase of unmanufactured tobacco is adjusted against invoices received for dispatch of such tobacco by the Holding Company. The timing of such dispatches, based on the Company's indent, cannot be determined with precision. Accordingly, for the advance, it is not possible to segregate amounts that are recoverable within or beyond 12 months and the entire amount, on principle of conservatism, has been classified as long term.

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

E. Remuneration to Managing Director:

Particulars	For the year ended 31st Asadh 2073 (15th July 2016)		For the year ended 31st Asadh 2072 (16th July 2015)	
	In NRs.	In ₹	In NRs.	In ₹
Salary & Allowances	11,884,228	7,427,643	11,807,552	7,379,720
Other Benefits *	2,160,269	1,350,168	2,167,054	1,354,409
Post Employment Benefits	**	**	**	**
Total	14,044,497	8,777,811	13,974,606	8,734,129

* Other Benefits includes amounts incurred/reimbursed by the Company towards Residential Rent & Maintenance, Fuel & Driver Salary for Vehicle, Vehicle Repairs & Maintenance etc,

** Post employment benefits are actuarially determined on overall basis for all employees.

F. Miscellaneous Expenses include reimbursement of expenses to statutory auditors amounting to NRs. 146,600 (₹ 91,625){2071-72 – NRs. 130,750 (₹ 81,719)}.

G. Reconciliation between tax expenses and accounting profit:

Particulars	For the Year ended 31st Asadh, 2073 (15th July, 2016)		For the Year ended 31st Asadh, 2072 (16th July, 2015)	
	In NRs.	In ₹	In NRs.	In ₹
Accounting Profit	9,318,804,671	5,824,252,919	7,503,244,443	4,689,527,777
Tax at the applicable tax rate				
(Cigarette Manufacturing @ 30%, Garments Manufacturing @ 20% and Trading @ 25% with loss setoff between Trading and Cigarette Manufacturing)	2,796,642,657	1,747,901,661	2,252,260,519	1,407,662,824
Factors affecting tax charge for the year				
Effect of :				
Unused Tax Losses not recognised for Garment Manufacturing	2,002,510	1,251,569	2,574,373	1,608,983
Expenses not deductible for tax purposes	1,458,596	911,623	31,475,073	19,671,921
Total Tax Expense	2,800,103,763	1,750,064,852	2,286,309,965	1,428,943,728

H. Capital

The Company is not subject to any capital adequacy norms under regulations presently in force. Employees Housing Reserve is set aside as required by law. It is the Company's policy to maintain a sound capital base that is supportive of the Company's business plans. Return on capital employed is monitored based on asset turnover and profitability ratio.

I. Related Party Disclosures

Nature of relationship and name of the related parties:

1. Holding Company
   ITC Limited, India
2. Fellow Subsidiaries
   - a) Srinivasa Resorts Limited, India
   - b) Fortune Park Hotels Limited, India
   - c) Bay Islands Hotels Limited, India
   - d) WelcomHotels Lanka (Private) Limited, Sri Lanka
   - e) Landbase India Limited, India
   - f) Russell Credit Limited, India and its subsidiary
     - Greenacre Holdings Limited, India
   - g) Technico Pty Limited, Australia and its subsidiaries
     - TechnicoAgri Sciences Limited, India (upto 21.03.2016)
     - Technico Technologies Inc., Canada
     - Technico Asia Holdings Pty Limited, Australia and its subsidiary
       - Technico Horticultural (Kunming) Co. Limited, China
   - h) TechnicoAgri Sciences Limited, India (w.e.f. 22.03.2016)
   - i) Wimco Limited, India
   - j) Pavan Poplar Limited, India
   - k) PragAgro Farm Limited, India
   - l) ITC Infotech India Limited, India and its subsidiaries
     - ITC Infotech Limited, United Kingdom
     - ITC Infotech (USA), Inc., United States of America and its subsidiary
       - Pyxis Solutions, LLC, United States of America (upto 31.03.2016)
   - m) Gold Flake Corporation Limited, India
   - n) ITC Investments & Holdings Limited, India and its subsidiary
     - MRR Trading & Investment Company Limited, India
   - o) King Maker Marketing, Inc., United States of America
   - p) North East Nutrients Private Limited, India

   The above list does not include ITC Global Holdings Pte. Limited, Singapore (in liquidation)

Notes:

Russell Credit Limited acquired the entire equity share capital of BFIL Finance Limited and Wills Corporation Limited from ITC Limited on 18.06.2015 and 07.09.2015 respectively; both companies have amalgamated with Russell Credit Limited w.e.f. 01.04.2015, with the effective date of the amalgamation being 16.05.2016 and 22.03.2016 respectively.

Classic Infrastructure & Development Limited, an associate of the ITC Limited's subsidiary, became a wholly owned subsidiary of Greenacre Holdings Limited, a wholly owned step down subsidiary of ITC Limited, w.e.f. 07.12.2015; the company amalgamated with Greenacre Holdings Limited w.e.f. 01.10.2015, with the effective date of the amalgamation being 05.04.2016.

Pyxis Solutions, LLC. has ceased to be a subsidiary of ITC Infotech (USA), Inc. consequent to merger with merged with ITC Infotech (USA), Inc. w.e.f 01.04.2016.

3. **Key Management Personnel:**

Y C Deveshwar	Chairman & Non-Executive Director
B Sumant	Alternate Director to Mr Y C Deveshwar (w.e.f. 6th December 2015)
S Puri	Non-Executive Director (w.e.f. 6th December 2015) Alternate Director to Mr Y C Deveshwar (ceased w.e.f. 6th December 2015)
A K Mukerji	Non-Executive Director
B B Chatterjee	Non-Executive Director
P V Dhobale	Non-Executive Director (ceased w.e.f. 6th December 2015)
S R Pandey	Non-Executive Director
S SJB Rana	Non-Executive Director
Saurya SJB Rana	Alternate Director to Mr. S. SJB Rana
Abhimanyu Kumar Poddar	Managing Director

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

Disclosure of transactions between the Company and related parties during the year and outstanding balances as on 15th July, 2016 / 16th July, 2015:

	For the year ended 31st Asadh, 2073 (15th July, 2016)						For the year ended 31st Asadh, 2072 (16th July, 2015)					
	Holding Company		Fellow Subsidiaries		Key Management Personnel		Holding Company		Fellow Subsidiaries		Key Management Personnel	
	In NRs.	In ₹	In NRs.	In ₹	In NRs.	In ₹	In NRs.	In ₹	In NRs.	In ₹	In NRs.	In Rs.
Sale of Goods/Services	–	–	–	–	–	–	–	–	–	–	–	–
Purchase of Goods/ Services	4,762,852,055	2,976,782,534	78,972,054	49,357,534	–	–	3,683,280,895	2,302,050,559	111,520,559	69,700,349	–	–
Remuneration to Managing Director	–	–	–	–	14,044,497	8,777,811	–	–	–	–	13,974,606	8,734,129
Sitting Fees/ Incidental Expenses to Other Directors	–	–	–	–	97,059	60,662	–	–	–	–	94,118	58,824
Interest Expense	912,953	570,596	–	–	–	–	76,507,780	47,817,363	–	–	–	–
Machine Hire Charges	66,964,402	41,852,751	–	–	–	–	67,025,200	41,890,750	–	–	–	–
Dividend Payments	2,830,867,200	1,769,292,000	–	–	–	–	2,378,880,000	1,486,800,000	–	–	–	–
Expenses recovered	2,769,302	1,730,814	–	–	–	–	2,459,308	1,537,068	–	–	–	–
Expenses reimbursed	3,500,875	2,188,047	–	–	–	–	12,095,160	7,559,475	–	–	–	–
Loan Repayment	–	–	–	–	–	–	1,282,500,000	801,562,500	–	–	–	–
Advances Given	1,922,539,477	1,201,587,173	–	–	–	–	1,733,893,185	1,083,683,241	–	–	–	–
Balances as on 15th July 2016 / 16th July 2015												
- Debtors	–	–	–	–	–	–	–	–	–	–	–	–
- Advances / Other Receivables	1,326,281,948	828,926,218	–	–	–	–	1,878,869,928	1,174,293,705	–	–	–	–
- Creditors / Payables	447,518,759	279,699,224	66,436,764	41,522,978	–	–	423,990,339	264,993,962	81,231,500	50,769,688	–	–
- Loan Outstanding	–	–	–	–	–	–	–	–	–	–	–	–

J. Figures have been rounded off to the nearest rupee.

K. Previous Year's figures have been regrouped and/or rearranged wherever necessary.

Subhraketan Mitra
Head of Finance

Abhimanyu Kumar Poddar
Managing Director

Saurya SJB Rana
Alternate Director

S Puri
Director

Y C Deveshwar
Chairman

S R Pandey
Director

A K Mukerji
Director

B B Chatterjee
Director

Nem Lal Amatya
Partner
N. Amatya & Co.
Chartered Accountants

Shashi Satyal
Partner
T R Upadhya & Co.
Chartered Accountants

Date: 7th Aswin 2073 (23rd September 2016)

REPORT OF THE BOARD OF DIRECTORS FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2017

1. Your Directors submit their Report for the financial year ended 31st March, 2017.

2. **COMPANY PERFORMANCE**

Your Company earned total income of ₹ 346.47 lakhs during the year under review. In view of the uncertainty in the present business environment, the Company has not contracted any fresh business during the year and continues to explore growth opportunities. The temporary surplus funds of the Company, in the meantime, have been deployed in bank fixed deposits.

The financial results of your Company, summarised, are as under:

	For the year ended 31st March, 2017 (₹)	For the year ended 31st March, 2016 (₹)
a. Profit Before Tax	**2,79,80,300**	2,92,80,161
b. Less : Tax Expense	**24,35,629**	28,99,331
c. Profit After Tax	**2,55,44,671**	2,63,80,830
d. Other Comprehensive Income	**–**	–
e. Total Comprehensive Income	**2,55,44,671**	2,63,80,830
f. Add : Profit brought forward from previous years	**6,14,97,059**	3,51,16,229
g. Balance carried forward	**8,70,41,730**	6,14,97,059

3. **DIRECTORS AND KEY MANAGERIAL PERSONNEL**

(a) **Changes in Directors and Key Managerial Personnel during the year**

During the year, there was no change in the composition of the Board of Directors ('the Board') and Key Managerial Personnel of your Company.

(b) **Declaration of Independence by Independent Directors**

The Independent Directors of your Company have confirmed that they meet the criteria of Independence as prescribed under Section 149(6) of the Companies Act, 2013 ('the Act') read with Rule 5 of the Companies (Appointment and Qualification of Directors) Rules, 2014.

(c) **Attributes, qualifications and appointment of Directors**

As reported in earlier years, the attributes and qualifications of the Independent Directors provided in Section 149(6) of the Act and Rule 5 of the Companies (Appointment and Qualification of Directors) Rules, 2014 were adopted by the Nomination and Remuneration Committee. The attributes and qualifications, as applicable, were also adopted in respect of the other Directors.

The Directors of the Company, other than the Independent Directors, are executives of ITC Limited, the Holding Company, and fulfil the fit and proper criteria for appointment as Directors. The Directors, other than the Independent Directors, are liable to retire by rotation and one-third of them retire every year and are eligible for re-election.

In accordance with the provisions of Section 152(6) of the Act, Mr. Saradindu Dutta (DIN: 00058639), Director, will retire by rotation at the ensuing Annual General Meeting ('AGM') of the Company, and being eligible, offers himself for re-election. Your Board has recommended his re-election.

(d) **Remuneration Policy**

The Remuneration Policy of the Company for the Directors, Key Managerial Personnel and other employees, as approved by the Board, is enclosed as **Annexure 1** to this Report.

4. **BOARD AND BOARD COMMITTEES**

The two Board Committees of the Company and their present composition is as follows:

Audit Committee	Nomination and Remuneration Committee
Mr. R. Tandon (Chairman)	Mr. B. B. Chatterjee (Chairman)
Mr. S. Banerjee	Mr. S. Banerjee
Ms. A. Guhamallick	Ms. A. Guhamallick
	Mr. R. Tandon

During the year ended 31st March, 2017, the following meetings of the Board and Board Committees were held:

Board / Board Committee	Number of meetings	Date(s) of meeting(s)
Board	4	2nd May, 2016 29th August, 2016 27th December, 2016 16th March, 2017
Audit Committee	4	2nd May, 2016 29th August, 2016 27th December, 2016 16th March, 2017
Nomination and Remuneration Committee	1	2nd May, 2016

The attendance of Directors of the Company at the Board and Board Committee meetings held during the year is given below:

Sl. No.	Name of the Director	Number of meetings attended		
		Board	Audit Committee	Nomination and Remuneration Committee
1.	Mr. R. Tandon	4	4	1
2.	Mr. S. Banerjee	4	4	1
3.	Mr. B. B. Chatterjee	4	N.A.	1
4.	Mr. S. Dutta	4	N.A.	N.A.
5.	Ms. A. Guhamallick	4	4	1

5. **DIRECTORS' RESPONSIBILITY STATEMENT**

As required under Section 134(5) of the Act, your Directors confirm having:

i) followed in the preparation of the Annual Accounts, the applicable Accounting Standards with proper explanation relating to material departures, if any;

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 Act 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; and

v) devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems are adequate and operating effectively.

6. **ASSOCIATE AND JOINT VENTURE**

The statement in Form No. AOC-1 containing the salient features of the financial statements of ATC Limited, associate company, and ITC Essentra Limited, joint venture company, is attached to the Financial Statements of the Company.

The Company, being an intermediate wholly owned subsidiary, is not required to prepare Consolidated Financial Statements. However, brief details of the performance and financial position of the Company's associate and joint venture are given below:

Name of Associate / Joint Venture Company	Total Income		Profit after tax	
	FY 2016-17 (₹ in lakhs)	FY 2015-16 (₹ in lakhs)	FY 2016-17 (₹ in lakhs)	FY 2015-16 (₹ in lakhs)
ATC Limited (associate company)	2,102.79	2,284.51	22.11	32.07
ITC Essentra Limited (joint venture company)	27,146.84	40,534.55	994.18	1,453.09

7. PARTICULARS OF EMPLOYEES

The Company has only two employees, details of whom, as required under Rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, are provided in **Annexure 2** to this Report.

8. RISK MANAGEMENT

The Company's risk management framework, designed to bring robustness to the risk management processes in the Company, addresses risks intrinsic to operations, financials and compliances arising out of the overall strategy of the Company.

Management of risks vest with the executive management which is responsible for the day-to-day conduct of the affairs of the Company, within the overall framework approved by the Board. The Internal Audit Department of ITC Limited, the Holding Company, appointed as the Internal Auditor of the Company, periodically carries out risk focused audits with the objective of identifying areas where risk management processes could be strengthened. The Audit Committee annually reviews the effectiveness of the Company's risk management systems and policies.

9. INTERNAL FINANCIAL CONTROLS

Your Company has in place adequate internal financial controls with respect to the financial statements, commensurate with its size and scale of operations. The Internal Auditor of the Company periodically evaluates the adequacy and effectiveness of such internal financial controls. The Audit Committee which provides guidance on internal controls, also reviews internal audit findings and implementation of internal audit recommendations.

During the year, the internal financial controls in the Company with respect to the financial statements were tested and no material weakness in the design or operation of such controls was observed. Nonetheless, your Company recognises that any internal financial control framework, no matter how well designed, has inherent limitations and accordingly, regular audit and review processes ensure that such systems are reinforced on an ongoing basis.

10. PARTICULARS OF LOANS, GUARANTEES AND INVESTMENTS

During the year ended 31st March, 2017, the Company has neither given any loan or guarantee nor has made any investment under Section 186 of the Act.

11. RELATED PARTY TRANSACTIONS

During the year ended 31st March, 2017, the Company has neither entered into any contract or arrangement with its related parties which is not at arm's length nor has the Company entered into any material contract or arrangement with them, in terms of Section 188 of the Act.

12. SIGNIFICANT AND MATERIAL ORDERS PASSED BY THE REGULATORS / COURTS / TRIBUNALS

During the year under review, no significant or material orders were passed by the Regulators / Courts / Tribunals impacting the going concern status of the Company and its future operations.

13. EXTRACT OF ANNUAL RETURN

The extract of Annual Return in the prescribed Form No. MGT-9 is enclosed as **Annexure 3** to this Report.

14. AUDITORS

The Company's Statutory Auditors, Messrs. L. B. Jha & Co., Chartered Accountants ('LBJ'), were appointed at the Eightieth AGM to hold such office till the conclusion of the Eighty-Fifth AGM. On the recommendation of the Audit Committee and pursuant to Section 139 of the Act, your Board has recommended for the ratification of the Members, appointment of LBJ from the conclusion of the ensuing AGM till the conclusion of the Eighty-Fourth AGM. On the recommendation of the Audit Committee and pursuant to Section 142 of the Act, the Board has also recommended for the approval of the Members, remuneration of LBJ for the financial year 2017-18. Appropriate resolution in respect of the above is appearing in the Notice convening the ensuing AGM of the Company.

15. 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.

During the year under review, there has been no foreign exchange earnings or outflow.

On behalf of the Board

R. Tandon *Chairman*

Dated : 27th April, 2017 S. Dutta *Director*

Annexure 1 to the Report of the Board of Directors for the financial year ended 31st March, 2017

Remuneration Policy

(Aligned to the Remuneration Policy of ITC Limited, the Holding Company)

The Company's Remuneration Strategy is designed to attract and retain quality talent that gives its business a competitive advantage and enables the Company to achieve its objectives.

The Company's Remuneration Strategy, whilst focusing on remuneration and related aspects of performance management, is aligned with and reinforces the employee value proposition of a superior quality of work life, that includes an enabling work environment, an empowering and engaging work culture and opportunities to learn and grow.

The Compensation approach endeavours to align each employee with the Company's goals.

POLICY

It is the Company's Policy:

1. To ensure that its Remuneration practices support and encourage meritocracy.
2. To ensure that Remuneration is market-led and takes into account the competitive context of the Company's business.
3. To leverage Remuneration as an effective instrument to enhance performance and therefore to link the remuneration to both individual and collective performance outcomes.
4. To adopt a comprehensive approach to Remuneration in order to support a superior quality of personal and work life, in a manner so as to judiciously balance short term with long term priorities.
5. To design Remuneration practices such that they reinforce the Company's values and culture and to implement them in a manner that complies with all relevant regulatory requirements.

Remuneration of Key Managerial Personnel (KMP)

1. Remuneration of KMP is determined and recommended by the Nomination and Remuneration Committee and approved by the Board. Remuneration of the Managing Director / Wholetime Director / Manager is also subject to the approval of the shareholders.
2. Remuneration is reviewed and revised periodically, when such a revision is warranted by the market.
3. Apart from fixed elements of remuneration and benefits, the KMP are also eligible for Variable Pay / Performance Bonus which is linked to their individual performance.
4. Remuneration of KMP on deputation from the Holding Company / subsidiary / fellow subsidiary / associate companies, is aligned to the Remuneration Policy of that company.

Remuneration of Independent Directors

Independent Directors are entitled to sitting fees for attending meetings of the Board and Board Committees, the quantum of which is determined by the Board within the limits prescribed under the Companies Act, 2013 and the Rules thereunder. Independent Directors are also entitled to reimbursement of expenses for attending meetings of the Board and Board Committees and General Meetings.

Remuneration of employees other than KMP

1. Remuneration of employees other than KMP is approved by the Board.
2. Remuneration is reviewed and revised periodically, when such a revision is warranted by the market. The quantum of revision is linked to market trends, the competitive context of the Company's business, as well as the track record of the individual employee.
3. Variable Pay is based on the performance rating of the individual employee.

Annexure 2 to the Report of the Board of Directors for the financial year ended 31st March, 2017

[Information pursuant to Rules 5(2) and 5(3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]

Names of employees	Age	Designation	Gross Remuneration (₹)	Net Remuneration (₹)	Qualifications	Experience (Years)	Date of commencement of employment / deputation	Previous Employment / Position held
1	2	3	4	5	6	7	8	9
V. Luharuka	32	Chief Financial Officer	34,04,662/-	20,74,323/-	B. Com (Hons.), A.C.A.	9	01.01.2015	ITC Limited – Manager (Finance)
N. Bajaj	33	Manager & Company Secretary	21,90,835/-	17,06,440/-	B. Com (Hons.), M.B.L., A.C.S.	9	01.10.2007 (date of deputation – 01.10.2015)	–

Notes:

1. Both the aforesaid employees are on deputation from ITC Limited (ITC), the Holding Company. The remuneration disclosed as above is the deputation cost which is borne by the Company. The term 'remuneration' has the meaning assigned to it under the Companies Act, 2013.
2. Net remuneration comprises cash income less income tax & education cess deducted at source.
3. The Chief Financial Officer has been granted Stock Options by ITC under its Employee Stock Option Schemes at 'market price' [within the meaning of the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014]. Since such Options are not tradeable, no perquisite or benefit is immediately conferred upon him by such grant of Options, and accordingly the said grant has not been considered as remuneration.
4. The aforesaid employees are neither relative of any Director / Manager of the Company nor hold any equity share in the Company.

On behalf of the Board

R. Tandon *Chairman*

Dated : 27th April, 2017

S. Dutta *Director*

Annexure 3 to the Report of the Board of Directors

FORM NO. MGT-9

EXTRACT OF ANNUAL RETURN

as on the financial year ended on 31st March, 2017

[Pursuant to Section 92(3) of the Companies Act, 2013 and Rule 12(1) of the Companies (Management and Administration) Rules, 2014]

I. REGISTRATION AND OTHER DETAILS

i)	CIN	:	U16003WB1935PLC008314
ii)	Registration Date	:	26th June, 1935
iii)	Name of the Company	:	Gold Flake Corporation Limited
iv)	Category / Sub-Category of the Company	:	Unlisted Public Company limited by shares
v)	Address of the Registered office and contact details	:	Virginia House 37 J. L. Nehru Road Kolkata – 700 071 Phone: 033 2288 4086 / 6228 / 1946 Fax: 033 2288 9980 e-mail ID: GoldFlakeCorporation.Limited@itc.in
vi)	Whether listed company	:	No
vii)	Name, Address and Contact details of Registrar and Transfer Agent, if any	:	N.A.

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

All the business activities contributing 10% or more of the total turnover of the Company shall be stated: NOT APPLICABLE

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES

Sl. No.	Name and address of the company	CIN / GLN	Holding / Subsidiary / Associate	% of shares held in / by the Company	Applicable Section
1.	ITC Limited Virginia House 37 Jawaharlal Nehru Road Kolkata – 700 071	L16005WB1910PLC001985	Holding company	100.00%	2(46)
2.	ATC Limited 35 Rajaji Nagar Hosur – 635 126	U16000TZ1973PLC018100	Associate company	47.50%	2(6)
3.	ITC Essentra Limited Survey No. 29 & 30, Doddajala Post, Yarthiganahalli Bettahalasur Post Bengaluru – 562 157	U85110KA1993PLC014278	Joint venture company	50.00%	2(6)

IV. SHAREHOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity)

(i) **Category-wise Shareholding:**

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
A. Promoters									
(1) **Indian**									
a) Individual/HUF	–	–	–	–	–	–	–	–	N.A.
b) Central Govt.	–	–	–	–	–	–	–	–	N.A.
c) State Govt.(s)	–	–	–	–	–	–	–	–	N.A.
d) Bodies Corp.	–	1,59,98,385	1,59,98,385	100.00	–	1,59,98,385	1,59,98,385	100.00	Nil
e) Banks / FI	–	–	–	–	–	–	–	–	N.A.
f) Any Other	–	–	–	–	–	–	–	–	N.A.
Sub-total (A)(1)	**–**	**1,59,98,385**	**1,59,98,385**	**100.00**	**–**	**1,59,98,385**	**1,59,98,385**	**100.00**	**Nil**
(2) **Foreign**									
a) NRIs – Individuals	–	–	–	–	–	–	–	–	N.A.
b) Other – Individuals	–	–	–	–	–	–	–	–	N.A.
c) Bodies Corp.	–	–	–	–	–	–	–	–	N.A.
d) Banks / FI	–	–	–	–	–	–	–	–	N.A.
e) Any Other	–	–	–	–	–	–	–	–	N.A.
Sub-total (A)(2)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**N.A.**
Total shareholding of Promoter (A) = (A)(1)+(A)(2)	**–**	**1,59,98,385**	**1,59,98,385**	**100.00**	**–**	**1,59,98,385**	**1,59,98,385**	**100.00**	**Nil**
B. Public Shareholding									
(1) **Institutions**									
a) Mutual Funds	–	–	–	–	–	–	–	–	N.A.
b) Banks / FI	–	–	–	–	–	–	–	–	N.A.
c) Central Govt.	–	–	–	–	–	–	–	–	N.A.
d) State Govt.(s)	–	–	–	–	–	–	–	–	N.A.
e) Venture Capital Funds	–	–	–	–	–	–	–	–	N.A.
f) Insurance Companies	–	–	–	–	–	–	–	–	N.A.
g) FIIs	–	–	–	–	–	–	–	–	N.A.
h) Foreign Venture Capital Funds	–	–	–	–	–	–	–	–	N.A.
i) Others (specify)	–	–	–	–	–	–	–	–	N.A.
Sub-total (B)(1)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**N.A.**
(2) **Non-Institutions**									
a) Bodies Corp.									
i) Indian	–	–	–	–	–	–	–	–	N.A.
ii) Overseas	–	–	–	–	–	–	–	–	N.A.
b) Individuals									
i) Individual shareholders holding nominal share capital upto ₹ 1 lakh	–	–	–	–	–	–	–	–	N.A.
ii) Individual shareholders holding nominal share capital in excess of ₹ 1 lakh	–	–	–	–	–	–	–	–	N.A.
c) Others (specify)	–	–	–	–	–	–	–	–	N.A.
Sub-total (B)(2)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**N.A.**
Total Public Shareholding (B)=(B)(1) + (B)(2)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**N.A.**
C. Shares held by Custodian for GDRs & ADRs	–	–	–	–	–	–	–	–	N.A.
Grand Total (A+B+C)	**–**	**1,59,98,385**	**1,59,98,385**	**100.00**	**–**	**1,59,98,385**	**1,59,98,385**	**100.00**	**Nil**

(ii) **Shareholding of Promoters:**

Sl. No.	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in shareholding during the year
		No. of Shares	% of total Shares of the Company	% of Shares pledged / encumbered to total Shares	No. of Shares	% of total Shares of the Company	% of Shares pledged / encumbered to total Shares	
1.	ITC Limited	1,59,98,385	100.00	Nil	1,59,98,385	100.00	Nil	Nil

(iii) **Change in Promoters' Shareholding (please specify, if there is no change):**

Sl. No.		Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of Shares	% of total Shares of the Company	No. of Shares	% of total Shares of the Company
	At the beginning of the year	No change during the year			
	Date wise Increase / Decrease in Promoters Shareholding during the year				
	At the end of the year				

(iv) **Shareholding Pattern of top ten Shareholders (other than Directors, Promoters and Holders of GDRs and ADRs):** NOT APPLICABLE

(v) **Shareholding of Directors and Key Managerial Personnel:** None of the Directors and Key Managerial Personnel hold any share in the Company in their individual capacity.

V. INDEBTEDNESS

Indebtedness of the Company including interest outstanding / accrued but not due for payment : NIL

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

A. Remuneration to Managing Director, Wholetime Directors and / or Manager:

(Amount in ₹)

Sl. No.	Particulars of Remuneration	N. Bajaj (Manager & Company Secretary) *(refer Note 1)*
1.	Gross Salary	
	(a) Salary as per provisions contained in Section 17(1) of the Income-tax Act, 1961	21,00,314
	(b) Value of perquisites under Section 17(2) of the Income-tax Act, 1961	47,927
	(c) Profits in lieu of salary under Section 17(3) of the Income-tax Act, 1961	–
2.	Stock Option	–
3.	Sweat Equity	–
4.	Commission - as % of profit - others, specify	–
5.	Others, please specify	–
Total Amount (A)		**21,48,241**
Ceiling as per the Companies Act, 2013		84,00,000 per annum *(refer Note 2)*

Note 1: Ms. N. Bajaj is on deputation from ITC Limited.

Note 2: Ceiling as per Part II of Schedule V to the Companies Act, 2013 has been disclosed, considering that the profits of the Company for the financial year ended 31st March, 2017 are inadequate.

B. Remuneration to other Directors:

(Amount in ₹)

Sl. No.	Name of the Directors	Particulars of Remuneration			Total Amount
		Fee for attending Board and Board Committee meetings	Commission	Independent Directors' Meeting Fee	
1.	**Independent Directors**				
	S. Banerjee	1,30,000	Nil	10,000	1,40,000
	A. Guhamallick	1,30,000		10,000	1,40,000
	Total Amount (B)(1)	**2,60,000**		**20,000**	**2,80,000**
2.	**Other Non-Executive Directors**				
	R. Tandon	Nil	Nil	Nil	Nil
	B. B. Chatterjee				
	Saradindu Dutta				
	Total Amount (B)(2)				**Nil**
Total Amount (B) = (B)(1) + (B)(2)					**2,80,000**
Total Managerial Remuneration (A + B)					**24,28,241**
Overall ceiling as per the Companies Act, 2013					84,00,000 per annum *(refer Note)*

Note: Ceiling as per Part II of Schedule V to the Companies Act, 2013 has been disclosed, considering that the profits of the Company for the financial year ended 31st March, 2017 are inadequate.

C. Remuneration to Key Managerial Personnel other than MD / Manager / WTD:

(Amount in ₹)

Sl. No.	**Particulars of Remuneration**	**V. Luharuka (Chief Financial Officer)** ***(refer Note)***
1.	Gross Salary	
	(a) Salary as per provisions contained in Section 17(1) of the Income-tax Act, 1961	28,65,644
	(b) Value of perquisites under Section 17(2) of the Income-tax Act, 1961	5,17,058
	(c) Profits in lieu of salary under Section 17(3) of the Income-tax Act, 1961	–
2.	Stock Option	–
3.	Sweat Equity	–
4.	Commission - as % of profit - others, specify	–
5.	Others, please specify	–
Total Amount		**33,82,702**

Note: Mr. V. Luharuka is on deputation from ITC Limited (ITC) and has been granted Stock Options by ITC under its Employee Stock Option Schemes at 'market price' [within the meaning of the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014]. Since such Options are not tradeable, no perquisite or benefit is immediately conferred upon him by such grant of Options, and accordingly the said grant has not been considered as remuneration.

VII. PENALTIES / PUNISHMENT / COMPOUNDING OF OFFENCES against the Company, Directors and other Officers in Default under the Companies Act, 2013 : None

On behalf of the Board

R. Tandon *Chairman*

Dated : 27th April, 2017

S. Dutta *Director*

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GOLD FLAKE CORPORATION LIMITED

Report on the Standalone Ind AS Financial Statements

1. We have audited the accompanying standalone Ind AS financial statements of GOLD FLAKE CORPORATION LIMITED ("the Company"), which comprise the Balance Sheet as at 31st March, 2017, the Statement of Profit and Loss (including Other Comprehensive Income), the Statement of Cash Flow and the Statement of Changes in Equity for the year then ended, signed by us under reference to this report and a summary of the significant accounting policies and other explanatory information. 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.

Management's Responsibility for the Standalone Financial Statements

2. The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these standalone Ind AS financial statements that give a true and fair view of the state of affairs (financial position), profit or loss (financial performance including other comprehensive income), cash flows and changes in equity of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) prescribed under Section 133 of the Act.
3. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the standalone Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

4. Our responsibility is to express an opinion on these standalone Ind AS financial statements based on our audit.
5. We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.
6. We conducted our audit of the standalone Ind AS financial statements in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the standalone Ind AS financial statements are free from material misstatement.
7. An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the standalone Ind AS financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the standalone Ind AS financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the standalone Ind AS financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the standalone Ind AS financial statements.
8. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the standalone Ind AS financial statements.

Opinion

9. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone Ind AS financial statements 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 including the Ind AS, of the state of affairs (financial position) of the Company as at 31st March, 2017, and its profit (financial performance including other comprehensive income), its cash flows and the changes in equity for the year ended on that date.

Report on Other Legal and Regulatory Requirements

10. As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government in terms of Section 143(11) of the Act, we give in "Annexure-A" a statement on the matters specified in paragraphs 3 and 4 of the Order.
11. As required by Section 143(3) of the Act, we report that:
    a) We have sought and 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 it appears from our examination of those books.
    c) The Balance Sheet, the Statement of Profit and Loss, the Cash Flow Statement and Statement of Changes in Equity dealt with by this Report are in agreement with the books of account.
    d) In our opinion, the aforesaid standalone Ind AS financial statements comply with the Indian Accounting Standards prescribed under Section 133 of the Act, read with relevant rules issued thereafter.
    e) On the basis of the written representations received from the directors as on 31st March, 2017 taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2017 from being appointed as a director in terms of Section 164(2) of the Act.
    f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure-B".
    g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
        i. The Company does not have any pending litigations which would impact its financial positions.
        ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.
        iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.
        iv. The Company did not have any holdings or dealings in Specified Bank Notes during the period from 8th November, 2016 to 30th December, 2016 as indicated in Note 15 (vi) on the Standalone Ind AS financial statements.

For L.B. Jha & Co.
Chartered Accountants
(Registration number: 301088E)

(Kamal Kumar Bhanja)
Partner
(Membership number 14722)

Place : Kolkata
Date : 27th April, 2017

ANNEXURE-A : TO THE INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GOLD FLAKE CORPORATION LIMITED

[Referred to in paragraph 10 of the Independent Auditor's Report of even date]

1. (a) The Company is maintaining proper records showing full particulars including quantitative details and situation of fixed assets.
   (b) The fixed assets of the Company have been physically verified by the management during the year and no material discrepancies between the book records and the physical inventory have been noticed. In our opinion, the frequency of verification is reasonable.
   (c) According to the information and explanations given to us and the records of the Company examined by us, the company does not have any immovable properties.
2. The Company does not have any inventory.
3. The Company has not granted any loans, secured or unsecured, to companies, firms, limited liability partnership or other parties covered in the register maintained under Section 189 of the Act.
4. According to the information and explanations given to us and the records of the Company examined by us, the Company has not made any investment, advanced any loan, given any guarantee or provided any securities to others during the year. Investments made by the Company before the Act came into operation are disclosed in Note 2 of the accompanying financial statements.
5. The Company has not accepted any deposits within the meaning of Sections 73 to 76 of the Act and the rules framed there under.
6. The Central Government of India has not prescribed maintenance of cost records under sub-section (1) of Section 148 of the Act for any of the products of the Company.
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, employees' state insurance, income-tax, sales-tax, service tax, duty of customs, duty of excise, value added tax, cess and any other statutory dues, as applicable, with the appropriate authorities.
   (b) According to the information and explanations given to us and the records of the Company examined by us, there are no dues of income tax or sales tax or service tax or duty of customs or duty of excise or value added tax which have not been deposited on account of any dispute.
8. The Company has neither taken any loan from financial institutions or banks or Government nor issued any debentures.
9. The Company has neither raised any money by public issues of shares or debentures nor obtained any term loans during the year.
10. 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.

11. According to the information and explanations given to us and the records of the Company examined by us, total managerial remuneration paid as reflected in the financial statements for the year ended 31st March, 2017 are in accordance with the requisite approvals mandated by the provisions of Section 197 read with Schedule V to the Act.
12. The related statutes are not applicable as the Company is not a Nidhi Company.
13. According to the information and explanations given to us and the records of the Company examined by us, the company has complied with the requirements of Sections 177 and 188 of the Act with respect to its transactions with the related parties. Pursuant to the requirement of the applicable Accounting Standard, details of the related party transactions have been disclosed in Note 15 (vii) of the financial statements for the year under audit.
14. The Company has neither made any preferential allotment of shares nor fully or partly convertible debentures during the year under audit.
15. According to the information and explanations given to us and the records of the Company examined by us, the Company has not entered into any non-cash transactions, with any director of the Company and the holding company or persons connected with them, involving acquisition of assets by or from them for consideration other than cash.
16. In our opinion, and according to the information and explanations given to us, not being a non-banking financial company, the Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934.

For L. B. Jha & Co.
Chartered Accountants
Firm Registration No : 301088E
(Kamal Kumar Bhanja)
Partner
Membership No. 14722

Place: Kolkata
Date: 27th April, 2017

ANNEXURE-B TO THE INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GOLD FLAKE CORPORATION LIMITED

[Referred to in paragraph 11(f) of the Independent Auditor's Report of even date]

Report on the Internal Financial Control under Clause (i) of Sub-sections 3 of Section 143 of the Companies Act, 2013 ("the Act")

1. We have audited the internal financial controls over financial reporting of **GOLD FLAKE CORPORATION LIMITED** ("the Company") as of 31st March, 2017 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Control

2. The Company's management is responsible for establishing and maintaining internal financial control based on the internal control over financial reporting criteria established by the company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting (the "Guidance Note") issued by the Institute of Chartered Accountants of India (ICAI). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditor's Responsibility

3. Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the "Guidance Note" and the Standard on Auditing, issued by ICAI and deemed to be prescribed under Section 143(10) of the Companies Act, 2013, to the extent applicable. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintaining and if such controls operated effectively in all material respects.
4. Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting includes obtaining an understanding of internal financial control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal controls based on the assessed risk. The procedure selected depends on the auditor's judgment, including the assessment of the risk of material misstatement of the financial statement, whether due to fraud or error.
5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

Meaning of Internal Financial Control over Financial Reporting

6. A Company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A Company's internal financial control over financial reporting includes those policies and procedures that
   1) pertain to the maintenance of the records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company;
   2) provide reasonable assurance that the transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditure of the company are being made only in accordance with authorization of management and directors of company; and
   3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statement.

Inherent Limitations of Internal Financial Control over Financial Reporting

7. Because of inherent limitation of internal financial control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to errors or fraud may occur and not be detected. Also, projections of any evaluations of the internal financial control over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

8. In our opinion, the Company has, in all material respect, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31st March, 2017, based on the internal control over financial reporting criteria established by the company considering, the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Control Over Financial Reporting, issued by the Institute of Chartered Accountants of India.

For L. B. Jha & Co.
Chartered Accountants
(Registration number : 301088E)
(Kamal Kumar Bhanja)
Partner
(Membership No. 14722)

Place: Kolkata
Date: 27th April, 2017

BALANCE SHEET AS AT 31ST MARCH, 2017

	Note		As at 31st March, 2017 (₹)		As at 31st March, 2016 (₹)		As at 1st April, 2015 (₹)
ASSETS							
Non-current assets							
(a) Property, Plant and Equipment	1		24,103		37,321		–
(b) Financial Assets							
Investments	2		6,00,63,750		6,00,63,750		6,00,63,750
(c) Other non-current assets	3		1,37,038		4,39,621		3,69,780
Current assets							
(a) Financial Assets							
(i) Cash and cash equivalents	4	1,76,71,043		1,45,740		3,49,192	
(ii) Other Bank Balances	5	17,59,72,799		16,70,68,852		14,10,97,936	
(iii)Others	6	24,57,280	19,61,01,122	24,88,423	16,97,03,015	21,73,761	14,36,20,889
TOTAL ASSETS			25,63,26,013		23,02,43,707		20,40,54,419
EQUITY AND LIABILITIES							
Equity							
(a) Equity Share capital	7	15,99,83,850		15,99,83,850		15,99,83,850	
(b) Other Equity		9,57,67,953	25,57,51,803	7,02,23,282	23,02,07,132	4,38,42,452	20,38,26,302
Liabilities							
Non-current liabilities							
(a) Provisions	8		–		–		1,68,027
Current liabilities							
(a) Financial Liabilities							
Other financial liabilities	9	5,74,210	5,74,210	36,575	36,575	55,590	55,590
(b) Other current liabilities	10		–		–		4,500
TOTAL EQUITY AND LIABILITIES			25,63,26,013		23,02,43,707		20,40,54,419

The accompanying notes 1 to 18 are an integral part of the Financial Statements.

In terms of our report attached.

For L.B.Jha & Co.
Chartered Accountants
KAMAL KUMAR BHANJA
Partner
Kolkata, 27th April, 2017

On behalf of the Board

S. DUTTA *Director*
V. LUHARUKA *Chief Financial Officer*
R. TANDON *Chairman*
N. BAJAJ *Manager & Company Secretary*

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH, 2017

		Note	For the year ended 31st March, 2017 (₹)	For the year ended 31st March, 2016 (₹)
I	Other Income	11	3,46,47,049	3,41,72,776
	Total Income (I)		3,46,47,049	3,41,72,776
II	**EXPENSES**			
	Employee benefits expense	12	61,44,207	43,81,211
	Depreciation expense		13,218	4,418
	Other expenses	13	5,09,324	5,06,986
	Total expenses (II)		66,66,749	48,92,615
III	**Profit before tax (I- II)**		2,79,80,300	2,92,80,161
IV	**Tax expense:**			
	Current Tax	14	24,35,629	28,99,331
V	**Profit for the year (III-IV)**		2,55,44,671	2,63,80,830
VI	**Other Comprehensive Income**		–	–
VII	**Total Comprehensive Income for the year (V+VI)**		2,55,44,671	2,63,80,830
VIII	Earnings per equity share (face value of ₹ 10.00 each):			
	- Basic and Diluted (in ₹)	15 (i)	1.60	1.65

The accompanying notes 1 to 18 are an integral part of the Financial Statements.

In terms of our report attached.

For L.B.Jha & Co.
Chartered Accountants
KAMAL KUMAR BHANJA
Partner
Kolkata, 27th April, 2017

On behalf of the Board

S. DUTTA *Director*
V. LUHARUKA *Chief Financial Officer*
R. TANDON *Chairman*
N. BAJAJ *Manager & Company Secretary*

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31ST MARCH, 2017

A. Equity Share Capital (₹)

	Balance at the beginning of the reporting year	Changes in equity share capital during the year	Balance at the end of the reporting year
For the year ended 31st March, 2016	15,99,83,850	–	15,99,83,850
For the year ended 31st March, 2017	15,99,83,850	–	15,99,83,850

B. Other Equity (₹)

	Reserves and Surplus		Total
	Retained Earnings	General Reserve	
Balance as at 1st April, 2015	3,51,16,229	87,26,223	4,38,42,452
Profit for the year	2,63,80,830	–	2,63,80,830
Other Comprehensive Income (net of tax)	–	–	–
Total Comprehensive Income for the year	**2,63,80,830**	–	**2,63,80,830**
Balance as at 31st March, 2016	**6,14,97,059**	**87,26,223**	**7,02,23,282**
Profit for the year	2,55,44,671	–	2,55,44,671
Other Comprehensive Income (net of Tax)	–	–	–
Total Comprehensive Income for the year	**2,55,44,671**	–	**2,55,44,671**
Balance as at 31st March, 2017	**8,70,41,730**	**87,26,223**	**9,57,67,953**

General Reserve: This Reserve is created by an appropriation from one component of equity (generally retained earnings) to another, not being an item of Other Comprehensive Income. The same can be utilised by the Company in accordance with the provisions of the Companies Act, 2013.

Retained Earnings: This Reserve represents the cumulative profits of the Company and effects of remeasurement of defined benefit obligations. This Reserve can be utilized in accordance with the provisions of the Companies Act, 2013.

The accompanying notes 1 to 18 are an integral part of the Financial Statements.
In terms of our report attached.

For L.B.Jha & Co.
Chartered Accountants
KAMAL KUMAR BHANJA
Partner
Kolkata, 27th April, 2017

On behalf of the Board

S. DUTTA *Director*
R. TANDON *Chairman*
V. LUHARUKA *Chief Financial Officer*
N. BAJAJ *Manager & Company Secretary*

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2017

	For the year ended 31st March, 2017 (₹)	For the year ended 31st March, 2016 (₹)
A. Cash Flow from Operating Activities		
PROFIT BEFORE TAX	2,79,80,300	2,92,80,161
ADJUSTMENTS FOR:		
Depreciation expense	13,218	4,418
Interest Income	(1,43,75,219)	(1,39,22,776)
Dividend Income	(2,02,50,000)	(2,02,50,000)
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	(66,31,701)	(48,88,197)
ADJUSTMENTS FOR:		
Other financial liabalities	5,37,635	(1,91,542)
CASH USED IN OPERATIONS	(60,94,066)	(50,79,739)
Income tax paid	(21,33,046)	(29,69,172)
NET CASH USED IN OPERATING ACTIVITIES	(82,27,112)	(80,48,911)
B. Cash Flow from Investing Activities		
Purchase of property, plant and equipment	-	(41,739)
Dividend Income	2,02,50,000	2,02,50,000
Interest received	1,44,06,362	1,36,08,114
Investment in bank deposits (original maturity more than 3 months)	(13,27,92,308)	(16,94,62,523)
Redemption/maturity of bank deposits (original maturity more than 3 months)	12,38,88,361	14,34,91,607
NET CASH FROM INVESTING ACTIVITIES	2,57,52,415	78,45,459
C. Cash Flow from Financing Activities		
NET CASH FROM FINANCING ACTIVITIES	-	-
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	1,75,25,303	(2,03,452)
OPENING CASH AND CASH EQUIVALENTS	1,45,740	3,49,192
CLOSING CASH AND CASH EQUIVALENTS (Note 4)	1,76,71,043	1,45,740

The above Cash Flow Statement has been prepared under the “Indirect Method” as set out in Ind AS - 7 “Statement of Cash Flows”

The accompanying notes 1 to 18 are an integral part of the Financial Statements.
In terms of our report attached.

For L.B.Jha & Co.
Chartered Accountants
KAMAL KUMAR BHANJA
Partner
Kolkata, 27th April, 2017

On behalf of the Board

S. DUTTA *Director*
R. TANDON *Chairman*
V. LUHARUKA *Chief Financial Officer*
N. BAJAJ *Manager & Company Secretary*

NOTES TO THE FINANCIAL STATEMENTS

(Amount in ₹)

Particulars	Gross Block							Depreciation and Amortization							Net Book Value		
	As at 1st April, 2015	Additions	Withdrawls and adjustments	As at 31st March, 2016	Additions	Withdrawls and adjustments	As at 31st March, 2017	Upto 1st April, 2015	For the year	On Withdrawls and adjustments	Upto 31st March, 2016	For the year	On Withdrawls and adjustments	Upto 31st March, 2017	As at 31st March, 2017	As at 31st March, 2016	As at 1st April, 2015
1. Property, plant and equipment																	
Plant and Equipment	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Furniture and Fixtures	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Office Equipment	–	41,739	–	41,739	–	–	41,739	–	4,418	–	4,418	13,218	–	17,636	24,103	37,321	–
TOTAL	–	41,739	–	41,739	–	–	41,739	–	4,418	–	4,418	13,218	–	17,636	24,103	37,321	–

	As at 31st March, 2017 (₹)	As at 31st March, 2016 (₹)	As at 1st April, 2015 (₹)
2. Non-current investments	Unquoted	Unquoted	Unquoted
INVESTMENT IN EQUITY INSTRUMENTS			
In Associates (at cost unless stated otherwise)			
ATC Limited			
55,650 (2016 - 55,650) Equity Shares of ₹ 100.00 each, fully paid	83,47,500	83,47,500	83,47,500
1,39,125 (2016 - 1,39,125) Equity Shares of ₹ 100.00 each, ₹ 70.00 paid	2,92,16,250	2,92,16,250	2,92,16,250
In Joint Ventures (at cost unless stated otherwise)			
ITC Essentra Limited			
22,50,000 (2016 - 22,50,000) Equity Shares of ₹ 10.00 each, fully paid	2,25,00,000	2,25,00,000	2,25,00,000
TOTAL	6,00,63,750	6,00,63,750	6,00,63,750
	Non-Current	Non-Current	Non-Current
3. Other assets			
Advance Tax (net of provisions)	1,37,038	4,39,621	3,69,780
TOTAL	1,37,038	4,39,621	3,69,780
4. Cash and cash equivalents[@]			
Balances with Banks			
Current accounts	5,71,043	1,45,740	3,49,132
Deposit accounts	1,71,00,000	-	-
Cash on hand	-	-	60
TOTAL	1,76,71,043	1,45,740	3,49,192

[@]Cash and cash equivalents include cash on hand, cash at bank and deposits with banks with original maturity of 3 months or less.

5. Other bank balances			
In deposit accounts*	17,59,72,799	16,70,68,852	14,10,97,936
TOTAL	17,59,72,799	16,70,68,852	14,10,97,936

*Represents deposits with original maturity of more than 3 months having remaining maturity of less than 12 months from the Balance Sheet date.

6. Other financial assets			
Interest accrued on bank deposits	24,57,280	24,88,423	21,73,761
TOTAL	24,57,280	24,88,423	21,73,761

	As at 31st March, 2017 (No. of Shares)	As at 31st March, 2017 (₹)	As at 31st March, 2016 (No. of Shares)	As at 31st March, 2016 (₹)	As at 1st April, 2015 (No. of Shares)	As at 1st April, 2015 (₹)
7. Equity Share capital						
Authorised Equity Shares of ₹ 10.00 each	2,00,00,000	20,00,00,000	2,00,00,000	20,00,00,000	2,00,00,000	20,00,00,000
Issued and Subscribed Equity Shares of ₹ 10.00 each, fully paid	1,59,98,385	15,99,83,850	1,59,98,385	15,99,83,850	1,59,98,385	15,99,83,850

A) Reconciliation of number of Equity Shares outstanding

As at beginning of the year and at the end of the year	1,59,98,385	15,99,83,850	1,59,98,385	15,99,83,850	1,59,98,385	15,99,83,850

B) Shareholders holding more than 5% of the Equity Shares in the Company

	As at 31st March, 2017 (No. of Shares)	As at 31st March, 2017 %	As at 31st March, 2016 (No. of Shares)	As at 31st March, 2016 %	As at 1st April, 2015 (No. of Shares)	As at 1st April, 2015 %
ITC Limited - the Holding Company	1,59,98,385	100.00	1,59,98,385	100.00	1,59,98,385	100.00

C) Rights, preferences and restrictions attached to the Equity Shares

The Equity Shares of the Company, having par value of ₹ 10.00 per share, rank *pari passu* in all respects including voting rights and entitlement to dividend.

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

	As at 31st March, 2017 (₹)	As at 31st March, 2016 (₹)	As at 1st April, 2015 (₹)
	Non-Current	Non-Current	Non-Current
8. Provisions			
Provision for employee benefits			
Retirement benefits	–	–	93,282
Other benefits	–	–	74,745
TOTAL	–	–	1,68,027
9. Other financial liabilities			
Current			
Others (Liabilities for expenses)	5,74,210	36,575	55,590
TOTAL	5,74,210	36,575	55,590
10. Other liabilities			
Current			
Statutory liabilities	–	–	4,500
TOTAL	–	–	4,500

	For the Year Ended 31st March, 2017 (₹)	For the Year ended 31st March, 2016 (₹)
11. Other income		
Interest income	1,43,97,049	1,39,22,776
Dividend income	2,02,50,000	2,02,50,000
TOTAL	3,46,47,049	3,41,72,776
Interest income comprises interest from:		
a) Deposits with banks - carried at amortised cost	1,43,75,219	1,39,22,776
b) Others (from statutory authorities)	21,830	–
TOTAL	1,43,97,049	1,39,22,776
Dividend income comprises dividend from:		
Other investments	2,02,50,000	2,02,50,000
TOTAL	2,02,50,000	2,02,50,000
12. Employee benefits expense		
Salaries and wages	37,500	10,46,271
Remuneration of manager's salary on deputation *	61,06,707	33,08,335
Staff welfare expenses	-	26,605
TOTAL	61,44,207	43,81,211

* Includes reimbursement on account of Share-based Payment ₹ 5,11,210 (2016: Nil) [Refer Note 15(viii)]

	For the Year Ended 31st March, 2017 (₹)	For the Year ended 31st March, 2016 (₹)
13. Other expenses		
Rates and taxes	51,102	59,280
Insurance	633	630
Bank and credit card charges	913	996
Travelling and conveyance	–	1,350
Directors' sitting fees	2,80,000	3,20,000
Consultancy/Professional fees	67,838	44,524
Printing and stationery	1,200	1,533
Miscellaneous expenses	1,07,638	78,673
TOTAL	5,09,324	5,06,986
Miscellaneous expenses include :		
Auditors' remuneration and expenses		
Audit fees	69,000	40,075
Tax audit fees	11,500	5,700
Fees for other services	26,938	26,667

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

	For the Year Ended 31st March, 2017 (₹)	For the Year ended 31st March, 2016 (₹)
14. Income tax expenses		
A. Amount recognised in profit and loss		
Current tax		
Income tax for the year		
Current tax	26,50,000	28,98,662
Adjustments/(credits) related to previous years - Net		
Current tax	(2,14,371)	669
TOTAL	24,35,629	28,99,331
B. Reconciliation of effective tax rate		
The income tax expense for the year can be reconciled to the accounting profit as follows:		
Profit before tax	2,79,80,300	2,92,80,161
Income tax expense calculated @ 29.87% (2016- 30.90%)	83,57,716	90,47,570
Effect of tax relating to uncertain tax positions	3,32,109	92,798
Effects of difference in taxable income/deductible expense	8,851	15,544
Effects of income not taxable	(60,48,675)	(62,57,250)
TOTAL	26,50,000	28,98,662
Adjustments recognised in the current year in relation to the current tax of prior years	(2,14,371)	669
Income tax recognised in profit or loss	24,35,629	28,99,331

The tax rate used for the year 2015-16 and 2016-17 reconciliations above is the corporate tax rate of
- 29.87% (29% and education cess @ 3%) in 2016-17 and
- 30.90% (30% and education cess @ 3%) in 2015-16
payable on taxable profits under the Income Tax Act, 1961.

15. Additional Notes to the Financial Statements

(i) Earnings per share:

Earnings per share has been computed as under:	2017	2016
(a) Profit for the year (₹)	2,55,44,671	2,63,80,830
(b) Weighted average number of Equity Shares outstanding for the purpose of basic earnings per share	1,59,98,385	1,59,98,385
(c) Earnings per share on profit for the year (Face Value ₹ 10.00 per share) - Basic & Diluted [(a)/(b)] (In ₹)	1.60	1.65

(ii) Uncalled liability in respect of partly paid-up 1,39,125 shares of ATC Limited @ ₹ 90.00 per share (includes ₹ 60.00 per share as premium) is ₹ 1,25,21,250 (2016 - ₹ 1,25,21,250)

(iii) Segment Reporting

The Company operates in a single business and geographical segment in India. The entity-wide disclosure is as under:

	2017	2016
Non-current assets (In India)	1,61,141	4,76,942

(iv) Micro, Small and Medium scale business entities:

There are no Micro, Small and Medium Enterprises to whom the Company owes dues, which are outstanding for more than 45 days during the year and also as at 31st March, 2017. This information as required to be disclosed under the Micro, Small and Medium Enterprises Development Act, 2006 has been determined to the extent such parties have been identified on the basis of information available with the Company.

(v) The incidence of Deferred Tax being insignificant is not considered.

(vi) Details of Specified Bank Notes (SBNs) held and transacted during the period from 8th November, 2016 to 30th December, 2016 as provided in the table below:

Particulars	SBNs	Other denomination notes	Total
Closing cash in hand as on 08.11.2016	Nil	Nil	Nil
(+) Permitted receipts	Nil	Nil	Nil
(-) Permitted payments	Nil	Nil	Nil
(-) Amount deposited in banks	Nil	Nil	Nil
Closing cash in hand as on 30.12.2016	Nil	Nil	Nil

(vii) **Related Party Disclosures**

(a) RELATIONSHIP

(i) Holding Company

– ITC Limited

(ii) Key Management Personnel

– Mr. R. Tandon	Chairman & Non-Executive Director
– Mr. B. B. Chatterjee	Non-Executive Director
– Mr. S. Dutta	Non-Executive Director
– Mr. S. Banerjee	Independent Director
– Ms. A. Guhamallick	Independent Director
– Mr. V. Luharuka	Chief Financial Officer
– Ms. N. Bajaj	Manager & Company Secretary

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

(iii) **Other related parties with whom the Company had transactions:**
Joint Venture
– ITC Essentra Limited

(b) DISCLOSURE OF TRANSACTIONS BETWEEN THE COMPANY AND RELATED PARTIES AND THE STATUS OF OUTSTANDING BALANCES AS AT 31.03.2017

(Amount in ₹)

	Related Party Transaction Summary	Holding Company		Joint Venture		Key Management Personnel	
		2017	2016	**2017**	2016	**2017**	2016
1	Purchase of services - Internal audit services	**27,600**	29,770	–	–	–	
2	Dividend Income	–	–	**2,02,50,000**	2,02,50,000	–	–
3	Directors' sitting fees						
	- Mr. S. Banerjee	–	–	–	–	**1,40,000**	1,60,000
	- Ms. A. Guhamallick					**1,40,000**	1,60,000
4.	Remuneration of managers on deputation reimbursed - for Chief Financial Officer - for Manager & Company Secretary	 **34,04,662** **21,90,835**	 24,34,222 9,00,719	 – –	 – –	 – **37,500**	 – 10,46,270
	Balances as at 31st March						
5.	Payables	**5,11,210**	–	–	–	–	–

(c) THE REMUNERATION OF DIRECTORS AND OTHER MEMBERS OF KEY MANAGEMENT PERSONNEL DURING THE YEAR WAS AS FOLLOWS

	2017	2016
Other benefits - Directors' sitting fees	 **2,80,000**	 3,20,000

(viii) The eligible deputed employees of ITC Limited have been granted stock options by ITC Limited, the holding company, under the ITC Employee Stock Option Scheme (ITC ESOS). These options vest over a period of three years from the date of grant. Such options entitle the holder thereof to apply for and be allotted ten Ordinary Shares of ITC Limited of ₹ 1.00 each upon payment of the exercise price during the exercise period, within a period of 5 years from the date of vesting.

These Options have been granted at the 'market price' as defined under the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014. The fair value of the options granted is determined, using the Black Scholes Option Pricing model, by ITC Limited for all the Optionees covered under the Scheme as a whole.

The cost of options granted has been recognised as equity settled share based payment scheme in accordance with Ind AS 102 - Share-based Payment. In terms of deputation arrangement, the Company accounts for its share of the cost of the fair value of the options granted based on the advice / on-charge by ITC Limited. Accordingly, an amount of ₹ 5,11,210 (2016 : Nil) [Refer Note 12] which represents the on-charge from ITC Limited, being the fair value, has been recognised as employee benefits expense.

The summary of movement of share options granted by ITC Limited to the eligible deputed employees of ITC Limited and presently outstanding is as under:

Particulars	As at 31st March, 2017	As at 31st March, 2016
	No. of Options	No. of Options
Outstanding at the beginning of the year	-	-
Add: Granted during the year @	**3,660**	-
Less: Lapsed during the year	-	-
Add / (Less): Movement due to transfer of employees within the group	-	-
Less: Exercised during the year	-	-
Outstanding at the end of the year	**3,660**	-
Options exercisable at the end of the year	-	-

Note: The weighted average exercise price of the options granted under the ITC ESOS to all the Optionees covered under the Scheme is computed by ITC Limited as a whole.

@ Represents the number of options granted to the Key Management Personnel who are on roll of the Company was 3660 (2016: Nil)

(ix) The enclosed financial statement is the separate financial statement. The Company being an intermediate wholly owned subsidiary, is not required to prepare Consolidated Financial Statements in terms of the Companies (Accounts) Rules, 2014 and ITC Limited, the Holding Company, prepares Consolidated Financial Statements.

(x) The Company had defined benefit obligation amounting to ₹ 74,745 towards gratuity and ₹ 93,282 for compensated absences as on 01.04.2015. These were subsequently paid to the concerned employee in accordance with the Company's policy.

(xi) **List of significant Investments:**

a. Interest in Associate:

Name of the Investee	Principal Place of Business	Proportion of the ownership interest *		Method used to account for the investments in Separate Financial Statement
		As at 31st March, 2017	As at 31st March, 2016	
ATC Limited	Honsur, India	47.50%	47.50%	At cost unless stated otherwise

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

b. Interest in Joint Venture:

The Company's interests, as a venturer, in jointly controlled entities (incorporated Joint Venture) are:

Name of the Investee	Principal Place of Business	Percentage of ownership interests *		Method used to account for the investments in Separate Financial Statement
		As at 31st March, 2017	As at 31st March, 2016	
ITC Essentra Limited	Bengaluru, India	50%	50%	At cost unless stated otherwise

* The Company's interests in Joint Venture and Associate are reported as Non-current investment (Note 2) and stated at cost.

(xii) **Financial Instruments and Related Disclosures**

a. Capital Management

The Company funds its operations mainly through internal accruals. The Company aims at maintaining a strong capital base so as to maintain adequate supply of funds towards future growth of its businesses as a going concern.

b. Categories of Financial Instruments

Particulars	Note	As at 31st March, 2017		As at 31st March, 2016		As at 1st April, 2015	
		Carrying Value	Fair Value*	Carrying Value	Fair Value*	Carrying Value	Fair Value*
A. Financial assets							
a) Measured at amortised cost							
i) Cash and cash equivalents	4	**1,76,71,043**	**1,76,71,043**	1,45,740	1,45,740	3,49,192	3,49,192
ii) Other bank balances	5	**17,59,72,799**	**17,59,72,799**	16,70,68,852	16,70,68,852	14,10,97,936	14,10,97,936
iii) Other financial assets	6	**24,57,280**	**24,57,280**	24,88,423	24,88,423	21,73,761	21,73,761
Total financial assets		**19,61,01,122**	**19,61,01,122**	16,97,03,015	16,97,03,015	14,36,20,889	14,36,20,889
B. Financial liabilities							
a) Measured at amortised cost							
i) Other financial liabilities	9	**5,74,210**	**5,74,210**	36,575	36,575	55,590	55,590
Total financial liabilities		**5,74,210**	**5,74,210**	36,575	36,575	55,590	55,590

* The fair value of the above approximates carrying value as these items are short-term in nature. During the year, there has been no change in the valuation methodology for Level 3 inputs.

c. Financial risk management objectives

The Company's operations currently do not expose itself to significant financial risks as explained hereunder:

Market risk: The Company has not entered into any foreign exchange or commodity derivative contracts. Accordingly, there is no significant exposure to the market risk.

Interest rate risk: As majority of the financial assets and liabilities of the Company are either non-interest bearing or fixed interest bearing instruments, the Company's net exposure to interest risk is negligible.

Price risk: The Company has not made any investments for trading purposes. The surpluses have been deployed in bank deposits as explained above.

Liquidity risk: The Company's financial liabilities are not significant and the Company's investment decisions relating to deployment of surplus liquidity are guided by the tenets of safety, liquidity and return. The Company manages its liquidity risk by ensuring that it will always have sufficient liquidity to meet its liabilities when due.

Credit risk: In view of the short-term nature of its financial instruments, no expected credit loss provision has been considered necessary. The Company's exposure to credit risk is limited as it makes investments in deposits etc. with banks and institutions, which are of investment grade and are managed by the Company through active monitoring of balances.

The risk management framework of the Company is designed to bring robustness to the risk management processes within the Company. It, *inter alia,* addresses risks intrinsic to financials and has the following attributes:

- Responds to the management's need for risk information and structured risk governance.
- Acts as a tool to prioritise, manage and review risks in the businesses.
- Acts as a medium to provide assurance to the Board of Directors, shareholders and other stakeholders that significant risks are being managed effectively.

(xiii) Ministry of Corporate Affairs (MCA) has issued the Companies (Indian Accounting Standards) (Amendment) Rules, 2017 on 17th March, 2017 notifying the amendments to Ind AS 7, 'Statement of cash flows' and Ind AS 102, 'Share-based Payment'. These amendments are applicable for annual periods beginning on or after 1st April, 2017. The Company expects that there will be no material impact on the financial statements resulting from the implementation of these standards.

16. Use of Estimates and Judgments

The Company makes estimates and assumptions for preparation of its financial statements, such as estimate for provision of income tax, litigations etc. The impact of such assumptions and estimates are not expected to be material.

17. First Time Adoption of Ind AS

(i) Ind AS 101 (First-time Adoption of Indian Accounting Standards) provides a suitable starting point for accounting in accordance with Ind AS and is required to be mandatorily followed by first-time adopters. The Company has prepared the opening Balance Sheet as per Ind AS as of 1st April, 2015 (the transition date) by:

a. recognising all assets and liabilities whose recognition is required by Ind AS,

b. not recognising items of assets or liabilities which are not permitted by Ind AS,

c. reclassifying items from previous Generally Accepted Accounting Principles (GAAP) to Ind AS as required under Ind AS, and

d. applying Ind AS in measurement of recognised assets and liabilities.

(ii) The profit after tax, equity and cash flow statement in previous GAAP does not have reconciling item with those reported under Ind AS. Consequently, no reconciliations have been presented.

(iii) Ind AS 101 allows first-time adopters exemptions from the retrospective application of certain requirements under Ind AS. The Company has applied the following exemptions and exceptions in Financial Statements:

a. Property, plant and equipment were carried in the Balance Sheet prepared in accordance with previous GAAP on 31st March, 2015. Under Ind AS the Company has elected to regard such carrying values as deemed cost at the date of transition.

b. Under previous GAAP, investment in joint ventures and associates were stated at cost and provisions made to recognise a decline, other than temporary. Under Ind AS, the Company has considered their previous GAAP carrying amount as their deemed cost.

18. Significant Accounting Policies

Statement of Compliance

These Financial Statements have been prepared in accordance with Indian Accounting Standards (Ind AS) notified under Section 133 of the Companies Act, 2013. The Financial Statements have also been prepared in accordance with the relevant presentation requirements of the Companies Act, 2013. The Company adopted Ind AS from 1st April, 2016.

Up to the year ended 31st March, 2016, the Company prepared its financial statements in accordance with the requirements of previous GAAP, which includes Standards notified under the Companies (Accounting Standards) Rules, 2006. These are the Company's first Ind AS financial statements. The date of transition to Ind AS is April 1, 2015. Details of the exceptions and optional exemptions etc. availed by the Company are detailed in Note 17 (First-time Adoption).

Basis of Preparation

The financial statements are prepared in accordance with the historical cost convention, except for certain items that are measured at fair values, as explained in the accounting policies.

Fair Value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique.

The preparation of financial statements in conformity with Ind AS requires management to make judgements, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period; they are recognised in the period of the revision and future periods if the revision affects both current and future periods.

Operating Cycle

All assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in the Schedule III to the Companies Act, 2013 and Ind AS 1 - Presentation of Financial Statements based on the nature of products or services and the time between the acquisition of assets for processing and their realisation in cash and cash equivalents.

Property, plant and equipment – Tangible assets

Property, plant and equipment are stated at cost of acquisition less accumulated depreciation and impairment, if any. For this purpose, cost includes deemed cost which represents the carrying value of property, plant and equipment recognised as at 1st April, 2015 measured as per the previous GAAP.

Cost is inclusive of inward freight, duties and taxes and incidental expenses related to acquisition. Expenses capitalised also include applicable borrowing costs for qualifying assets, if any. All upgradation/enhancements are charged off as revenue expenditure unless they bring similar significant additional benefits.

Depreciation of these assets commences when the assets are ready for their intended use which is generally on commissioning. Items of Property, plant and equipment are depreciated in a manner that amortises the cost of the assets after commissioning (or other amount substituted for cost), less its residual value, over their useful lives as specified in Schedule II of the Companies Act, 2013 on a straight line basis. Land is not depreciated.

Property, plant and equipment's residual values and useful lives are reviewed at each Balance Sheet date and changes, if any, are treated as changes in accounting estimate.

Inventories

Inventories are stated at lower of cost and net realisable value. The cost is calculated on weighted average method. Cost comprises expenditure incurred in the normal course of business in bringing such inventories to its present location and condition and includes, where applicable, appropriate overheads based on normal level of activity. Net realisable value is the estimated selling price less estimated costs for completion and sale.

Financial instruments, Financial assets, Financial liabilities and Equity instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the relevant instrument and are initially measured at fair value. Purchase or sale of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date on which the Company commits to purchase or sell the asset.

Financial assets

The financial assets are classified at initial recognition in the following measurement categories as:

- those subsequently measured at amortised cost.

- those to be subsequently measured at fair value [either through Other Comprehensive Income (OCI), or through profit or loss].

Financial assets measured at amortised cost

Financial assets which are held within the business model of collection of contractual cash flows and where those cash flows represent payments solely towards principal and interest on the principal amount outstanding are measured at amortised cost.

Financial assets measured at fair value through Other Comprehensive Income

Financial assets that are held within a business model of collection of contractual cash flows and for selling and where the assets' cash flow represents solely payment of principal and interest on the principal amount outstanding are measured at fair value through OCI. Movements in carrying amount are taken through OCI, except for recognition of impairment gains or losses. When a financial asset, other than investment in equity instrument, is de-recognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to statement of profit and loss.

Financial assets measured at fair value through profit or loss

Financial assets are measured at fair value through profit or loss unless it is measured at amortised cost or at fair value through other comprehensive income on initial recognition. Movements in fair value of these instruments are taken in profit or loss.

Impairment of financial assets

The Company assesses at each date of balance sheet whether a financial asset or a group of financial assets is impaired. Impairment losses are recognised in the profit or loss where there is an objective evidence of impairment based on reasonable and supportable information that is available without undue cost or effort. The Company recognises expected credit loss allowances when there is objective evidence that the Company will not be able to collect all the due amounts depending on product categories and the payment mechanism prevailing in the industry.

Financial liability and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. Financial liabilities are classified, at initial recognition, as subsequently measured at amortised cost unless they fulfill the requirement of measurement at fair value through profit or loss.

An equity instrument is a contract that evidences residual interest in the assets of the company after deducting all of its liabilities. Equity instruments recognised by the Company are recognised at the proceeds received net off direct issue cost.

De-recognition of Financial assets and Financial liabilities

Financial assets are de-recognised when the rights to receive benefits have expired or been transferred, and the Company has transferred substantially all risks and rewards of ownership of such financial asset. Financial liabilities are de-recognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

Income recognition on Financial assets

Interest income from financial assets is recognised in profit or loss using effective interest rate method, where applicable. Dividend income is recognised in profit or loss only when the Company's right to receive payments is established and the amount of dividend can be measured reliably.

Offsetting Financial instruments

Financial assets and liabilities are offset and the net amount is included in the Balance Sheet where there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

Employee Share Based Compensation

The cost of options granted by ITC Limited, the Holding Company, under its Employee Stock Option Schemes is measured at the fair value of the options as on the grant date. These schemes are assessed, managed and administered by the Holding Company. The fair value of awards at grant date is calculated using the Black Scholes Option Pricing model. The cost of stock options is recognised in the Statement of Profit and Loss with a corresponding increase in equity, net of reimbursements, if any.

Taxes on Income

Taxes on income comprises of current taxes and deferred taxes. Current tax in the Statement of Profit and Loss is provided as the amount of tax payable in respect of taxable income for the period using tax rates enacted or substantively enacted during the period, together with any adjustment to tax payable in respect of previous years.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax assets are recognised for the future tax consequences to the extent it is probable that future taxable profits will be available against which the deductible temporary differences can be utilised.

Income tax, in so far as it relates to items disclosed under Other Comprehensive Income or equity, are disclosed separately under Other Comprehensive Income or Equity, as applicable.

Dividend Distribution

Dividends paid (including income tax thereon) is recognised in the period in which the interim dividends are approved by the Board of Directors, or in respect of the final dividend when approved by shareholders.

Operating Segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker (CODM). The CODM who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors of the Company.

On behalf of the Board

S. DUTTA *Director*
R. TANDON *Chairman*

Kolkata, 27th April, 2017
V. LUHARUKA *Chief Financial Officer*
N. BAJAJ *Manager & Company Secretary*

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

Form AOC-1

[Pursuant to first proviso to sub-section(3) of Section 129 read with Rule 5 of Companies (Accounts) Rules, 2014]

Statement containing salient features of the financial statement of Subsidiaries/Associate Companies/Joint Ventures

Part A: Subsidiaries

Not Applicable

Part B: Associates and Joint Ventures

Statement pursuant to Section 129 (3) of the Companies Act, 2013 related to Associate Companies and Joint Ventures

Name of Associates/Joint Ventures		ATC Limited	ITC Essentra Limited
1.	Latest audited Balance Sheet Date	31-Mar-2017	31-Mar-2017
2.	Date on which the Associate or Joint Ventures was associated or acquired	06-April-1996	30-June-1994
3.	Shares of Associate or Joint Ventures held by the company on the year end		
	Number	1,94,775 #	22,50,000
	Amount of Investment in Associates/Joint Venture	3,75,63,750	2,25,00,000
	Extent of Holding %	47.50	50
4.	Description of how there is significant influence	Associate	Joint Venture
5.	Reason why the associate/joint venture is not consolidated	Not Applicable *	Not Applicable *
6.	Net worth attributable to Shareholding as per latest audited Balance Sheet (₹)	6,30,00,230	46,25,76,621
7.	Profit/Loss for the year (₹)	22,10,660	9,94,18,339
	i. Considered in Consolidation *	–	–
	ii. Not Considered in Consolidation (₹)	22,10,660	9,94,18,339

* The Company, being an intermediate wholly owned subsidiary, is not required to prepare Consolidated Financial Statements in terms of the Companies (Accounts) Rules, 2014 and ITC Limited, the Holding Company, prepares Consolidated Financial Statements.

includes,

55,650 Equity shares of ₹ 100.00 each, fully paid and

1,39,125 Equity shares of ₹ 100.00 each, ₹ 70.00 paid-up

1. Names of the associates or joint ventures which are yet to commence operations : None
2. Names of associates or joint ventures which have been liquidated or sold during the year : None

On behalf of the Board

S. DUTTA *Director* R. TANDON *Chairman*

Kolkata, 27th April, 2017 V. LUHARUKA *Chief Financial Officer* N. BAJAJ *Manager & Company Secretary*

REPORT OF THE BOARD OF DIRECTORS FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2017

1. Your Directors submit their Report for the financial year ended 31st March, 2017.

2. **COMPANY PERFORMANCE**

Your Company earned total revenue of ₹ 6.58 lakhs during the year under review. In view of the uncertainty in the present business environment, the Company has not contracted any fresh business during the year. The temporary surplus funds of the Company, in the meantime, have been deployed in bank fixed deposits.

The Company, a Core Investment Company within the meaning of the Core Investment Companies (Reserve Bank) Directions, 2016, is exploring investment opportunities.

The financial results of your Company, summarised, are as under:

	For the year ended 31st March, 2017 (₹)	For the year ended 31st March, 2016 (₹)
a. Profit Before Tax	**5,39,092**	5,49,159
b. Less : Tax Expense	**70,693**	1,35,000
c. Profit After Tax	**4,68,399**	4,14,159
d. Add : Profit brought forward from previous years	**84,17,109**	80,02,950
e. Profit carried forward	**88,85,508**	84,17,109

3. **DIRECTORS**

During the year, there was no change in the composition of the Board of Directors of your Company ('the Board'). In accordance with the provisions of Article 19 of the Articles of Association of the Company, Mr. Supratim Dutta (DIN: 01804345), Director, will retire by rotation at the ensuing Annual General Meeting ('AGM') of the Company, and being eligible, offers himself for re-election. Your Board has recommended his re-election.

4. **BOARD MEETINGS**

During the year ended 31st March, 2017, four meetings of the Board were held on 2nd May, 2016, 29th August, 2016, 27th December, 2016 and 16th March, 2017. The attendance of Directors of the Company at the said Board meetings is given below:

Sl. No.	Name of the Director	Number of Board meetings attended
1.	Mr. R. Tandon	4
2.	Mr. B. B. Chatterjee	4
3.	Mr. Saradindu Dutta	4
4.	Mr. Supratim Dutta	4

5. **DIRECTORS' RESPONSIBILITY STATEMENT**

As required under Section 134(5) of the Companies Act, 2013 ('the Act'), your Directors confirm having:

i) followed in the preparation of the Annual Accounts, the applicable Accounting Standards with proper explanation relating to material departures, if any;

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 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 Act 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; and

v) devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems are adequate and operating effectively.

6. **SUBSIDIARY COMPANY**

The statement in Form No. AOC-1 containing the salient features of the financial statements of MRR Trading & Investment Company Limited, subsidiary company, is attached to the Financial Statements of the Company.

The Company, being an intermediate wholly owned subsidiary, is not required to prepare Consolidated Financial Statements. However, brief details of the performance and financial position of the Company's subsidiary company is given below:

Name of Subsidiary	Total Income		Profit after tax	
	FY 2016-17	FY 2015-16	FY 2016-17	FY 2015-16
MRR Trading & Investment Company Limited	7,21,529/-	7,22,714/-	4,137/-	891/-

7. **PARTICULARS OF EMPLOYEES**

The requirements of Rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 are not applicable to the Company.

8. **RISK MANAGEMENT**

The Company's risk management framework, designed to bring robustness to the risk management processes in the Company, addresses risks intrinsic to operations, financials and compliances arising out of the overall strategy of the Company.

The Internal Audit Department of ITC Limited, the Holding Company, appointed as the Internal Auditor of the Company, periodically carries out risk focused audits with the objective of identifying areas where risk management processes could be strengthened. The Board annually reviews the effectiveness of the Company's risk management systems and policies.

9. **INTERNAL FINANCIAL CONTROLS**

Your Company has in place adequate internal financial controls with respect to the financial statements, commensurate with its size and scale of operations. The Internal Auditor of the Company periodically evaluates the adequacy and effectiveness of such internal financial controls. The Board which provides guidance on internal controls, also reviews internal audit findings and implementation of internal audit recommendations.

During the year, the internal financial controls in the Company with respect to the financial statements were tested and no material weakness in the design or operation of such controls was observed. Nonetheless, your Company recognises that any internal financial control framework, no matter how well designed, has inherent limitations and accordingly, regular audit and review processes ensure that such systems are reinforced on an ongoing basis.

10. **PARTICULARS OF LOANS, GUARANTEES AND INVESTMENTS**

The requirements of Section 186 of the Act relating to loans, guarantees and investments are not applicable to the Company.

11. **RELATED PARTY TRANSACTIONS**

During the year ended 31st March, 2017, the Company has neither entered into any contract or arrangement with its related parties which is not at arm's length nor has the Company entered into any material contract or arrangement with them, in terms of Section 188 of the Act.

12. **SIGNIFICANT AND MATERIAL ORDERS PASSED BY THE REGULATORS / COURTS / TRIBUNALS**

During the year under review, no significant or material orders were passed by the Regulators / Courts / Tribunals impacting the going concern status of the Company and its future operations.

13. **EXTRACT OF ANNUAL RETURN**

The extract of Annual Return in the prescribed Form No. MGT-9 is enclosed as **Annexure** to this Report.

14. **AUDITORS**

The Company's Statutory Auditors, Messrs. Deloitte Haskins & Sells, Chartered Accountants ('DHS'), were appointed at the Second AGM to hold such office till the conclusion of the Seventh AGM. Pursuant to Section 139 of the Act, your Board has recommended for the ratification of the Members, appointment of DHS from the conclusion of the ensuing AGM till the conclusion of the Sixth AGM. Pursuant to Section 142 of the Act, the Board has also recommended for the approval of the Members, remuneration of DHS for the financial year 2017-18. Appropriate resolution in respect of the above is appearing in the Notice convening the ensuing AGM of the Company.

15. **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.

During the year under review, there has been no foreign exchange earnings or outflow.

On behalf of the Board

R. Tandon *Chairman*

Dated: 27th April, 2017 Saradindu Dutta *Director*

Annexure to the Report of the Board of Directors

FORM NO. MGT-9

EXTRACT OF ANNUAL RETURN

as on the financial year ended on 31st March, 2017

[Pursuant to Section 92(3) of the Companies Act, 2013 and Rule 12(1) of the Companies (Management and Administration) Rules, 2014]

I. REGISTRATION AND OTHER DETAILS

i) CIN	:	U65923WB2012PLC176166
ii) Registration Date	:	19th March, 2012
iii) Name of the Company	:	ITC Investments & Holdings Limited
iv) Category / Sub-Category of the Company	:	Unlisted Public Company limited by shares
v) Address of the Registered office and contact details	:	Virginia House 37 J. L. Nehru Road, Kolkata – 700 071 Phone: 033 2288 4086 / 6228 / 1946, Fax: 033 2288 9980 e-mail ID : ITCInvestments.Holdings@itc.in
vi) Whether listed company	:	No
vii) Name, Address and Contact details of Registrar and Transfer Agent, if any	:	N.A.

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

All the business activities contributing 10% or more of the total turnover of the Company shall be stated: NOT APPLICABLE

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES

Sl. No.	Name and address of the company	CIN / GLN	Holding / Subsidiary / Associate	% of shares held in / by the Company	Applicable Section
1.	ITC Limited Virginia House 37 Jawaharlal Nehru Road, Kolkata – 700 071	L16005WB1910PLC001985	Holding company	100.00%	2(46)
2.	MRR Trading & Investment Company Limited Eucharistic Congress Building No. 1, 5 Convent Street, Colaba, Mumbai – 400 039	U65990MH1980PLC023259	Subsidiary company	100.00%	2(87)

IV. SHAREHOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity)

(i) **Category-wise Shareholding:**

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
A. Promoters									
(1) **Indian**									
a) Individual/HUF	–	–	–	–	–	–	–	–	N.A.
b) Central Govt.	–	–	–	–	–	–	–	–	N.A.
c) State Govt.(s)	–	–	–	–	–	–	–	–	N.A.
d) Bodies Corp.	–	45,00,000	45,00,000	100.00	–	45,00,000	45,00,000	100.00	Nil
e) Banks / FI	–	–	–	–	–	–	–	–	N.A.
f) Any Other	–	–	–	–	–	–	–	–	N.A.
Sub-total (A)(1)	**–**	**45,00,000**	**45,00,000**	**100.00**	**–**	**45,00,000**	**45,00,000**	**100.00**	**Nil**
(2) **Foreign**									
a) NRIs – Individuals	–	–	–	–	–	–	–	–	N.A.
b) Other – Individuals	–	–	–	–	–	–	–	–	N.A.
c) Bodies Corp.	–	–	–	–	–	–	–	–	N.A.
d) Banks / FI	–	–	–	–	–	–	–	–	N.A.
e) Any Other	–	–	–	–	–	–	–	–	N.A.
Sub-total (A)(2)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**N.A.**
Total shareholding of Promoter (A) = (A)(1)+(A)(2)	**–**	**45,00,000**	**45,00,000**	**100.00**	**–**	**45,00,000**	**45,00,000**	**100.00**	**Nil**
B. Public Shareholding									
(1) **Institutions**									
a) Mutual Funds	–	–	–	–	–	–	–	–	N.A.
b) Banks / FI	–	–	–	–	–	–	–	–	N.A.
c) Central Govt.	–	–	–	–	–	–	–	–	N.A.
d) State Govt.(s)	–	–	–	–	–	–	–	–	N.A.
e) Venture Capital Funds	–	–	–	–	–	–	–	–	N.A.
f) Insurance Companies	–	–	–	–	–	–	–	–	N.A.
g) FIIs	–	–	–	–	–	–	–	–	N.A.
h) Foreign Venture Capital Funds	–	–	–	–	–	–	–	–	N.A.
i) Others (specify)	–	–	–	–	–	–	–	–	N.A.
Sub-total (B)(1)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**N.A.**
(2) **Non-Institutions**									
a) Bodies Corp.									
i) Indian	–	–	–	–	–	–	–	–	N.A.
ii) Overseas	–	–	–	–	–	–	–	–	N.A.
b) Individuals									
i) Individual shareholders holding nominal share capital upto ₹ 1 lakh	–	–	–	–	–	–	–	–	N.A.
ii) Individual shareholders holding nominal share capital in excess of ₹ 1 lakh	–	–	–	–	–	–	–	–	N.A.
c) Others (specify)	–	–	–	–	–	–	–	–	N.A.
Sub-total (B)(2)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**N.A.**
Total Public Shareholding (B)=(B)(1) + (B)(2)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**N.A.**
C. Shares held by Custodian for GDRs & ADRs	–	–	–	–	–	–	–	–	N.A.
Grand Total (A+B+C)	**–**	**45,00,000**	**45,00,000**	**100.00**	**–**	**45,00,000**	**45,00,000**	**100.00**	**Nil**

(ii) **Shareholding of Promoters:**

Sl. No.	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in shareholding during the year
		No. of Shares	% of total Shares of the Company	% of Shares pledged / encumbered to total Shares	No. of Shares	% of total Shares of the Company	% of Shares pledged / encumbered to total Shares	
1.	ITC Limited	45,00,000	100.00	Nil	45,00,000	100.00	Nil	Nil

(iii) **Change in Promoters' Shareholding (please specify, if there is no change):**

Sl. No.		Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of Shares	% of total Shares of the Company	No. of Shares	% of total Shares of the Company
	At the beginning of the year	No change during the year			
	Date wise Increase / Decrease in Promoters Shareholding during the year				
	At the end of the year				

(iv) **Shareholding Pattern of top ten Shareholders (other than Directors, Promoters and Holders of GDRs and ADRs):** NOT APPLICABLE

(v) **Shareholding of Directors and Key Managerial Personnel:** None of the Directors hold any share in the Company in their individual capacity.

V. INDEBTEDNESS

Indebtedness of the Company including interest outstanding / accrued but not due for payment: NIL

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

A. Remuneration to Managing Director, Wholetime Directors and / or Manager: NOT APPLICABLE

B. Remuneration to other Directors: **(Amount in ₹)**

Sl. No.	Name of the Directors	Particulars of Remuneration			Total Amount
		Fee for attending Board and Board Committee meetings	Commission	Others, please specify	
1.	**Independent Directors**				
	Total Amount (B)(1)				**Nil**
2.	**Other Non-Executive Directors**				
	R. Tandon	Nil	Nil	Nil	Nil
	B. B. Chatterjee				
	Saradindu Dutta				
	Supratim Dutta				
	Total Amount (B)(2)				**Nil**
Total Amount (B) = (B)(1) + (B)(2)					**Nil**
Overall ceiling as per the Companies Act, 2013 *(11% of the net profits of the Company computed in accordance with Section 198 of the said Act)*					59,300

C. Remuneration to Key Managerial Personnel other than MD / Manager / WTD: NOT APPLICABLE

VII. PENALTIES / PUNISHMENT / COMPOUNDING OF OFFENCES against the Company, Directors and other Officers in Default under the Companies Act, 2013: None

On behalf of the Board

R. Tandon *Chairman*

Dated : 27th April, 2017 — Saradindu Dutta *Director*

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ITC INVESTMENTS & HOLDINGS LIMITED

Report on the Financial Statements

We have audited the accompanying financial statements of **ITC INVESTMENTS & HOLDINGS LIMITED** ("the Company"), which comprise the Balance Sheet as at 31st March, 2017, the Statement of Profit and Loss and the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards prescribed under Section 133 of the Act.

This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit.

In conducting our audit, we have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit of the financial statements in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence obtained by us is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements 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, of the state of affairs of the Company as at 31st March, 2017, and its profit and its cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. As required by Section 143 (3) of the Act, based on our audit we report, to the extent applicable that:
   (a) We have sought and 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 it appears from our examination of those books.
   (c) The Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.
   (d) In our opinion, the aforesaid financial statements comply with the Accounting Standards prescribed under Section 133 of the Act.
   (e) On the basis of the written representations received from the directors as on 31st March, 2017 taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2017 from being appointed as a director in terms of Section 164 (2) of the Act.
   (f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure A". Our report expresses an unmodified opinion on the adequacy and operating effectiveness of the Company's internal financial controls over financial reporting.
   (g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, as amended, in our opinion and to the best of our information and according to the explanations given to us:
      i. The Company does not have any pending litigations which would impact its financial position.
      ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.
      iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.
      iv. The Company did not have any holdings or dealings in Specified Bank Notes as defined in the Notification S.O. 3407(E) dated the 8th November, 2016 of the Ministry of Finance, during the period from 8th November, 2016 to 30th December, 2016. Also refer Note 12(iii) to the financial statements.
2. As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government in terms of Section 143(11) of the Act, we give in "Annexure B" a statement on the matters specified in paragraphs 3 and 4 of the Order.

For DELOITTE HASKINS & SELLS
Chartered Accountants
(Firm's Registration No. 302009E)

Ketan Vora
Partner
(Membership No. 100459)

Mumbai
27th April, 2017

ANNEXURE A TO THE INDEPENDENT AUDITOR'S REPORT

(Referred to in paragraph 1(f) under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

Report on the Internal Financial Controls Over Financial Reporting under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls over financial reporting of **ITC INVESTMENTS & HOLDINGS LIMITED** ("the Company") as of 31st March, 2017 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditor's Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") issued by the Institute of Chartered Accountants of India and the Standards on Auditing prescribed under Section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

Meaning of Internal Financial Controls Over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, to the best of our information and according to the explanations given to us, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31st March, 2017, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For DELOITTE HASKINS & SELLS
Chartered Accountants
(Firm's Registration No. 302009E)
Ketan Vora
Partner
(Membership No.100459)

Mumbai
27th April, 2017

ANNEXURE B TO THE INDEPENDENT AUDITOR'S REPORT

(Referred to in paragraph 2 under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

(i) The Company does not have any property, plant and equipment and hence reporting under clause (i) of the Order is not applicable.

(ii) The Company does not have any inventory and hence reporting under clause (ii) of the Order is not applicable.

(iii) The Company has not granted any loans, secured or unsecured, to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under Section 189 of the Companies Act, 2013.

(iv) In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Section 185 and 186 of the Companies Act, 2013 in respect of grant of loans, making investments and providing guarantees and securities, as applicable.

(v) According to the information and explanations given to us, the Company has not accepted any deposit during the year. There are no unclaimed deposits under the provisions of Sections 73 to 76 or any other relevant provisions of the Companies Act, 2013.

(vi) Having regard to the nature of the Company's business / activities, reporting under clause (vi) of the Order is not applicable.

(vii) According to the information and explanations given to us, in respect of statutory dues:

(a) The Company has been regular in depositing undisputed statutory dues, including Provident Fund, Employees' State Insurance, Income-tax and other material statutory dues applicable to it with the appropriate authorities. Sales Tax, Service Tax, Customs Duty, Excise Duty, Value Added Tax and cess are not applicable to the Company.

(b) There are no dues of Income-tax as on 31st March, 2017 on account of disputes. Sales Tax, Service Tax, Customs Duty, Excise Duty and Value Added Tax are not applicable to the Company.

(viii) The Company has not taken any loans or borrowings from financial institutions, banks and government or has not issued any debentures. Hence reporting under clause (viii) of the Order is not applicable to the Company.

(ix) The Company has not raised moneys by way of initial public offer or further public offer (including debt instruments) or term loans and hence reporting under clause (ix) of the Order is not applicable.

(x) To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company and no material fraud on the Company by its officers or employees has been noticed or reported during the year.

(xi) In our opinion and according to the information and explanations given to us, the Company has not paid / provided any managerial remuneration and hence reporting under clause (xi) of the Order is not applicable.

(xii) The Company is not a Nidhi Company and hence reporting under clause (xii) of the Order is not applicable.

(xiii) In our opinion and according to the information and explanations given to us the Company is in compliance with Section 188 of the Companies Act, 2013, where applicable, for all transactions with the related parties and the details of related party transactions have been disclosed in the financial statements etc. as required by the applicable accounting standards. The Company is not required to constitute an Audit committee as prescribed in Section 177 of the Companies Act, 2013 and hence reporting on compliance of Section 177 is not applicable to the company.

(xiv) During the year the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures and hence reporting under clause (xiv) of the Order is not applicable to the Company.

(xv) In our opinion and according to the information and explanations given to us, during the year the Company has not entered into any non-cash transactions with its directors or directors of its holding or subsidiary company or person connected with them and hence provisions of Section 192 of the Companies Act, 2013 are not applicable.

(xvi) The Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934.

For DELOITTE HASKINS & SELLS
Chartered Accountants
(Firm's Registration No. 302009E)
Ketan Vora
Partner
(Membership No.100459)

Mumbai
27th April, 2017

BALANCE SHEET AS AT 31ST MARCH, 2017

	Note	**As at 31st March, 2017 (₹)**	As at 31st March, 2016 (₹)
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	1	**4,50,00,000**	4,50,00,000
Reserves and surplus	2	**88,85,508**	84,17,109
Current liabilities			
Other current liabilities	3	**52,500**	52,250
Short-term provisions	4	**-**	38,813
TOTAL		**5,39,38,008**	5,35,08,172
ASSETS			
Non-current assets			
Non-current investments	5	**4,51,62,645**	4,51,62,645
Long-term loans and advances	6	**10,128**	-
Current assets			
Cash and bank balances	7	**87,60,305**	83,39,625
Other current assets	8	**4,930**	5,902
TOTAL		**5,39,38,008**	5,35,08,172

The accompanying notes 1 to 13 are an integral part of the Financial Statements.

In terms of our report attached
For Deloitte Haskins & Sells
Chartered Accountants

KETAN VORA
Partner
Mumbai, 27th April, 2017

On behalf of the Board

R. TANDON *Chairman* SARADINDU DUTTA *Director*

Kolkata, 27th April, 2017

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH, 2017

	Note	For the year ended 31st March, 2017 (₹)	For the year ended 31st March, 2016 (₹)
Other income	9	6,58,052	6,82,064
Total Revenue		6,58,052	6,82,064
Expenses			
Other expenses	10	1,18,960	1,32,905
Total Expenses		1,18,960	1,32,905
Profit before tax		5,39,092	5,49,159
Tax expense:			
Current tax	11	70,693	1,35,000
Profit for the Year		4,68,399	4,14,159
Earnings per share (Face Value ₹ 10.00 each) (Basic and Diluted) (in ₹)	12 (i)	0.10	0.09

The accompanying notes 1 to 13 are an integral part of the Financial Statements.

In terms of our report attached
For Deloitte Haskins & Sells
Chartered Accountants

On behalf of the Board

KETAN VORA
Partner
Mumbai, 27th April, 2017

R. TANDON *Chairman* SARADINDU DUTTA *Director*
Kolkata, 27th April, 2017

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2017

		For the year ended 31st March, 2017 (₹)		For the year ended 31st March, 2016 (₹)
A. Cash Flow from Operating Activities				
PROFIT BEFORE TAX		5,39,092		5,49,159
ADJUSTMENTS FOR:				
Interest income on bank deposits		(6,57,328)		(6,82,064)
Interest on Income tax refund		(724)		-
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES		(1,18,960)		(1,32,905)
ADJUSTMENTS FOR:				
Other current liabilities		250		(3,930)
CASH USED IN OPERATIONS		(1,18,710)		(1,36,835)
Income tax paid		(1,19,634)		(1,66,494)
NET CASH USED IN OPERATING ACTIVITIES		(2,38,344)		(3,03,329)
B. Cash Flow from Investing Activities				
Interest received on deposits & others	6,59,024		6,84,947	
Investment in bank deposits (original maturity more than 3 months)	(84,94,084)		(81,67,633)	
Redemption / maturity of bank deposits (original maturity more than 3 months)	81,00,000		64,00,000	
NET CASH FROM / USED IN INVESTING ACTIVITIES		2,64,940		(10,82,686)
C. Cash Flow from Financing Activities		-		-
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		26,596		(13,86,015)
OPENING CASH AND CASH EQUIVALENTS		1,23,034		15,09,049
CLOSING CASH AND CASH EQUIVALENTS		1,49,630		1,23,034

Notes:

1. The above Cash Flow Statement has been prepared under the "Indirect Method" as set out in Accounting Standard - 3 "Cash Flow Statements"

2. **CASH AND CASH EQUIVALENTS :**

	2017	2016
Cash and Cash Equivalents as above	1,49,630	1,23,034
Other bank balances	86,10,675	82,16,591
Cash and bank balances (Note 7)	87,60,305	83,39,625

The accompanying notes 1 to 13 are an integral part of the Financial Statements.

In terms of our report attached
For Deloitte Haskins & Sells
Chartered Accountants

On behalf of the Board

KETAN VORA
Partner
Mumbai, 27th April, 2017

R. TANDON *Chairman* SARADINDU DUTTA *Director*
Kolkata, 27th April, 2017

NOTES TO THE FINANCIAL STATEMENTS

	As at 31st March, 2017 (No. of Shares)	As at 31st March, 2017 (₹)	As at 31st March, 2016 (No. of Shares)	As at 31st March, 2016 (₹)
1. Share capital				
Authorised				
Equity Shares of ₹ 10.00 each	1,00,00,000	10,00,00,000	1,00,00,000	10,00,00,000
Issued and Subscribed				
Equity Shares of ₹ 10.00 each, fully paid	45,00,000	4,50,00,000	45,00,000	4,50,00,000
A) Reconciliation of number of Equity Shares outstanding				
At the beginning and at the end of the year	45,00,000	4,50,00,000	45,00,000	4,50,00,000

B) Shareholders holding more than 5% of the Equity Shares in the Company

	As at 31st March, 2017 (No. of Shares)	As at 31st March, 2017 (%)	As at 31st March, 2016 (No. of Shares)	As at 31st March, 2016 (%)
ITC Limited – the Holding Company	45,00,000	100.00	45,00,000	100.00

C) Rights, preferences and restrictions attached to the Equity Shares

The Equity Shares of the Company, having par value of ₹ 10.00 per share, rank *pari passu* in all respects including voting rights and entitlement to dividend.

		As at 31st March, 2017 (₹)		As at 31st March, 2016 (₹)
2. Reserves and surplus				
Surplus in Statement of Profit and Loss				
At the beginning of the year	84,17,109		80,02,950	
Add: Profit for the year	4,68,399		4,14,159	
At the end of the year		88,85,508		84,17,109
TOTAL		88,85,508		84,17,109
3. Other current liabilities				
Other payables				
Liability for expenses		52,500		52,250
TOTAL		52,500		52,250
4. Short-term provisions				
Current taxation (net of advance tax)		-		38,813
TOTAL		-		38,813
5. Non- current investments (at cost unless stated otherwise)				
Long Term				
TRADE INVESTMENTS (Unquoted)				
INVESTMENT IN EQUITY INSTRUMENTS				
In Subsidiary				
MRR Trading & Investment Company Limited				
50,000 Equity Shares of ₹ 10.00 each, fully paid		4,51,62,645		4,51,62,645
TOTAL		4,51,62,645		4,51,62,645
6. Long-term loans and advances				
Unsecured, considered good				
Advance tax (net of provisions)		10,128		-
TOTAL		10,128		-
7. Cash and bank balances				
Cash and cash equivalents[@]				
Balances with banks				
Current accounts		1,49,630		1,23,034
Other bank balances				
In deposit accounts *		86,10,675		82,16,591
TOTAL		87,60,305		83,39,625

[@] Cash and cash equivalents include cash at bank and deposits with banks with original maturity of 3 months or less.

* Represents deposits with original maturity of more than 3 months and includes deposit with remaining maturity of more than 12 months from the balance sheet date ₹ 30 Lakhs (2016 - Nil)

	As at 31st March, 2017 (₹)	As at 31st March, 2016 (₹)
8. Other current assets		
Interest accrued on fixed deposits	4,930	5,902
TOTAL	4,930	5,902

	For the year ended 31st March, 2017 (₹)	For the year ended 31st March, 2016 (₹)
9. Other income		
Interest income on bank deposits	6,57,328	6,82,064
Interest income on income tax refund	724	-
TOTAL	6,58,052	6,82,064
10. Other expenses		
Rates and taxes	7,798	10,935
Consultancy / Professional fees	17,246	21,709
Printing and stationery	1,200	1,933
Auditors' remuneration and expenses		
Audit fees	57,500	57,250
Tax audit fees	34,500	34,200
Travelling and conveyance	-	205
Miscellaneous expenses	716	6,673
TOTAL	1,18,960	1,32,905
11. Tax expenses		
Current tax		
Income tax for the year	1,25,000	1,35,000
Adjustments/(credits) related to previous year	(54,307)	-
TOTAL	70,693	1,35,000

12. Additional Notes to the Financial Statements

i. **Earnings per share**

	2017	2016
Earnings per share has been computed as under:		
(a) Profit for the year (₹)	4,68,399	4,14,159
(b) Weighted average number of Equity Shares outstanding	45,00,000	45,00,000
(c) Earnings per share on profit for the year (Face Value - ₹ 10.00 per share) - Basic and Diluted [(a)/(b)] (in ₹)	0.10	0.09

ii. There are no Micro, Small and Medium Enterprises to whom the Company owes dues, which are outstanding for more than 45 days during the year and also as at 31st March, 2017. This information as required to be disclosed under the Micro, Small and Medium Enterprises Development Act, 2006 has been determined to the extent such parties have been identified based on information available with the Company.

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

iii. Details of Specified Bank Notes (SBNs) held and transacted during the period from 8th November, 2016 to 30th December, 2016:-

	SBNs	Other denomination notes	Total
Closing cash in hand as on 8th November, 2016	Nil	Nil	Nil
(+) Permitted receipts	Nil	Nil	Nil
(-) Permitted payments	Nil	Nil	Nil
(-) Amount deposited in Banks	Nil	Nil	Nil
Closing cash in hand as on 30th December, 2016	Nil	Nil	Nil

iv. **Segment Reporting**

The Company operates in a single business segment namely acquisition of shares and securities and in a single geographical segment.

v. **Related Party Disclosures**

a. RELATIONSHIP

Holding Company

- ITC Limited

Subsidiary Company

- MRR Trading & Investment Company Limited

Key Management Personnel

- Mr. R. Tandon — Chairman and Non – Executive Director
- Mr. B. B. Chatterjee — Non – Executive Director
- Mr. Saradindu Dutta — Non – Executive Director
- Mr. Supratim Dutta — Non – Executive Director

b. DISCLOSURE OF TRANSACTIONS BETWEEN THE COMPANY AND RELATED PARTIES

Related Party Transaction Summary		Holding Company	
		2017	2016
1.	Purchases of Services – Internal Audit services (₹)	**13,800**	16,603

13. **Significant Accounting Policies**

Convention

To prepare financial statements in accordance with applicable Accounting Standards in India. A summary of important accounting policies is set out below. The financial statements have also been prepared in accordance with relevant presentational requirements of the Companies Act, 2013.

Basis of Accounting

To prepare financial statements in accordance with the historical cost convention.

All assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria as set out in Schedule III to the Companies Act, 2013.

Investments

To state Current Investments at lower of cost and fair value; and Long Term Investments, including in Subsidiaries / Joint Ventures and Associates, at cost. Where applicable, provision is made to recognise a decline, other than temporary, in valuation of Long Term Investments.

Investment Income

To account for Income from Investments on an accrual basis, inclusive of related tax deducted at source. To account for Income from Dividends when the right to receive such dividends is established.

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

Taxes on Income

To provide Current tax as the amount of tax payable in respect of taxable income for the period, measured using the applicable tax rates and tax laws.

To provide Deferred tax on timing differences between taxable income and accounting income subject to consideration of prudence, measured using the tax rates and tax laws that have been enacted or substantively enacted by the Balance Sheet date.

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.

On behalf of the Board

Kolkata, 27th April, 2017 — R. TANDON *Chairman* SARADINDU DUTTA *Director*

Form AOC-1

[Pursuant to first proviso to sub-section (3) of Section 129 read with Rule 5 of Companies (Accounts) Rules, 2014]

Statement containing salient features of the financial statement of Subsidiaries/Associate Companies/Joint Ventures

Part A : Subsidiaries

1.	**Sl. No.**	1
2.	**Name of the subsidiary**	MRR Trading & Investment Company Limited
3.	**The date since when subsidiary was acquired**	30th March, 2015
4.	**Reporting period for the subsidiary concerned, if different from the holding company's reporting period**	Year ended 31st March, 2017 (same as Holding Company)
5.	**Reporting currency and Exchange rate as on the last date of the relevant financial year in the case of foreign subsidiaries:**	Not Applicable
6.	**Share Capital**	₹ 5,00,000 (50,000 Equity Shares of ₹ 10.00 each)
7.	**Reserve & Surplus**	₹ (4,07,415)
8.	**Total Assets**	₹ 1,10,985
9.	**Total Liabilities**	₹ 1,10,985
10.	**Investments**	–
11.	**Turnover ***	₹ 7,21,529
12.	**Profit before taxation**	₹ 5,899
13.	**Provision for taxation**	₹ 1,762
14.	**Profit after taxation**	₹ 4,137
15.	**Proposed Dividend**	Nil
16.	**% Shareholding**	100

Notes: 1. Names of subsidiaries which are yet to commence operations: None

2. Names of subsidiaries which have been liquidated or sold during the year: None

* Turnover includes Other Income and Other operating revenue

Part B : Associates and Joint Ventures

Statement pursuant to Section 129 (3) of the Companies Act, 2013 related to Associate Companies and Joint Ventures

Not Applicable

On behalf of the Board

Kolkata, 27th, April, 2017 — R. TANDON *Chairman* SARADINDU DUTTA *Director*

REPORT OF THE BOARD OF DIRECTORS FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2017

1. Your Directors submit their Report for the financial year ended 31st March, 2017.
2. **COMPANY PERFORMANCE**

   During the year, your Company earned revenue of ₹ 7.20 lakhs from its operations, with total income being ₹ 7.22 lakhs. The Company continues to engage in providing estate maintenance services.

   The financial results of your Company, summarised, are as under:

		For the year ended 31st March, 2017 (₹)	For the year ended 31st March, 2016 (₹)
a.	Profit Before Tax	5,899	1,290
b.	Less : Tax Expense	1,762	399
c.	Profit After Tax	4,137	891
d.	Add : Other Comprehensive Income	–	–
e.	Total Comprehensive Income	4,137	891
	Add : Loss brought forward from previous years	(4,11,552)	(4,12,443)
	Balance carried forward	(4,07,415)	(4,11,552)

3. **DIRECTORS**

   During the year, there was no change in the composition of the Board of Directors of your Company ('the Board'). In accordance with the provisions of Section 152(6) of the Companies Act 2013 ('the Act'), Mr. C. V. Sarma (DIN: 00720233), Director, will retire by rotation at the ensuing Annual General Meeting ('AGM') of the Company, and being eligible, offers himself for re-election. Your Board has recommended his re-election.
4. **BOARD MEETINGS**

   During the year ended 31st March, 2017, four meetings of the Board were held on 19th April, 2016, 16th August, 2016, 12th November, 2016 and 10th February, 2017. The attendance of Directors of the Company at the said Board meetings is given below:

Sl. No.	Name of the Director	Number of Board meetings attended
1.	Mr. C. V. Sarma	4
2.	Mr. B. Ray Chaudhuri	1
3.	Mr. V. Radhakrishnan	3

5. **DIRECTORS' RESPONSIBILITY STATEMENT**

   As required under Section 134(5) of the Act, your Directors confirm having:
   i) followed in the preparation of the Annual Accounts, the applicable Accounting Standards with proper explanation relating to material departures, if any;
   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 Act 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; and
   v) devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.
6. **SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES**

   The Company does not have any subsidiary, associate or joint venture.
7. **PARTICULARS OF EMPLOYEES**

   Requirements of Rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 are not applicable to the Company.
8. **RISK MANAGEMENT**

   The Company's risk management framework, designed to bring robustness to the risk management processes in the Company, addresses risks intrinsic to operations, financials and compliances arising out of the overall strategy of the Company.

   The Internal Audit Department of ITC Limited, the ultimate Holding Company, periodically carries out risk focused audits with the objective of identifying areas where risk management processes could be strengthened. The Board annually reviews the effectiveness of the Company's risk management systems and policies.
9. **INTERNAL FINANCIAL CONTROLS**

   Your Company has in place adequate internal financial controls with respect to the financial statements, commensurate with its size and scale of operations. The Internal Auditor of the Company periodically evaluates the adequacy and effectiveness of such internal financial controls. The Board which provides guidance on internal controls, also reviews internal audit findings and implementation of internal audit recommendations.

   During the year, the internal financial controls in the Company with respect to the financial statements were tested and no material weakness in the design or operation of such controls was observed. Nonetheless, your Company recognises that any internal financial control framework, no matter how well designed, has inherent limitations and accordingly, regular audit and review processes ensure that such systems are reinforced on an ongoing basis.
10. **PARTICULARS OF LOANS, GUARANTEES AND INVESTMENTS**

    During the year ended 31st March, 2017, the Company has neither given any loan or guarantee nor has made any investment under Section 186 of the Act.
11. **RELATED PARTY TRANSACTIONS**

    The details of material related party transactions of the Company in the prescribed Form No. AOC-2 are enclosed as **Annexure 1** to this Report.
12. **SIGNIFICANT AND MATERIAL ORDERS PASSED BY THE REGULATORS / COURTS / TRIBUNALS**

    During the year under review, no significant or material orders were passed by the Regulators / Courts / Tribunals impacting the going concern status of the Company and its future operations.
13. **EXTRACT OF ANNUAL RETURN**

    The extract of Annual Return in the prescribed Form No. MGT-9 is enclosed as **Annexure 2** to this Report.
14. **AUDITORS**

    The Company's Statutory Auditors, Messrs. Lovelock & Lewes, Chartered Accountants, retire at the ensuing AGM of the Company in terms of the resolution passed by the Members at the Thirty-Third AGM held on 10th July, 2014. Pursuant to Section 139 of the Act, your Board has recommended for the approval of the Members, appointment of Messrs. Deloitte Haskins & Sells as the Statutory Auditors of the Company for a period of 5 years i.e., from the conclusion of the ensuing AGM till the conclusion of the 41st AGM. Pursuant to Section 142 of the Act, the Board has also recommended for the approval of the Members, remuneration of Messrs. Deloitte Haskins & Sells for the financial year 2017-18. Appropriate resolution in respect of the above is appearing in the Notice convening the ensuing AGM of the Company.
15. **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.

    During the year under review, there has been no foreign exchange earnings or outflow.

Dated : 5th June, 2017

On behalf of the Board
C. V. Sarma Director
V. Radhakrishnan Director

Annexure 1 to the Report of the Board of Directors for the financial year ended 31st March, 2017

FORM NO. AOC-2

[Pursuant to Section 134(3)(h) of the Companies Act, 2013 and Rule 8(2) of the Companies (Accounts) Rules, 2014]

Form for disclosure of particulars of contracts / arrangements entered into by the Company with related parties referred to in sub-section (1) of Section 188 of the Companies Act, 2013, including certain arm's length transactions under third proviso thereto

1. Details of contracts or arrangements or transactions not at arm's length basis

a)	Name(s) of the related party and nature of relationship	NIL
b)	Nature of contracts / arrangements / transactions	
c)	Duration of the contracts / arrangements / transactions	
d)	Salient terms of the contracts or arrangements or transactions including the value, if any	
e)	Justification for entering into such contracts or arrangements or transactions	
f)	Date(s) of approval by the Board	
g)	Amount paid as advances, if any	
h)	Date on which the special resolution was passed in general meeting as required under first proviso to Section 188	

2. Details of material contracts or arrangements or transactions at arm's length basis

a)	Name(s) of the related party and nature of relationship	ITC Limited (ITC), the Ultimate Holding Company
b)	Nature of contracts / arrangements / transactions	Rendering of estate maintenance services to ITC
c)	Duration of the contracts / arrangements / transactions	One year from 1st April, 2016 to 31st March, 2017
d)	Salient terms of the contracts or arrangements or transactions including the value, if any	Receipt of Service Charges @ ₹ 7.20 lakhs per annum
e)	Date(s) of approval by the Board, if any	19th April, 2016
f)	Amount paid as advances, if any	Nil

On behalf of the Board
C.V. Sarma **Director**
Dated: 5th June, 2017 **V. Radhakrishnan** **Director**

Annexure 2 to the Report of the Board of Directors
FORM NO. MGT-9
EXTRACT OF ANNUAL RETURN
as on the financial year ended on 31st March, 2017

[Pursuant to Section 92(3) of the Companies Act, 2013 and Rule 12(1) of the Companies (Management and Administration) Rules, 2014]

I. REGISTRATION AND OTHER DETAILS

i)	CIN	:	U65990MH1980PLC023259
ii)	Registration Date	:	10th October, 1980
iii)	Name of the Company	:	MRR Trading & Investment Company Limited
iv)	Category / Sub-Category of the Company	:	Unlisted Public Company limited by shares
v)	Address of the Registered office and contact details	:	Eucharistic Congress Building No. 1 4th Floor, 5 Convent Street, Colaba Mumbai – 400 039 Phone: 022 22836894, Fax: 022 22832663 e-mail ID : mrrtrading@rediffmail.com
vi)	Whether listed company	:	No
vii)	Name, Address and Contact details of Registrar and Transfer Agent, if any	:	N.A.

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

All the business activities contributing 10% or more of the total turnover of the Company shall be stated:

Sl. No.	Name and Description of main products / services	NIC Code of the Product / Service	% to total turnover of the Company
1.	Providing estate maintenance services	68100	100%

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES

Sl. No.	Name and Address of the Company	CIN/GLN	Holding/ Subsidiary/ Associate	% of shares held in the Company	Applicable Section
1.	ITC Investments & Holdings Limited Virginia House 37 J. L. Nehru Road Kolkata – 700 071	U65923WB2012PLC176166	Holding Company	100.00	2 (46)
2.	ITC Limited Virginia House 37 Jawaharlal Nehru Road Kolkata – 700 071	L16005WB1910PLC001985	Ultimate Holding Company	–	2(46)

IV. SHAREHOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity)

(i) Category-wise Shareholding:

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
A. Promoters									
(1) **Indian**									
a) Individual/HUF	–	–	–	–	–	–	–	–	N.A.
b) Central Govt.	–	–	–	–	–	–	–	–	N.A.
c) State Govt.(s)	–	–	–	–	–	–	–	–	N.A.
d) Bodies Corp.	-	50,000	50,000	100.00	-	50,000	50,000	100.00	Nil
e) Banks / FI	–	–	–	–	–	–	–	–	N.A.
f) Any Other	–	–	–	–	–	–	–	–	N.A.
Sub-total (A)(1)	-	50,000	50,000	100.00	-	50,000	50,000	100.00	Nil
(2) **Foreign**									
a) NRIs – Individuals	–	–	–	–	–	–	–	–	N.A.
b) Other – Individuals	–	–	–	–	–	–	–	–	N.A.
c) Bodies Corp.	–	–	–	–	–	–	–	–	N.A.
d) Banks / FI	–	–	–	–	–	–	–	–	N.A.
e) Any Other	–	–	–	–	–	–	–	–	N.A.
Sub-total (A)(2)	–	–	–	–	–	–	–	–	N.A.
Total shareholding of Promoter (A) = (A)(1) + (A)(2)	–	50,000	50,000	100.00	-	50,000	50,000	100.00	Nil
B. Public Shareholding									
(1) **Institutions**									
a) Mutual Funds	–	–	–	–	–	–	–	–	N.A.
b) Banks / FI	–	–	–	–	–	–	–	–	N.A.
c) Central Govt.	–	–	–	–	–	–	–	–	N.A.
d) State Govt.(s)	–	–	–	–	–	–	–	–	N.A.
e) Venture Capital Funds	–	–	–	–	–	–	–	–	N.A.
f) Insurance Companies	–	–	–	–	–	–	–	–	N.A.
g) FIIs	–	–	–	–	–	–	–	–	N.A.
h) Foreign Venture Capital Funds	–	–	–	–	–	–	–	–	N.A.
i) Others (specify)	–	–	–	–	–	–	–	–	N.A.
Sub-total (B)(1)	–	–	–	–	–	–	–	–	N.A.
(2) **Non-Institutions**									
a) Bodies Corp.									
i) Indian	–	–	–	–	–	–	–	–	N.A.
ii) Overseas	–	–	–	–	–	–	–	–	N.A.
b) Individuals									
i) Individual shareholders holding nominal share capital upto ₹ 1 lakh	–	–	–	–	–	–	–	–	N.A.
ii) Individual shareholders holding nominal share capital in excess of ₹1 lakh	–	–	–	–	–	–	–	–	N.A.
c) Others (specify)	–	–	–	–	–	–	–	–	N.A.
Sub-total (B)(2)	–	–	–	–	–	–	–	–	**N.A.**
Total Public shareholding (B)=(B)(1) + (B)(2)	–	–	–	–	–	–	–	–	**N.A.**
C. Shares held by Custodian for GDRs & ADRs	–	–	–	–	–	–	–	–	N.A.
Grand Total (A+B+C)	–	**50,000**	**50,000**	**100.00**	–	**50,000**	**50,000**	**100.00**	**Nil**

(ii) Shareholding of Promoters:

Sl. No.	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in shareholding during the year
		No. of Shares	% of total Shares of the Company	% of Shares pledged / encumbered to total Shares	No. of Shares	% of total Shares of the Company	% of Shares pledged / encumbered to total Shares	
1.	ITC Investments & Holdings Limited	50,000	100.00	Nil	50,000	100.00	Nil	Nil

(iii) Change in Promoters' Shareholding (please specify, if there is no change):

Sl. No.		Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of Shares	% of total Shares of the Company	No. of Shares	% of total Shares of the Company
1.	**ITC Investments & Holdings Limited**	No change during the year			
	At the beginning of the year				
	Date wise Increase / (Decrease) in Promoters Shareholding during the year				
	At the end of the year				

(iv) Shareholding Pattern of top ten Shareholders (other than Directors, Promoters and Holders of GDRs and ADRs): NOT APPLICABLE

(v) Shareholding of Directors and Key Managerial Personnel: None of the Directors hold any share in the Company in their individual capacity.

V. INDEBTEDNESS

Indebtedness of the Company including interest outstanding/accrued but not due for payment: NIL

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

A. Remuneration to Managing Director, Whole time Directors and/or Manager: NOT APPLICABLE

B. Remuneration to other Directors: (Amount in ₹)

Sl. No.	Name of the Directors	Particulars of Remuneration			Total Amount
		Fee for attending Board and Board Committee meetings	Commission	Others, please specify	
1.	**Independent Directors**				
	Total Amount (B)(1)				Nil
2.	**Other Non–Executive Directors**				
	C.V. Sarma	Nil	Nil	Nil	Nil
	B.R. Chaudhuri				
	V. Radhakrishnan				
	Total Amount (B)(2)				Nil
	Total Amount (B) = (B)(1) + (B)(2)				Nil
	Overall ceiling as per the Companies Act, 2013 (11% of the net profits of the Company computed in accordance with Section 198 of the said Act).				649

C. Remuneration to Key Managerial Personnel other than MD / Manager / WTD: NOT APPLICABLE

VII. PENALTIES / PUNISHMENT / COMPOUNDING OF OFFENCES against the Company, Directors and other Officers in Default under the Companies Act, 2013 : None

On behalf of the Board

Dated : 5th June, 2017

C.V. Sarma **Director**
V. Radhakrishnan **Director**

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MRR Trading & Investment Company Limited

Report on the Indian Accounting Standards (Ind AS) Financial Statements

1. We have audited the accompanying financial statements of **MRR Trading & Investment Company Limited** ("the Company"), which comprise the Balance Sheet as at March 31, 2017, the Statement of Profit and Loss (including Other Comprehensive Income), the Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Ind AS Financial Statements

2. The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these Ind AS financial statements to give a true and fair view of the financial position, financial performance (including other comprehensive income), cash flows and changes in equity of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards specified in the Companies (Indian Accounting Standards) Rules, 2015 (as amended) under Section 133 of the Act. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgements and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

3. Our responsibility is to express an opinion on these Ind AS financial statements based on our audit.
4. We have taken into account the provisions of the Act and the Rules made thereunder including the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.
5. We conducted our audit of the Ind AS financial statements in accordance with the Standards on Auditing specified, under Section 143(10) of the Act and other applicable authoritative pronouncements issued by the Institute of Chartered Accountants of India. Those Standards and pronouncements require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Ind AS financial statements are free from material misstatement.
6. An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the Ind AS financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the Ind AS financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the Ind AS financial statements that give a true and fair view, in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the Ind AS financial statements.
7. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the standalone Ind AS financial statements.

Opinion

8. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid Ind AS financial statements 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, of the state of affairs of the Company as at March 31, 2017, and its profit (including other comprehensive income), its cash flows and the changes in equity for the year ended on that date.

Other Matter

9. The financial information of the Company for the year ended March 31, 2016 and the transition date opening balance sheet as at April 1, 2015 included in these Ind AS financial statements, are based on the previously issued statutory financial statements for the years ended March 31, 2016 and March 31, 2015 prepared in accordance with the Companies (Accounting Standards) Rules, 2006 (as amended) which were audited by us, on which we expressed an unmodified opinion dated April 19, 2016 and April 15, 2015 respectively. The adjustments to those financial statements for the differences in accounting principles adopted by the Company on transition to the Ind AS have been audited by us.

   Our opinion is not qualified in respect of these matters.

Report on Other Legal and Regulatory Requirements

10. As required by the Companies (Auditor's Report) Order, 2016, issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act ("the Order"), 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 B a statement on the matters specified in paragraphs 3 and 4 of the Order.
11. As required by Section 143 (3) of the Act, we report that:

(a) We have sought and 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 it appears from our examination of those books.

(c) The Balance Sheet, the Statement of Profit and Loss (including other comprehensive income), the Cash Flow Statement and the Statement of Changes in Equity dealt with by this Report are in agreement with the books of account.

(d) In our opinion, the aforesaid Ind AS financial statements comply with the Indian Accounting Standards specified under Section 133 of the Act.

(e) On the basis of the written representations received from the directors as on March 31, 2017 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2017 from being appointed as a director in terms of Section 164 (2) of the Act.

(f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in Annexure A.

(g) With respect to the other matters to be included in the Auditors' Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our knowledge and belief and according to the information and explanations given to us:

   i. The Company does not have any pending litigations as at March 31, 2017 which would impact its financial position.

   ii. The Company did not have any long-term contracts including derivative contracts as at March 31, 2017

   iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company during the year ended March 31, 2017.

   iv. The Company has provided requisite disclosure in Note 13(iii) of the financial statements as to holdings as well as dealings in Specified Bank Notes during the period from 8th November, 2016 to 30th December, 2016. Based on audit procedures and relying on the management representation we report that the disclosures are in accordance with books of account maintained by the Company and as produced to us by the Management.

For Lovelock & Lewes
Firm Registration Number: 301056E
Chartered Accountants
Sunit Kumar Basu
Partner
Membership Number 55000

Place: Hyderabad
Date : April 26, 2017

Annexure A to Independent Auditors' Report

Referred to in paragraph 11(f) of the Independent Auditors' Report of even date to the members of MRR Trading & Investment Company Limited on the financial statements for the year ended March 31, 2017

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Act

1. We have audited the internal financial controls over financial reporting of MRR Trading & Investment Company Limited ("the Company") as of March 31, 2017 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

2. The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India (ICAI). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

Auditors' Responsibility

3. Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing deemed to be prescribed under section 143(10) of the Act to the extent applicable to an audit of internal financial controls, issued by the ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.
4. Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.
5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

Meaning of Internal Financial Controls Over Financial Reporting

6. A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

7. Because of the inherent limitations of internal financial controls over financial

reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

8. In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2017, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For Lovelock & Lewes
Firm Registration Number: 301056E
Chartered Accountants

Sunit Kumar Basu
Partner
Membership Number 55000

Place: Hyderabad
Date: April 26, 2017

Annexure B to Independent Auditors' Report

Referred to in paragraph 10 of the Independent Auditors' Report of even date to the members of MRR Trading and Investment Company Limited on the financial statements as of and for the year ended March 31, 2017

i. The Company does not hold any fixed assets during the year ended March 31, 2017. Therefore, the provisions of Clause 3(i) of the Order are not applicable to the company.

ii. The Company is in the business of rendering services, and consequently, does not hold any inventory. Therefore, the provisions of Clause 3(ii) of the said Order are not applicable to the Company.

iii. The Company has not granted any loans, secured or unsecured, to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under Section 189 of the Act. Therefore, the provisions of Clause 3(iii), (iii)(a), (iii)(b) and (iii)(c) of the said Order are not applicable to the Company.

iv. The Company has not granted any loans or made any investments, or provided any guarantees or security to the parties covered under Section 185 and 186. Therefore, the provisions of Clause 3(iv) of the said Order are not applicable to the Company.

v. The Company has not accepted any deposits from the public within the meaning of Sections 73, 74, 75 and 76 of the Act and the Rules framed there under to the extent notified.

vi. The Central Government of India has not specified the maintenance of cost records under sub-section (1) of Section 148 of the Act for any of the products of the Company.

vii. (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, as applicable, with the appropriate authorities.

(b) According to the information and explanations given to us and the records of the Company examined by us, there are no dues of income-tax, service-tax which have not been deposited on account of any dispute.

viii. As the Company does not have any loans or borrowings from any financial institution or bank or Government, nor has it issued any debentures as at the balance sheet date, the provisions of Clause 3(viii) of the Order are not applicable to the Company.

ix. The Company has not raised any moneys by way of initial public offer, further public offer (including debt instruments) and term loans. Accordingly, the provisions of Clause 3(ix) of the Order are not applicable to the Company.

x. 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 material fraud by the Company or on the Company by its officers or employees, noticed or reported during the year, nor have we been informed of any such case by the Management.

xi. There are no managerial personnel appointed by the Company under the provisions of Companies Act, 2013. Accordingly, the provisions of Clause 3(xi) of the Order are not applicable to the Company.

xii. As the Company is not a Nidhi Company and the Nidhi Rules, 2014 are not applicable to it, the provisions of Clause 3(xii) of the Order are not applicable to the Company.

xiii. The Company has entered into transactions with related parties in compliance with the provisions of Sections 177 and 188 of the Act. The details of such related party transactions have been disclosed in the financial statements as required under Accounting Standard (AS) 18, Related Party Disclosures specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.

xiv. The Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review. Accordingly, the provisions of Clause 3(xiv) of the Order are not applicable to the Company.

xv. The Company has not entered into any non-cash transactions with its directors or persons connected with him. Accordingly, the provisions of Clause 3(xv) of the Order are not applicable to the Company.

xvi. The Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934. Accordingly, the provisions of Clause 3(xvi) of the Order are not applicable to the Company.

For Lovelock & Lewes
Firm Registration Number: 301056E
Chartered Accountants
Sunit Kumar Basu
Partner
Membership Number: 55000

Place: Hyderabad
Date: April 26, 2017

Balance Sheet as at 31st March, 2017

(All amounts in ₹, unless otherwise stated)

	Note	As at 31st March, 2017 (₹)	As at 31st March, 2016 (₹)	As at 1st April, 2015 (₹)
ASSETS				
Non-current assets				
(a) Other non-current assets	3	19,758	21,121	21,520
Non-Current Assets		19,758	21,121	21,520
Current assets				
(a) Financial Assets				
(i) Cash and cash equivalents	4	91,227	1,57,802	85,950
Current Assets		91,227	1,57,802	85,950
Total Assets		1,10,985	1,78,923	1,07,470
EQUITY AND LIABILITIES				
Equity				
(a) Equity Share capital	5	5,00,000	5,00,000	5,00,000
Other Equity				
(b) Reserves & surplus		(4,07,415)	(4,11,552)	(4,12,443)
Equity attributable to the owners		92,585	88,448	87,557
Current liabilities				
(a) Financial Liabilities				
(i) Trade payables	6	18,400	90,475	19,913
Non-Current Liabilities		18,400	90,475	19,913
Total Equity and Liabilities		1,10,985	1,78,923	1,07,470

The accompanying notes 1 to 14 are an integral part of the Financial Statements.

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

For Lovelock & Lewes
Firm Registration No. 301056E
Chartered Accountants
Sunit Kumar Basu
Partner
Membership No. 55000
Place: Hyderabad
Date: 26th April, 2017

For and on behalf of the Board of Directors

C.V. Sarma
Director

V. Radhakrishnan
Director

Statement of Profit and Loss for the year ended 31st March, 2017

(All amounts in ₹, unless otherwise stated)

		Note	For the year ended March 31, 2017 (₹)	For the year ended March 31, 2016 (₹)
I	Revenue From Operations(Sale of services)	7	7,20,000	7,20,000
II	Other income	8	1,529	2,714
III	**Total Income (I+II)**		7,21,529	7,22,714
IV	**EXPENSES**			
	Other expenses	9	7,15,630	7,21,424
	Total expenses (IV)		7,15,630	7,21,424
V	**Profit before tax (III- IV)**		5,899	1,290
VI	**Tax expense:**			
	Current Tax	10	1,762	399
VII	Profit for the year		4,137	891
	Other Comprehensive Income for the year		–	–
VIII	**Total comprehensive income for the year**		4,137	891
IX	Earnings per equity share :			
	- Basic & Diluted (in ₹)	13 (i)	₹ 0.08	₹ 0.02

The accompanying notes 1 to 14 are an integral part of the Financial Statements.

This is the Statement of Profit and Loss referred to in our report of even date.

For Lovelock & Lewes
Firm Registration No. 301056E
Chartered Accountants

Sunit Kumar Basu
Partner
Membership No. 55000

Place: Hyderabad
Date: 26th April, 2017

For and on behalf of the Board of Directors

C.V. Sarma
Director

V. Radhakrishnan
Director

Cash Flow Statement for the year ended 31st March, 2017

(All amounts in ₹, unless otherwise stated)

		For the year ended March 31, 2017 (₹)	For the year ended March 31, 2016 (₹)
Cash flows from operating activities			
Profit for the year before tax		5,899	1,290
Adjustments for :			
Liabilities no longer required written back		(881)	(1,925)
		5,018	(635)
Movements in working capital			
Increase/(decrease) in trade payables	6	(71,194)	72,487
Cash generated from (used in) / generated from operations		(66,176)	71,852
Income Taxes paid		(399)	–
Net Cash (used in) /generated from operating activities		(66,575)	71,852
Cash flows from investing activities			
Net Cash (used in) /generated from investing activities		–	–
Cash flows from financing activities			
Net Cash (used in) / generated from financing activities		–	–
Net increase/(decrease) in Cash and Cash equivalents		(66,575)	71,852
Cash and cash equivalents at the beginning of the year		1,57,802	85,950
Cash and cash equivalents at the end of the year		91,227	1,57,802

The above Cash Flow Statement should be read in conjunction with the accompanying notes.

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

For Lovelock & Lewes
Firm Registration No. 301056E
Chartered Accountants

Sunit Kumar Basu
Partner
Membership No. 55000

Place: Hyderabad
Date: 26th April, 2017

For and on behalf of the Board of Directors

C.V. Sarma
Director

V. Radhakrishnan
Director

Statement of changes in equity for the year ended 31st March, 2017

A. Equity Share Capital

Amount (₹)

Balance at 01st April, 2015	Changes in the equity shares during the year	Balance at 31st March, 2016	Changes in the equity shares during the year	Balance at 31st March, 2017
5,00,000	–	5,00,000	–	5,00,000

B. Other Equity

	Reserves & Surplus	Total Amount (₹)
	Retained Earnings Amount (₹)	
Balance as at 1st April, 2015	(4,12,443)	(4,12,443)
Profit for the year	891	891
Other Comprehensive Income (net of tax)	–	–
Total Comprehensive Income	891	891
Balance as at 31st March, 2016	**(4,11,552)**	**(4,11,552)**
Profit for the year	4,137	4,137
Other Comprehensive Income (Net of Tax)	–	–
Total Comprehensive Income	4,137	4,137
Balance as at 31st March, 2017	**(4,07,415)**	**(4,07,415)**

Retained Earnings:

The amount that can be distributed by the Company as dividends to its equity shareholders is determined based on the separate financial statements of the Company and also considering the requirements of the Companies Act, 2013.

The above statement of changes in equity should be read in conjunction with the accompanying notes.

This is the Statement of changes in equity referred to in our report of even date.

For Lovelock & Lewes
Firm Registration No. 301056E
Chartered Accountants

Sunit Kumar Basu
Partner
Membership No. 55000

Place: Hyderabad
Date: 26th April, 2017

For and on behalf of the Board of Directors

C.V. Sarma
Director

V. Radhakrishnan
Director

Notes to the financial statements

(All amounts in ₹, unless otherwise stated)

1. General Information

The Company is having tenancy rights in a commercial premise at Eucharistic Congress Building No.1, 4th Floor, 5 Convent Street, Colaba, Mumbai 400 039. The premise is owned by Roman Catholic Cathedral Trust. The only source of income of this company is from Estate Maintenance Services of the aforesaid property.

2. Summary of Significant Accounting Policies

i. Statement of Compliance and Basis of Preparation

These financial statements have been prepared in accordance with Indian Accounting Standards (Ind AS) notified under section 133 of the Companies Act, 2013. The financial statements have also been prepared in accordance with the relevant presentation requirements of the Companies Act, 2013. The Company adopted Ind AS from 1st April, 2016.

Up to the year ended 31 March 2016, the Company prepared its financial statements in accordance with the requirements of previous GAAP, which includes Standards notified under the Companies (Accounting Standards) Rules, 2006. These are the Company's first Ind AS financial statements.

The financial statements are prepared in accordance with the historical cost convention, except for certain items that are measured at fair values, as explained in the accounting policies below.

ii. Use of Estimates and Judgements

In view of the nature of the operations of the Company no significant assumption / judgement are applied in preparation of financial statement.

iii. Operating Cycle

All assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in the Schedule III to the Companies Act, 2013 based on the nature of products and the time between the acquisition of assets for processing and their realisation in cash and cash equivalents.

iv. Financial Instrument

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the relevant instrument in accordance with classification and measurement requirement of applicable Accounting Standards. Financial assets are derecognized when the rights to receive benefits have expired or been transferred, and the Company has transferred substantially all risks and rewards of ownership of such financial asset.

Financial liabilities, depending on their nature, are classified as amortised cost or fair value through profit & loss. Financial liabilities are derecognized when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

v. Accruals

All revenue and expenses are accounted on accrual basis.

vi. Revenue

Income from Estate Maintenance Services is recognized based on Contractual arrangement entered by the Company.

vii. Taxes on Income

Taxes on income comprises of current taxes and deferred taxes. Current tax in the Statement of Profit and Loss is provided as the amount of tax payable in respect of taxable income for the period using tax rates enacted or substantively enacted during the period, together with any adjustment to tax payable in respect of previous years. Income tax, in so far as it relates to items disclosed under Other Comprehensive Income or Equity, are disclosed separately under Other Comprehensive Income or Equity, as applicable.

Notes to the financial statements (Contd.)

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax assets are recognized for the future tax consequences to the extent it is probable that future taxable profits will be available against which the deductible temporary differences can be utilized.

viii. Operating Segment

Operating segment is reported in a manner consistent with the internal reporting provided to the chief operating decision maker, who is one of the Directors of the Company.

	As at 31st March, 2017 (₹)		As at 31st March, 2016 (₹)		As at 1st April, 2015 (₹)	
	Current	Non-Current	Current	Non-Current	Current	Non-Current
3. Other non-current assets						
Deposits With Statutory Authorities	–	7,120	–	7,120	–	7,120
Advance Tax (net of provisions)	–	12,638	–	14,001	–	14,400
TOTAL	–	19,758	–	21,121	–	21,520

	As at 31st March, 2017 (₹)		As at 31st March, 2016 (₹)		As at 1st April, 2015 (₹)	
	Current	Non-Current	Current	Non-Current	Current	Non-Current
4. Cash and cash equivalents						
Balances with Banks:						
Current accounts	91,227	–	1,57,802	–	85,950	–
TOTAL	91,227	–	1,57,802	–	85,950	–

	As at 31st March, 2017		As at 31st March, 2016		As at 1st April, 2015	
	(No. of shares)	(₹)	(No. of shares)	(₹)	(No. of shares)	(₹)
5. Equity share capital						
Authorised						
Ordinary Shares of Rs 10.00 each	50,000	5,00,000	50,000	5,00,000	50,000	5,00,000
Issued and Subscribed						
Ordinary Shares of Rs. 10.00 each, fully paid	50,000	5,00,000	50,000	5,00,000	50,000	5,00,000

A) Reconciliation of number of Ordinary Shares outstanding				
As at beginning of the year	50,000		50,000	
As at end of the year	50,000	–	50,000	–

B) Equity Shares: The Company has one class of equity shares having a par value of Rs.10.00 per share. Each shareholder is eligible for one vote per share held. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company after distribution of all preferential amounts, in proportion to their shareholding.

C) Out of the above shares, 49,994 shares are held by ITC Investments & Holdings Limited, the holding Company and the balance 6 shares are held by nominees of the holding Company jointly with the holding Company. There is no movement in the shareholder's equity during the year and in the previous year.

	As at 31st March, 2017 (₹)		As at 31st March, 2016 (₹)		As at 1st April, 2015 (₹)	
	Current	Non-Current	Current	Non-Current	Current	Non-Current
6. Trade Payables						
Current						
- Trade Payables [Refer Note 13 (ii) below]	18,400	–	90,475	–	19,913	–
TOTAL	18,400	–	90,475	–	19,913	–

Notes to the financial statements (Contd.)

	For the year ended 31st March, 2017 (₹)	For the year ended 31st March, 2016 (₹)
7. Revenue from operations		
Sale of Services	7,20,000	7,20,000
TOTAL	7,20,000	7,20,000
8. Other income		
Other items	1,529	2,714
TOTAL	1,529	2,714
9. Others Expenses		
Rent	71,456	68,107
Rates and taxes	2,59,880	2,61,029
Maintenance and upkeep	2,93,921	2,59,605
Bank and credit card charges	1,353	257
Payments to auditors [Refer note 9(a) below]	17,519	19,805
Consultancy / Professional fees	29,200	86,539
Miscellaneous expenses	42,301	26,082
TOTAL	7,15,630	7,21,424

	For the year ended 31st March, 2017 (₹)	For the year ended 31st March, 2016 (₹)
9(a). Payment to auditors		
As auditor:		
Audit fees	15,000	15,000
Reimbursement of expenses (Including Service Tax)	2,519	4,805
TOTAL	17,519	19,805
10. Income Tax Expenses		
Amount Recognized in profit and loss		
Current tax		
Income tax for the year (*)	1,762	399
TOTAL	1,762	399

(*) The tax rate used above is the corporate tax rate of
- 29.87% (29% and education cess @ 3%) in 2016-17 and
- 30.90% (30% and education cess @ 3%) in 2015-16

payable on taxable profits under the Income Tax Act, 1961.

11. Related Party Transactions

(i) Parent Entities

Name	Type	Place of Incorporation	31 March, 2017	31 March, 2016	1 April, 2015
ITC Limited	Ultimate Holding Company	India	–	–	–
ITC Investments & Holdings Limited	Holding Company	India	100%	100%	100%

(ii) Transactions and Balances with Related parties

Description	31 March, 2017	31 March, 2016	1 April, 2015
Payment of Internal Audit Fees:			
ITC Limited	4,600	14,464	–
Income from Estate Maintenance Services:			
ITC Limited	720,000	720,000	720,000
Balances at the end of the year	–	–	–

(iii) Key Management Personnel (KMP):

Non-Executive Director:

(a) C.V. Sarma

(b) V. Radhakrishnan

(c) B.R. Chaudhuri

(iv) Segment Reporting :

The Company operates in a single business and geographical segment in India. The entity-wide disclosures are as under:

	2017	2016
Customer Information	The Company's revenue from operations arises entirely (100%) from sale of services to the Ultimate Holding Company	The Company's revenue from operations arises entirely (100%) from sale of services to the Ultimate Holding Company
Non-current Assets (In India)	7,120	7,120

12. First-time adoption of Indian Accounting Standards (Ind AS)

Transition to Ind AS

These are the Company's first financial statements prepared in accordance with Ind AS. The accounting policies set out in Note 1 have been applied in preparing the financial statements for the year ended March 31, 2017, the comparative information presented in these financial statements for the year ended March 31, 2016 and in the preparation of an opening Ind AS balance sheet at April 01, 2015 (company's date of transition).

The Company has evaluated the difference between the Accounting Standards notified under Companies (Accounting standards) Rules, 2006 and Indian Accounting Standards (Ind AS). It has also made necessary representational changes to align the financial statements as per Ind AS.

The Company has not availed the Ind AS 101 optional exemptions and mandatory exceptions in the transition since there are no differences in the accounting principles adopted (Ind AS) by the Company with the previous generally accepted accounting principles (GAAP), the requirement of reconciliation between Ind AS and IGAAP does not apply to the Company.

13. Additional Notes to the Financial Statements

(i) Earnings per share

		2017	2016
Earnings per share has been computed as under:			
(a)	Profit for the year (₹)	**4,137**	891
(b)	Weighted average number of Ordinary shares outstanding for the purpose of basic earnings per share	**50,000**	50,000
(c)	Earnings per share on profit for the year (Face Value ₹ 10 per share)		
	- Basic and Diluted [(a)/(b)]	**(₹) 0.08**	(₹) 0.02

(ii) Micro, Small and Medium scale business entities:

There are no Micro, Small and Medium Enterprises, to whom the Company owes dues, which are outstanding for more than 45 days during the year and also as at 31st March, 2017. This information as required to be disclosed under the Micro, Small and Medium Enterprises Development Act, 2006 has been determined to the extent such parties have been identified on the basis of information available with the Company.

(iii) Specified Bank Notes:

Given the nature of operations of the Company as indicated in Note 1 above, the Company did not hold nor made any transactions (i.e. receipts and payments) in cash during the period from November 08, 2016 to December 30, 2016. Accordingly disclosure relating to Specified Bank Notes required vide MCA notification dated March 30, 2017 is as under:

	SBNs	Other denomination notes	Total
Closing cash in hand as on 08.11.2016	Nil	Nil	Nil
(+) Permitted receipts	Nil	Nil	Nil
(-) Permitted payments	Nil	Nil	Nil
(-) Amount deposited in Banks	Nil	Nil	Nil
Closing cash in hand as on 30.12.2016	Nil	Nil	Nil

14. Financial Instruments and Related Disclosures

i. Capital Management:

The Company funds its operations mainly through internal accruals. The Company aims at maintaining a strong capital base so as to maintain adequate supply of funds in order to carry on the operations of its businesses as a going concern. The carrying amounts of trade payables and cash and cash equivalents are considered to be the same as their fair values due to their short term nature.

ii. Financial risk management:

Given the nature of operations of the Company as indicated in Note 1 above, the Company has minimal activity and the only source of income is from Estate maintenance services provided to its sister companies. Accordingly, the Company has no exposure towards market risks. Similarly, its exposure to credit risk and liquidity risk are also minimal as explained hereunder.

iii. Credit Risk:

The only source of income to the Company arises through receipts from Estate maintenance services from its ultimate holding company. Being part of the same group, exposure to credit risk is minimum. The Board of Directors analyse and monitor these financial instruments and assess the risk on an individual basis and take necessary action where required.

iv. Liquidity risk:

The Company manages its liquidity risk by ensuring that it will always have sufficient liquidity to meet its liabilities when due. The company's liquidity position is regularly monitored and as the Company does not have any borrowings, its working capital is sufficient to ensure adequate liquidity for operations.

REPORT OF THE BOARD OF DIRECTORS FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2017

Your Board of Directors hereby submit their Fourth Report for the financial year ended 31st March, 2017.

COMPANY PERFORMANCE

Your Company commenced commercial production from its factory at Mangaldai, Assam in August, 2015 to cater to the fast-growing biscuits market in Assam and other North Eastern States.

During the year Company has incurred a Net Loss of ₹ 181.38 Lakhs as compared to ₹ 1197.63 lakhs in previous year. The year under review has been the first full year of commercial operations for the Company with a steady increase in capacity utilization.

The summarized results of the Company are given in the table below:

Amount in Lakhs (₹)

Particulars	Financial Year Ended	
	31.03.2017	31.03.2016
Turnover	12,412.81	2,535.84
Profit before Interest & Depreciation	1,749.11	(292.38)
Interest paid	986.93	499.86
Depreciation	943.56	405.39
Loss before Tax plus Other Comprehensive Income	182.93	1,197.63
Loss brought forward from previous year	1,244.91	47.28
Loss carried to Balance Sheet	1,427.84	1,244.91

DIRECTORS

In accordance with the provisions of Section 152 of the Companies Act, 2013 ('the Act') and Article 77(d) of the Articles of Association of the Company, M/s. Murali Ganesan, Dharmarajan Ashok, Paritosh Wali and Samrat Deka will retire at the ensuing Annual General Meeting of the Company and being eligible, offer themselves for re-appointment.

Your Board of Directors have recommended for your approval, the re-appointment of M/s. M. Ganesan, D. Ashok, P. Wali and S. Deka as Directors of the Company.

The Independent Directors have confirmed that they meet the criteria of independence as laid down under Section 149(6) of the Act read with Rule 5 of the Companies (Appointment and Qualification of Directors) Rules, 2014.

BOARD AND BOARD COMMITTEES

During the financial year ended 31st March, 2017, the following meetings of the Board, Audit Committee and Nomination and Remuneration Committee were held:

Board / Board Committee	Number of Meetings held during the year	Dates of Meetings
Board	6	25th April, 2016
		21st June, 2016
		15th September, 2016
		30th November, 2016
		20th January, 2017
		24th February, 2017
Audit Committee	2	25th April, 2016
		24th February, 2017
Nomination and Remuneration Committee	1	25th April, 2016

Attendance of the Directors of the Company at the Board / Board Committee Meetings held during the year is detailed below:

Board

Sl. No.	Name	Designation	No. of Meetings held	No. of Meetings attended
1.	Mr. M. Ganesan	Chairman & Non-Executive Director	6	6
2.	Mr. D. Ashok	Non-Executive Director	6	4
3.	Mr. S. Deka	Non-Executive Director	6	6
4.	Mr. P. Wali	Non-Executive Director	6	3
5.	Mr. R. G. Jacob	Independent Director	6	5
6.	Mr. K. V. Raghavaiah	Independent Director	6	3

Audit Committee

Sl. No.	Name	Designation	No. of Meetings held	No. of Meetings attended
1.	Mr. M. Ganesan	Chairman	2	2
2.	Mr. R. G. Jacob	Member	2	2
3.	Mr. K. V. Raghavaiah	Member	2	1

Nomination and Remuneration Committee

Sl. No.	Name	Designation	No. of Meetings held	No. of Meetings attended
1.	Mr. P Wali	Chairman	1	1
2.	Mr. S. Deka	Member	1	1
3.	Mr. R. G. Jacob	Member	1	1
4.	Mr. K. V. Raghavaiah	Member	1	1

EVALUATION OF THE BOARD'S PERFORMANCE

Your Board in terms of recommendation of the Nomination and Remuneration Committee has a formal mechanism for evaluating Board's performance and as well as that of its Committees and individual Directors, including the Chairman of the Board.

In pursuance of the same, an exercise was carried out through a structured evaluation process covering various aspects of the Board's functioning such as composition of the Board & Committees, experience & competencies, performance of specific duties & obligations, quality, quantity and timeliness of flow of information to the Board, etc.

Performance evaluation of individual Directors was also carried out including the Chairman of the Board who were, inter alia, evaluated on parameters such as attendance, contribution at the meetings and independent judgement.

The Directors were satisfied with the evaluation results, which reflected the overall engagement of the Board and its Committees with the Company.

SHARE CAPITAL OF THE COMPANY

A) Increase in Authorised Share Capital and Amendment To Memorandum Of Association of the Company

During the financial year under review, in order to assist business requirements of the Company, your Company with the approval of the Members at the Extraordinary General Meeting held on 24th February, 2017, increased the Authorised Share Capital from ₹ 75 Crores divided into 7.50 Crores Equity Shares of ₹ 10/- each to ₹ 95 Crores divided into 7.50 Crores Equity Shares of ₹ 10/- each and 20 Lakhs Redeemable Preference Shares of ₹ 100/- each by creation of 20 Lakhs Redeemable Preference Shares of ₹ 100/- each.

Further, in order to give effect to the aforesaid increase in Authorised Share Capital, the Company with the approval of the Members, appropriately amended Clause V of the Memorandum of Association of the Company.

B) Issue and Allotment of 10% Cumulative Non-Convertible Redeemable Preference Share

In terms of the provisions of the Act and the Rules made thereunder, Members at the Extraordinary General Meeting held on 24th February, 2017 authorized the Board of Directors of the Company to issue, offer and allot 18 lakhs 10% Cumulative Non-Convertible Redeemable Preference Shares of ₹ 100/- each aggregating ₹ 18 Crores to ITC Limited (ITC), the Holding Company, on a private placement basis in one or more tranches.

Your Company has allotted 18 lakhs 10% Cumulative Non-Convertible Redeemable Preference Shares of ₹ 100/- each aggregating ₹ 18 Crores to ITC on 21st April, 2017.

Consequent to the above the paid-up share capital of the Company as on the date of the Board's Report stands at ₹ 91 Crores divided into 7.30 Crores Equity Shares of ₹ 10/- each aggregating ₹ 73 Crores and 18 lakhs 10% Cumulative Non-Convertible Preference Shares of ₹ 100/- each aggregating ₹ 18 Crores.

NOMINATION AND REMUNERATION POLICY

The Nomination and Remuneration Policy of the Company is guided by a set of principles, inter alia, pertaining to determining qualifications, positive attributes, integrity, independence and objectives particularly envisaged under Section 178 of the Act and the Articles of Association of the Company in respect of Directors, Key Managerial Personnel and employees of the Company.

The said Policy aims at attracting and retaining high caliber talent, is market-led and takes into account the competitive circumstance of its business so as to attract and retain quality talent and leverage performance significantly. It also aims to support and encourage meritocracy.

The Nomination and Remuneration Policy for Directors, Key Managerial Personnel, Senior Management and other employees is provided under **Annexure 1** forming part of this Report.

DIRECTORS' RESPONSIBILITY STATEMENT

As required under Section 134(5) of the Act, the Directors confirm having:

a) followed in the preparation of the Annual Accounts, the applicable Accounting Standards and there are no material departures;

b) 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 loss of the Company for that period;

c) taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

d) prepared the Annual Accounts on a going concern basis; and

e) devised proper systems to ensure compliance with the provisions of all applicable laws and such systems were adequate and operating effectively.

PARTICULARS OF CONSERVATION OF ENERGY AND TECHNOLOGY ABSORPTION

Particulars as required under Section 134(3)(m) of the Act read with Rule 8 of the Companies (Accounts) Rules, 2014 relating to Conservation of Energy and Technology Absorption are provided under **Annexure 2** to this Report.

FOREIGN EXCHANGE EARNINGS AND OUTGO

During the year under review, there has been no foreign exchange earnings and outgo.

PARTICULARS OF LOAN, GUARANTEES OR INVESTMENTS

During the financial year ended 31st March, 2017, the Company has not given any loan, guarantee or made any investment in terms of the provisions of Section 186 of the Act.

RISK MANAGEMENT

Risk management is an integral part of the Company's strategy of organization and straddles its planning, execution and reporting processes and systems.

The Risk Management Policy & Framework of the Company is designed to address risks intrinsic to strategy, operations, financials and compliances arising out of the overall Company's strategy and aspirations for the future based on comprehensive planning, monitoring and review.

Your Company operates in the food processing industry and hence food safety and hygiene are of utmost importance. The Company maintains highest standard for food safety and hygiene by following best practices of manufacturing along with stringent quality testing methods and norms for all input materials.

Your Company sells its final products exclusively to ITC in accordance with the orders placed by ITC from time to time and hence its revenue is dependent on ITC's market volumes. In view of the increasing marketing initiatives being taken up by ITC in the North East market, your Company is confident of mitigating the risk of low capacity utilisation.

Corporate policies are in place setting out the philosophy and principles under which the management needs to conduct its operations within a control driven and risk managed environment. Risk focused audits are carried out periodically by the Internal Auditors, which lead to identification of areas where risk management processes need to be strengthened. The Audit Committee closely monitors the internal control environment and risk management systems within the Company including implementation of the action plan emerging out of internal audit findings. Annual update is provided to the Board on the effectiveness of the Company's risk management systems and policies.

INTERNAL FINANCIAL CONTROLS

The Internal Financial Controls (IFC) which form the basis of the Financial Statements are adequate and commensurate with the size and nature of business of the Company. The Company follows approved policies and standard operating procedures to prepare, review and report financial performance. The Audit Committee periodically evaluates internal financial controls and risk management system of the Company.

During the year under review, internal audit of the systems, processes and compliances for all major areas of operations of the Company was carried out by the Internal Audit team of ITC Limited, the Holding Company and by M/s. Protiviti, a global risk audit firm. The Internal Auditors independently evaluate adequacy of design and operating effectiveness of internal controls and compliance with policies laid down by the Company.

IFC system testing including Enterprise Risk Services (ERS) audit for automated control testing was conducted during the year by the Statutory Auditors, Deloitte Haskins & Sells.

PUBLIC DEPOSITS

During the year under review, the Company has not accepted any deposits from the public / Members under Section 73 of the Act read with the Companies (Acceptance of Deposits) Rules, 2014.

EXTRACT OF ANNUAL RETURN

The information required under Section 134(3)(a) of the Act read with Rule 12 of the Companies (Management and Administration) Rules, 2014 is provided under **Annexure 3** forming part of this Report.

STATUTORY AUDITORS

In accordance with the provisions of Section 139 of the Act, the Company has appointed Messrs. Deloitte Haskins & Sells, Chartered Accountants, Kolkata (Registration No. 302009E) at the First Annual General Meeting of the Company to hold such office for a period of five years till the conclusion of the Sixth Annual General Meeting.

In terms of Section 139 of the Act, the appointment of the statutory auditors is required to be placed for ratification by the Members at every Annual General Meeting and in terms of Section 142 of the Act, the remuneration of the Auditors is required to be approved by the Members at the General Meeting.

Your Board, on the recommendation of the Audit Committee, has recommended appropriate resolution in respect of the aforesaid as appearing in the Notice convening the Fourth Annual General Meeting of the Company.

There are no qualifications, reservations or adverse remarks in the Auditor's Report for the financial year ended 31st March, 2017. During the year under review, the Auditors have not reported any matter under Section 143(12) of the Act; therefore no detail is required to be disclosed under Section 134(3)(ca) of the Act.

SECRETARIAL AUDIT REPORT

Your Board of Directors, on the recommendation of the Audit Committee, appointed Messrs. K. Arun & Co., Practising Company Secretaries, Kolkata (CP No. 2270), as the Secretarial Auditor of the Company for the financial year ended 31st March, 2017, in terms of the provisions of Section 204 of the Act read with Rule 9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 to conduct the Secretarial Audit of the Company.

The Secretarial Audit Report issued by Messrs. K Arun & Co. to the effect that the Company has complied with the relevant laws and regulations is provided under **Annexure 4** forming part of this Report.

There are no qualifications, reservations or adverse remarks in the Secretarial Audit Report for the financial year ended 31st March, 2017. During the year under review, the Secretarial Auditors have not reported any matter under Section 143(12) of the Act; therefore no detail is required to be disclosed under Section 134(3)(ca) of the Act.

PARTICULARS OF RELATED PARTY TRANSACTIONS

All related party transactions entered during the financial year were in the ordinary course of business and on arm's length basis.

Material related party transactions entered during the financial year by your Company is disclosed as required under Section 134(3)(h) of the Act read with Rule 8 of the Companies (Accounts) Rules, 2014 in Form AOC -2 in **Annexure 5** of this Report.

SUBSIDIARIES, JOINT VENTURES OR ASSOCIATE COMPANIES

Your Company does not have any subsidiary, joint venture or associate company.

SIGNIFICANT AND MATERIAL ORDERS PASSED BY THE REGULATORS / COURTS / TRIBUNALS

During the year under review, there were no significant or material orders passed by the regulators or courts or tribunals impacting the going concern status of the Company and its future operations.

PARTICULARS OF EMPLOYEES

The information required under Section 197(12) of the Act read with Rule 5(2) & 5(3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 relating to the names and other particulars of top ten employees in terms of remuneration drawn is disclosed in **Annexure 6** of this Report.

During the financial year under review, none of the employees of the Company, who if employed throughout the year ended 31st March, 2017, was in receipt of remuneration aggregating to not less than ₹ 1.02 crore and if employed for part of the said year, was in receipt of remuneration not less than ₹ 8.5 lakhs per month as specified under Section 197(12) of the Act read with Rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014.

HUMAN RESOURCES DEVELOPMENT

Your Company has established an organization structure that is focused on delivering business results. Your Company ensures that young talent is nurtured and mentored consistently, that rewards and recognition are commensurate with performance and that employees have the opportunity to develop and grow. The Company provides a gender friendly work place and no case of sexual harassment was reported during the year.

During the year under review, your Company has formulated the HR Operational Policy in accordance with the State Labour Laws and other Legislations for establishing and maintaining consistent employee practices in the Company.

Your Board of Directors record their sincere appreciation of the efforts of the committed team of employees.

Industrial Relation across the Company during the year under review was generally cordial.

ENVIRONMENT, HEALTH AND SAFETY

Your Company is committed to conducting its operations with due regard to environment and providing a safe and healthy workplace for each employee.

During the year under review, major focus has been on training and participation of the workmen towards Environment, Health and Safety. Your Company has conducted in-house training of situation-based standard operating procedures for various emergencies, viz earthquake preparedness, fire emergency etc.

World Environment Day was observed with the theme “Fight against the Illegal Trade in Wildlife” including distribution of plants for plantation among villagers for creating awareness.

National Safety Week - 2017 was celebrated with the theme “Leadership In Safety And Health Enhances Business Sustainability” with training sessions regarding safety at Machine Guarding, Housekeeping, Road Safety, etc. Fire safety drills and evacuation drills were organized at regular intervals including training to the security team to handle fire emergency and safe evacuation of the occupants.

Your Company conducts safety meetings on periodic basis with worker and management representatives. Also your Company has provided and maintained facilities, equipment, operations and working conditions which are safe for the employees and visitors to its factory.

ACKNOWLEDGEMENT

The Directors record their appreciation for the assistance rendered to the Company by its Members, Banks, and various authorities under the Central and State Governments.

Your Directors look forward to the future with confidence.

By Order Of The Board

North East Nutrients Private Limited

Dated: 21st April, 2017	**(M. Ganesan)**	**(D. Ashok)**
Place : Bengaluru	Chairman	Director

Annexure - 1

NOMINATION AND REMUNERATION POLICY

1. PREAMBLE

The Nomination and Remuneration Committee (the Committee) set up, pursuant to the provisions of the Companies Act, 2013 (‘the Act’) and the Rules made thereunder, is required to formulate a Policy relating to the remuneration of the Directors, Key Managerial Personnel (KMP) and other employees of the Company and recommend to the Board for its adoption. The Committee is also required to formulate the criteria for identifying persons who are qualified to become Directors determining qualifications, positive attributes and independence of a Director apart from identifying persons who may be appointed in senior management. The policy would be required to be disclosed in the Board’s Report as applicable in terms of the Act.

2. POLICY

In compliance of the above requirements, the Board of Directors of the Company have adopted this Nomination and Remuneration Policy, as recommended by the Committee, which would be reviewed by the Committee as and when required and the same shall be subject to the provisions of the Act and Articles of Association of the Company.

3. POLICY OBJECTIVES

The Nomination and Remuneration Policy is guided by a set of principles, inter alia, pertaining to determining qualifications, positive attributes, integrity, independence, remuneration and objectives particularly envisaged under Section 178 of the Act and the Articles of Association of the Company in respect of Directors, KMP and employees of the Company.

The key objectives of the Policy, inter alia, includes the following:

a) Enable the Company to attract, retain and motivate appropriately qualified persons / members for the Board and executive level.

b) Enable the Company to provide a well-balanced and performance-led compensation package, taking into account industry standards and relevant Indian corporate regulations.

c) Ensure that the interests of the Directors, KMP and senior management are aligned with the business strategy and risk tolerance, objectives, values and long-term interests of the Company and be consistent with the ‘Pay for Performance’ principle as applicable.

d) Ensure that the remuneration of Directors, KMP and senior management involves a balance between fixed and incentive pay reflecting short and long-term performance objectives appropriate to the working of the Company, its policies and its goals.

4. APPOINTMENT AND REMOVAL OF DIRECTOR, KMP AND SENIOR MANAGEMENT

1. Appointment criteria and qualifications:

a) In terms of the Articles of Association of the Company, the Board shall have six Non-Executive Directors consisting two Independent Directors, three Directors nominated by ITC Limited (Holding Company) and one Director nominated by SRD. The Party nominating the Director may withdraw its nominated Director and nominate another Director in his place.

b) The Committee shall identify and ascertain the integrity, qualification, expertise and experience of the person for appointment as Independent Director, KMP or at senior management level and recommend to the Board his / her appointment. The Committee has discretion to decide whether qualification, expertise and experience possessed by a person are sufficient / satisfactory for the concerned position.

c) An Independent Director shall possess appropriate skills, experience and knowledge in one or more fields of finance, law, management, sales, marketing, administration, human resources, research, corporate governance, operations or other disciplines related to the Company’s business.

d) An Independent Director shall be a person of integrity, who possesses relevant expertise and experience and who shall uphold ethical standards of integrity and probity; act objectively and constructively; exercise his responsibilities in a bona-fide manner in the interest of the Company; devote sufficient time and attention to his professional obligations for informed and balanced decision making; and assist the Company in implementing the best corporate governance practices.

e) An Independent Director should meet the requirements of the Act and Rules made thereunder concerning independence of Directors.

2. Term / Tenure

a) **Managing Director / Whole-time Director / Manager (Managerial Person):**

The Company may appoint or re-appoint any person as its Managerial Person in terms of the provisions of the Act and Articles of Association of the Company, for a term not exceeding five years at a time. No re-appointment shall be made earlier than one year before the expiry of term.

b) **Non-Executive Director :**

The term of the Non-Executive Directors, unless otherwise specified, shall be in accordance with the Articles of Association of the Company.

c) **Non-Executive Independent Director:**

An Independent Director shall hold office for a term up to five consecutive years on the Board of the Company and will be eligible for re-appointment on passing of a special resolution by the Company and disclosure of such appointment in the Board’s Report.

No Independent Director shall hold office for more than two consecutive terms, but such Independent Director shall be eligible for appointment after expiry of three years of ceasing to become an Independent Director. The Independent Director shall, during the said period of three years, not be appointed in or be associated with the Company in any other capacity, either directly or indirectly.

d) **KMP and Senior Management:**

The term of the KMP (other than the Managing / Whole-time Director / Manager) and senior management shall be decided on a case to case basis.

3. Evaluation:

The Committee shall identify evaluation criteria based on which Directors will evaluate knowledge to perform the role, time and level of participation, performance of duties, level of oversight, professional conduct and independence.

In conformity with the requirement of the Act, the performance evaluation of Independent Directors shall be done by entire Board excluding the Director being evaluated.

The Independent Directors of the Company shall hold atleast one meeting in a year to review the performance of Non-Independent Directors, performance of the Chairman of the Company and the Board as a whole, assess the quality, quantity and timeliness of flow of information between the Company management and the Board that is necessary for the Board to effectively and reasonably perform their duties.

4. Induction:

As required by the provisions of Schedule IV to the Act, the Company will impart Familiarisation Programmes for Independent Directors inducted on the Board of the Company. The Familiarisation Programmes will provide information relating to the Company, its growth plans, the peculiarities of the industry in which the Company operates, its long term plans and objectives and also improve awareness of the Independent Directors on their roles, rights, responsibilities towards the Company.

5. Removal :

Due to reasons for any disqualification mentioned in the Act and Rules made thereunder or under any other applicable statutes or the Articles of Association of the Company, the Committee may recommend to the Board with reasons recorded in writing, removal of a Director, KMP or senior management.

6. Retirement:

The Director(s), KMP and senior management shall retire as per the applicable Service Rules, provisions of the Act and the Articles of Association of the Company. The Board shall have the discretion to retain the Director, KMP, senior management in the same position / remuneration or otherwise even after attaining the retirement age, for the benefit of the Company, subject to necessary approvals as may be required under the Act.

5. **REMUNERATION OF DIRECTOR, KMP AND OTHER EMPLOYEES**

1. **Remuneration payable to Non-Executive Directors**

The Non-Executive Non-Independent Directors of the Company shall not be paid any commission or fee for attending the meetings. However, they shall be entitled to all travelling, hotel or other expenses incurred by them in attending and returning from the meetings of the Board, Committees, or General Meetings of the Company, including adjourned meetings thereof, and generally in connection with the business of the Company.

2. **Remuneration payable to Non-Executive Independent Directors**

The Board shall, in consultation with the Committee, approve the remuneration by way of sitting fees payable to Non-Executive Independent Directors, which shall take into account the Company's overall performance, Directors' contribution for the same and trends in the industry in general, in a manner which will ensure and support a high performance culture.

The Non-Executive Independent Directors shall be paid sitting fees for attending the Board and Committee Meetings, Independent Directors' Meeting, as may be approved by the Board based on the recommendation of the Committee subject to the ceiling stipulated in the Act and the Rules made thereunder. In addition to the above, they shall be entitled to reimbursement of all reasonable expenses as may be incurred by them, while performing their role as an Independent Director of the Company including obtaining, subject to prior consultation with the Board, professional advice from independent advisors in the furtherance of their duties as an Independent Director.

Increments to the existing remuneration structure may be recommended by the Committee to the Board and shall be subject to approval of Members of the Company, wherever required.

3. **Remuneration of KMP and Employees (other than KMP) and Workmen**

The Board shall, in consultation with the Committee, approve the remuneration to be paid to KMP in accordance with the statutory provisions of the Act and the Rules made thereunder. It shall also be subject to the approval of the Members of the Company and Central Government, wherever required.

The remuneration of other employees (other than KMP) and workmen shall be approved by the Board and will be such as to ensure that the relationship of remuneration to performance is clear and meets appropriate performance benchmarks relevant to the industry.

6. **DEVIATIONS FROM THIS POLICY**

Deviations on elements of this Policy in extraordinary circumstances, when deemed necessary in the interests of the Company, will be made if there are specific reasons to do so in an individual case.

7. **OTHER PROVISIONS**

This Policy shall continue to guide all future employment of Directors, Company's senior management including KMP and other employees / workmen as applicable.

Any matter not provided for in this Policy shall be dealt with in accordance with the provisions in the Articles of Association of the Company, the Act, relevant state laws and other applicable statutes. The right to interpret this Policy shall vest in the Board of Directors of the Company.

8. **DISCLOSURE OF INFORMATION**

Information on the total remuneration of the Company's Board of Directors, KMP / senior management may be disclosed in the Company's annual financial statements as per statutory requirements. This includes any deferred payments and extraordinary contracts during the preceding financial year.

9. **AMENDMENTS**

Amendments from time to time to the Policy, if any, shall be considered by the Board based on the recommendations of the Committee and / or as may be required by the changes in the regulatory framework.

Annexure - 2

PARTICULARS OF CONSERVATION OF ENERGY & TECHNOLOGY ABSORPTION

[Information under Section 134(3)(m) of the Companies Act, 2013 read with Rule 8 of the Companies (Accounts) Rules, 2014]

A. **CONSERVATION OF ENERGY**

i. **The steps taken or impact on conservation of energy:**

Business continued to accrue savings from installation of LED lights and solar lights undertaken during the previous year. This initiative has led to an annual savings of 100 MW of electricity during the year.

ii. **The steps taken by the Company for utilising alternate sources of energy:**

a. Reduction in electricity load through implementation of solar water heater system with a capacity 5000 litres for the process water. This will result in estimated savings of 35 KW of electrical energy for the Company during the FY 2017-18.

b. The Company implemented and stabilized up-draft gasification technology to use cut-bamboo as biomass instead of conventional fuel i.e. High Speed Diesel (HSD). Total savings actualized is approx. ₹ 64 Lakhs and CO_2 emission reduced by 767 Tonnes equivalent.

iii. **The capital investment on energy conservation equipment:**

The Company has not made any capital investment in energy conservation equipment during the year.

B. **TECHNOLOGY ABSORPTION**

i. **Efforts made towards technology absorption:**

The Company continues to absorb the latest technology in ensuring benchmark quality in its production operations and for ensuring optimum product quality. Wherever possible, efforts have been made to reduce human interaction with the product to ensure food safety; Robotic systems for tertiary packaging has been installed. Also, the focus is on leveraging performance from available technology.

ii. **Benefits derived like product improvement, cost reduction, product development or import substitution:**

a. Installation and commissioning of robotic pick and place system for tertiary packaging in cream line to drive improvement in manpower productivity; total estimated manpower savings potential of 18-man month.

b. Installation of additional sandwiching and packing machines to enhance cream line capacity by about 20%.

c. Enhancement of existing technologies of product coding to accomplish operational cost reduction of ribbon cost by about 50%.

iii. **In case of imported technology (imported during the last three years reckoned from the beginning of the financial year):**

The Company has not imported any technology during the year under review.

iv. **The expenditure incurred on Research and Development:**

The Company did not incur any expenditure on Research & Development during the year under review.

By order of the Board
NORTH EAST NUTRIENTS PRIVATE LIMITED

Dated: 21st April, 2017
Bengaluru

(M. GANESAN) CHAIRMAN
(D. ASHOK) DIRECTOR

Annexure - 3

Form No. MGT-9
EXTRACT OF ANNUAL RETURN
for the financial year ended on 31st March, 2017

[Pursuant to Section 92(3) of the Companies Act, 2013 and Rule 12(1) of the Companies (Management and Administration) Rules, 2014]

I. **REGISTRATION AND OTHER DETAILS:**

i.	CIN	U15122WB2013PTC196135
ii.	Registration Date	5th August, 2013
iii.	Name of the Company	North East Nutrients Private Limited
iv.	Category / Sub-Category of the Company	Private Company Limited by Shares
v.	Address of the Registered Office and contact details	Aradhana Building, 2/1 Anandilal Poddar Sarani, Kolkata – 700071 Tel : 033-4070 1204
vi.	Whether listed company	No
vii.	Name, Address and contact details of Registrar & Transfer Agents (RTA), if any	--

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

All the business activities contributing 10% or more of the total turnover of the company shall be stated:-

Sl. No.	Name and Description of main products / services	NIC Code of the Product/ service	% to total turnover of the Company
1.	Manufacture of Biscuits	10712	100

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES

Sl. No.	Name and address of the company	CIN / GLN	Holding/Subsidiary/ Associate	% of Shares Held	Applicable Section
1.	ITC Limited, Virginia House, 37 Jawaharlal Nehru Road, Kolkata – 700071	L16005WB1910PLC001985	Holding Company	76	Section 2(46) of the Companies Act, 2013

IV. SHARE HOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity)

(i) Category-wise Share Holding

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
A. Promoters									
1. Indian									
a) Individual/HUF	–	1,75,20,000	1,75,20,000	24	–	1,75,20,000	1,75,20,000	24	Nil
b) Central Govt.	–	–	–	–	–	–	–	–	–
c) State Govt.(s)	–	–	–	–	–	–	–	–	–
d) Bodies Corp.	–	5,54,80,000	5,54,80,000	76	-	5,54,80,000	5,54,80,000	76	Nil
e) Banks / FI	–	–	–	–	–	–	–	–	–
f) Any Other	–	–	–	–	–	–	–	–	–
Sub-total (A)(1)	**–**	**7,30,00,000**	**7,30,00,000**	**100**	**–**	**7,30,00,000**	**7,30,00,000**	**100**	**Nil**
2. Foreign									
a) NRIs – Individuals	–	–	–	–	–	–	–	–	–
b) Other – Individuals	–	–	–	–	–	–	–	–	–
c) Bodies Corp.	–	–	–	–	–	–	–	–	–
d) Banks / FI	–	–	–	–	–	–	–	–	–
e) Any Other	–	–	–	–	–	–	–	–	–
Sub-total (A)(2)	–	–	–	–	–	–	–	–	–
Total shareholding of Promoter (A) = (A)(1)+(A)(2)	**–**	**7,30,00,000**	**7,30,00,000**	**100**	**–**	**7,30,00,000**	**7,30,00,000**	**100**	**Nil**
B. Public Shareholding									
1. Institutions									
a) Mutual Funds	–	–	–	–	–	–	–	–	–
b) Banks / FI	–	–	–	–	–	–	–	–	–
c) Central Govt.	–	–	–	–	–	–	–	–	–
d) State Govt.(s)	–	–	–	–	–	–	–	–	–
e) Venture Capital Funds	–	–	–	–	–	–	–	–	–
f) Insurance Companies	–	–	–	–	–	–	–	–	–
g) FIIs	–	–	–	–	–	–	–	–	–
h) Foreign Venture Capital Funds	–	–	–	–	–	–	–	–	–
i) Others (specify)	–	–	–	–	–	–	–	–	–
Sub-total (B)(1)	–	–	–	–	–	–	–	–	–
2. Non-Institutions									
a) Bodies Corp.	–	–	–	–	–	–	–	–	–
i) Indian	–	–	–	–	–	–	–	–	–
ii) Overseas	–	–	–	–	–	–	–	–	–
b) Individuals	–	–	–	–	–	–	–	–	–
i) Individual shareholders holding nominal share capital upto ₹ 1 lakh									
ii) Individual shareholders holding nominal share capital in excess of ₹ 1 lakh									
c) Others (specify)	–	–	–	–	–	–	–	–	–
Sub-total (B)(2)	–	–	–	–	–	–	–	–	–
Total Public Shareholding (B)= (B)(1)+ (B)(2)	–	–	–	–	–	–	–	–	–
C. Shares held by Custodian for GDRs & ADRs	–	–	–	–	–	–	–	–	–
Grand Total (A+B+C)	**–**	**7,30,00,000**	**7,30,00,000**	**100**	**–**	**7,30,00,000**	**7,30,00,000**	**100**	**Nil**

(ii) Shareholding of Promoters

Sl. No.	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in shareholding during the year
		No. of Shares	% of total Shares of the Company	% of Shares pledged / encumbered to total Shares	No. of Shares	% of total Shares of the Company	% of Shares pledged / encumbered to total Shares	
1.	ITC Limited	5,54,80,000	76	Nil	5,54,80,000	76	Nil	Nil
2.	Mr. Mukul Chandra Deka	43,80,000	6	6	43,80,000	6	6	Nil
3.	Mr. Rajib Kumar Deka	43,80,000	6	6	43,80,000	6	6	Nil
4.	Mr. Anupam Deka	43,80,000	6	6	43,80,000	6	6	Nil
5.	Mr. Samrat Deka	43,80,000	6	6	43,80,000	6	6	Nil
TOTAL		**7,30,00,000**	**100**	**24**	**7,30,00,000**	**100**	**24**	–

(iii) Change in Promoters' Shareholding (please specify, if there is no change)

Sl. No.		Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of Shares	% of total Shares of the Company	No. of Shares	% of total Shares of the Company
	At the beginning of the year	No Change during the year			
	Date wise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus/ sweat equity etc):				
	At the end of the year				

(iv) Shareholding Pattern of top ten Shareholders (other than Directors, Promoters and Holders of GDRs and ADRs):

Sl. No.	For Each of the Top 10 Shareholders	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of Shares	% of total Shares of the Company	No. of Shares	% of total Shares of the Company
	At the beginning of the year	Nil	Nil	Nil	Nil
	Date wise Increase / Decrease in Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus / sweat equity etc):	Nil	Nil	Nil	Nil
	At the end of the year (or on the date of separation, if separated during the year)	Nil	Nil	Nil	Nil

(v) Shareholding of Directors and Key Managerial Personnel:

Sl. No.	For each of the Directors and KMP	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of Shares	% of total Shares of the Company	No. of Shares	% of total Shares of the Company
1.	**Mr. Murali Ganesan (Chairman and Non-Executive Director)**				
	At the beginning of the year	–	N.A.	–	–
	Date wise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus/ sweat equity etc.)	–	N.A.	–	–
	At the end of the year	–	N.A.	–	–
2.	**Mr. D. Ashok (Non-Executive Director)**				
	At the beginning of the year	–	N.A.	–	–
	Date wise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus/ sweat equity etc.)	–	N.A.	–	–
	At the end of the year	–	N.A.	–	–
3.	**Mr. Samrat Deka (Non-Executive Director)**				
	At the beginning of the year	43,80,000	6.00	43,80,000	6.00
	Date wise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus/ sweat equity etc.)	–	N.A.	–	–
	At the end of the year	43,80,000	6.00	43,80,000	6.00
4.	**Mr. R. G. Jacob (Non-Executive Independent Director)**				
	At the beginning of the year	–	N.A.	–	–
	Date wise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus/ sweat equity etc.)	–	N.A.	–	–
	At the end of the year	–	N.A.	–	–
5.	**Mr. K. V. Raghavaiah (Non-Executive Independent Director)**				
	At the beginning of the year	–	N.A.	–	–
	Date wise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus/ sweat equity etc.)	–	N.A.	–	–
	At the end of the year	–	N.A.	–	–
6.	**Mr. Paritosh Wali (Non-Executive Director)**				
	At the beginning of the year	–	N.A.	–	–
	Date wise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus/ sweat equity etc.)	–	N.A.	–	–
	At the end of the year	–	N.A.	–	–
7.	**Mr. Anindya Sengupta (Chief Financial Officer)**				
	At the beginning of the year	–	N.A.	–	–
	Date wise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus/ sweat equity etc.)	–	N.A.	–	–
	At the end of the year	–	N.A.	–	–

8.	**Ms. Savitha Bai S. (Manager and Company Secretary)**				
	At the beginning of the year	–	N.A.	–	–
	Date wise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus/ sweat equity etc.)	–	N.A.	–	–
	At the end of the year	–	N.A.	–	–

V. INDEBTEDNESS

Indebtedness of the Company including interest outstanding / accrued but not due for payment: **(Amount in ₹ Crores)**

	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year				
i) Principal Amount	78.00			78.00
ii) Interest due but not paid	-			
iii) Interest accrued but not due	2.06			2.06
Total (i+ii+iii)	**80.06**	**Nil**	**Nil**	**80.06**
Change in Indebtedness during the financial year				
• Addition	13.00	18.00		31.00
• Reduction	32.22	-		32.22
- Principal paid during 2016-17	30.16			30.16
- Interest accrued but not due at the beginning of the FY	2.06			2.06
Net Change	**(19.22)**	**18.00**	**Nil**	**(1.22)**
Indebtedness at the end of the financial year				
i) Principal Amount	60.84	18.00	Nil	78.84
ii) Interest due but not paid	–			–
iii) Interest accrued but not due	–			–
Total (i+ii+iii)	**60.84**	**18.00**	**Nil**	**78.84**

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

A. Remuneration to Managing Director, Whole-time Directors and / or Manager: (Amount in ₹)

Sl. No.	Particulars of Remuneration	Name of MD / WTD / Manager	Total
		Ms. Savitha Bai S. (Manager and Company Secretary) *(refer Note 1)*	
1.	Gross salary :		
	(a) Salary as per provisions contained in Section 17(1) of the Income-tax Act, 1961	8,30,000	8,30,000
	(b) Value of perquisites under Section 17(2) of the Income-tax Act, 1961	20,000	20,000
	(c) Profits in lieu of salary under Section 17(3) of the Income-tax Act, 1961	–	–
2.	Stock Option	–	–
3.	Sweat Equity	–	–
4.	Commission - as % of profit - others, specify	–	–
5.	Others, please specify	–	–
Total (A)		**8,50,000**	**8,50,000**
Ceiling as per the Companies Act, 2013			**84,00,000 p.a.** *(refer Note 2)*

Note 1 : Ms. Savitha Bai S is on deputation from ITC Limited, the Holding Company.

Note 2 : Ceiling as per Part II of Schedule V of the Companies Act, 2013 has been disclosed, considering that the profits of the Company for the financial year ended 31st March, 2017 are inadequate.

B. Remuneration to other Directors: (Amount in ₹)

Sl. No.	Particulars of Remuneration	Name of Directors		Total Amount
		Mr. R. G. Jacob	Mr. K. V. Raghavaiah	
1.	**Independent Directors**			
	• Fee for attending Board and Board Committee meetings	1,27,500	77,500	2,05,000
	• Commission	–	–	–
	• Others, please specify	–	–	–
	Total (1)	**1,27,500**	**77,500**	**2,05,000** *(refer Note 1)*

Sl. No.	Particulars of Remuneration	Name of Directors				Total Amount
		Mr. M. Ganesan	Mr. D. Ashok	Mr. S. Deka	Mr. P. Wali	
2.	**Other Non-Executive Directors**					
	• Fee for attending Board and Board Committee meetings	–	–	–	–	–
	• Commission	–	–	–	–	–
	• Others, please specify	–	–	–	–	–
	Total (2)	–	–	–	–	–
Total (B) = (1) + (2)						**2,05,000**
Total Managerial Remuneration (A) + (B)						**10,55,000**
Overall ceiling as per the Companies Act, 2013						**42,00,000 p.a.** *(refer Note)*

Note 1: The Independent Directors of the Company are not entitled to any remuneration other than sitting fees for attending Board & Board Committees meetings and Independent Directors' meeting. During the year under review the Independent Directors waived sitting fees for attending Nomination and Remuneration Committee Meeting held on 25th April, 2016.

Note 2: Ceiling as per Part II of Schedule V of the Companies Act, 2013 has been disclosed, considering that the profits of the Company for the financial year ended 31st March, 2017 are inadequate.

C. Remuneration to Key Managerial Personnel other than Managing Director / Manager / Whole-time Director: **(Amount in ₹)**

Sl. No.	Particulars of Remuneration	Key Managerial Personnel Mr. Anindya Sengupta (Chief Financial Officer) *(refer Note)*
1.	Gross salary :	
	(a) Salary as per provisions contained in Section 17(1) of the Income-tax Act, 1961	24,28,000
	(b) Value of perquisites under Section 17(2) of the Income-tax Act, 1961	50,000
	(c) Profits in lieu of salary under Section 17(3) of the Income-tax Act, 1961	–
2.	Stock Option	–
3.	Sweat Equity	–
4.	Commission - as % of profit - others, specify	–
5.	Others, please specify	–
Total (C)		**24,78,000**

Note : Mr. Anindya Sengupta is on deputation from ITC Limited, the Holding Company.

VII. PENALTIES / PUNISHMENT/ COMPOUNDING OF OFFENCES: NIL

Type	Section of the Companies Act	Brief Description	Details of Penalty / Punishment/ Compounding fees imposed	Authority [RD/ NCLT/ COURT]	Appeal made, if any (Give Details)
A. COMPANY					
Penalty	Nil	Nil	Nil	Nil	Nil
Punishment	Nil	Nil	Nil	Nil	Nil
Compounding	Nil	Nil	Nil	Nil	Nil
B. DIRECTORS					
Penalty	Nil	Nil	Nil	Nil	Nil
Punishment	Nil	Nil	Nil	Nil	Nil
Compounding	Nil	Nil	Nil	Nil	Nil
C. OTHER OFFICERS IN DEFAULT					
Penalty	Nil	Nil	Nil	Nil	Nil
Punishment	Nil	Nil	Nil	Nil	Nil
Compounding	Nil	Nil	Nil	Nil	Nil

By order of the Board

NORTH EAST NUTRIENTS PRIVATE LIMITED

Dated: 21st April, 2017
Bengaluru

(M. GANESAN) CHAIRMAN

(D. ASHOK) DIRECTOR

Annexure - 4

SECRETARIAL AUDIT REPORT

FOR THE FINANCIAL YEAR ENDED 31st Day of March, 2017

[Pursuant to section 204(1) of the Companies Act, 2013 and Rule No.9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]

To,

The Members,

North East Nutrients Private Limited

Aradhana Building, 2/1 Anandilal Poddar Sarani,

Kolkata-700071.

We have conducted the **Secretarial Audit** of the compliance of applicable statutory provisions and the adherence to good corporate practices by **North East Nutrients Private Limited (hereinafter called "the Company").** Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts/ statutory compliances and expressing our opinion thereon.

Based on our verification of books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, and authorized representatives during the conduct of Secretarial Audit, we hereby report that in our opinion the Company has, during the audit period covering the financial year ended **31st March, 2017** complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended **31st March, 2017** according to the provisions of:

I. The Companies Act, 2013(the Act) and the rules made thereunder;

II. The following other laws specifically applicable to the Company includes:

   a) Food Safety & Standards Acts, 2006 and Rules made thereunder

   b) Legal Metrology Act, 2009 and Rules made thereunder along with applicable factory related laws, labour laws and environmental laws.

We have also examined the compliance by the Company of the following statutory standards:

   a. The Secretarial Standards (SS - 1 and SS – 2) issued by the Institute of Company Secretaries of India.

We further report that:

The Board of Directors of the Company is duly constituted comprising four Non-Executive Directors and two Independent Directors.

Adequate Notice is given to all Directors to schedule the Board/ Committee Meetings. Agenda and detailed Notes on Agenda were sent at least seven days in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

We further report that as represented by management there are adequate systems and processes in the Company commensurate with the size and operations of the Company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

We further report that during the period under review:

1. The Company, with the approval of the Members in Extraordinary Meeting held on 24th February, 2017, **increased Authorised Share Capital** of the Company from ₹ **75,00,00,000**/- (Rupees Seventy Five Crores) divided into 7,50,00,000 (Seven Crores and Fifty Lakhs) Equity Shares of ₹ 10/- (Rupees Ten) each to ₹ **95,00,00,000**/- (Rupees Ninety Five Crores) divided into 7,50,00,000 (Seven Crores and Fifty Lakhs) Equity Shares of ₹ 10/- (Rupees Ten) each and 20,00,000 (Twenty Lakhs) Redeemable Preference Shares of ₹ 100/- (Rupees Hundred) each.

2. The Company **has issued 18,00,000, 10% Cumulative Non-Convertible Redeemable Preference Shares** of ₹ **100/- each aggregating** ₹ **18,00,00,000 (Rupees Eighteen Crores) to ITC Limited,** the Holding Company on **Private Placement Basis** in accordance with the provisions of the Act and the Articles of Association of the Company.

   We further report that the Company has duly complied with the provisions of the Act and filed the necessary forms and returns relating to increase in the share capital and issuance of Preference Shares on Private Placement basis, within the specified timelines as detailed below:

SL NO.	FORMS	PURPOSE	DATE OF FILING	SRN
1	SH-7	Increase in Authorized Share Capital of the Company	10.03.2017	G37857588
2	MGT 14	Resolution Passed Pursuant to Sec-179(3) for issue of Preference Share	17.03.2017	G38359568
3	MGT 14	Special Resolution Passed for issue of Preference share.	24.03.2017	G39045182
4	GNL 2	Form For Submission of Document with the Registrar.	11.04.2017	G40583270
5	PAS 3	Return of Allotment.	15.05.2017	G43650357

For K. Arun & Co.
Company Secretaries
Arun Kr. Khandelia
Partner
C.P. No.: 2270

Place : Kolkata
Date : 21.04.2017

Annexure - 5

FORM AOC – 2

FOR THE FINANCIAL YEAR ENDED 31st Day of March, 2017

(Pursuant to Section 134(3)(h) of the Companies Act, 2013

and Rule 8(2) of the Companies (Accounts) Rules, 2014)

Disclosure of particulars of contracts / arrangements entered into by the company with related parties referred to in sub-section (1) of Section 188 of the Companies Act, 2013 including certain arm's length transactions under third proviso thereto:

1. Details of contracts or arrangements or transactions not at arm's length basis

(a)	Name(s) of the related party and nature of relationship	**Nil**
(b)	Nature of contracts / arrangements / transactions	
(c)	Duration of the contracts / arrangements / transactions	
(d)	Salient terms of the contracts or arrangements or transactions including the value, if any	
(e)	Justification for entering into such contracts or arrangements or transactions	
(f)	Date(s) of approval by the Board	
(g)	Amount paid as advances, if any:	
(h)	Date on which the special resolution was passed in general meeting as required under first proviso to Section 188:	

2. Details of material contracts or arrangement or transactions at arm's length basis:

(a)	Name(s) of the related party and nature of relationship	**Russell Credit Limited, Fellow Subsidiary**	**ITC Limited, Holding Company**
(b)	Nature of contracts / arrangements / transactions	Term Loan Agreement	Manufacturing & Sale Agreement
(c)	Duration of the contracts / arrangements / transactions	1. Long Term Loan for a period of 7 years. 2. Short Term Loan for a period of 1 year.	Period of 5 years from the date of execution of agreement.
(d)	Salient terms of the contracts or arrangements or transactions including the value, if any	Repayment of loan - value of transaction aggregating ₹ 30.16 Crores: • Long term loan - Repayment of ₹ 12.16 Crores; • Short term loan - Repayment of ₹ 18 Crores.	Value of transaction during the year ₹ 138.21 Crores.
(e)	Date(s) of approval by the Board	1. Borrowing of secured loan of ₹ 73 Crores - 28th April, 2015. 2. Borrowing of secured loan of ₹ 10 Crores – 3rd November, 2015. 3. Enhancement of secured loan from ₹ 10 Crores to ₹ 13 Crores – 21st June, 2016. 4. Enhancement of secured loan from ₹ 13 Crores to ₹ 18 Crores – 15th September, 2016.	17th August, 2015
(f)	Amount paid as advances, if any.	Nil	Nil

By order of the Board

NORTH EAST NUTRIENTS PRIVATE LIMITED

Dated: 21st April, 2017
Bengaluru

(M. GANESAN) CHAIRMAN

(D. ASHOK) DIRECTOR

Annexure - 6

Information pursuant to Section 197 of the Companies Act, 2013 read with Rules 5(2) and 5(3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014

Top 10 employees in terms of remuneration drawn during the Financial year 2016-17

Sl. No.	Name	Age	Designation	Gross Remuneration (₹)	Net Remuneration (₹)	Qualifications	Experience (Years)	Date of commencement of Employment / Deputation	Position held / Previous Employment
A	B	C	D	E	F	G	H	I	J
1	Shubham Agarwal #	29	Head of Operations	2,558,972	1,786,699	B. Tech in Chemical Engineering	6	01.10.2015	Technical AUT, ITC Limited
2	Anindya Sengupta #	29	Chief Financial Officer	2,480,722	1,778,222	M. Com, A.C.A.	7	01.01.2015	Assistant Manager - Finance, ITC Limited
3	Bidhan Baruah #	42	Plant Finance Head	1,295,141	997,505	B.Com, CA (Inter)	14	01.10.2015	Senior Finance Executive, ITC Limited
4	Savitha Bai S. #	33	Manager & Company Secretary	812,316	661,344	B.Com, A.C.S., MBL	16	01.03.2016	Finance Executive, ITC Limited
5	Sanjeeb Kumar Kanu	45	Assistant Finance Manager	849,996	745,912	M. Com.	16	08.12.2015	Deputy Manager - Accounts, FENA Private Limited
6	Shazeed Hoque	40	Line Manager	809,218	715,096	B.Tech in Mechanical Engineering	14	26.05.2016	Production Executive, Hindustan Unilever Limited
7	Rahi Masoom Raja	30	Assistant Electrical Engineer	600,000	557,988	B.Tech In Electronics & Instrumentation Engineering, MBA in Operation Management	5	18.08.2015	Assistant Electrical Engineer, Maithan Alloys Limited
8	Bikash Khanikar	33	EHS Manager	540,000	501,830	B.Sc., Advance Diploma in Industrial Safety, Diploma in Fire Service Engineering, Diploma in EHS Engineering	5	01.06.2015	EHS Officer, SRD Nutrients Private Limited
9	Manjit Das	33	HR Manager	480,000	441,734	MPM (Master in Personnel Management), B. Com (Management), MBA (Human Resource & Marketing)	8	28.04.2015	HR Manager, Trinity Fructa Limited
10	Jyotishman Deka	26	IT Officer	324,096	298,150	BE in Computer Science & Engineering, CCNA	1	20.07.2015	Assistant Teacher, Assam Downtown University

Notes:

On deputation from ITC Limited, the Holding Company (ITC); remuneration borne by the Company as per the terms of deputation of their services.

1. None of the employess mentioned above is a relative of any Director or Manager of the Company.
2. None of the employees hold equity shares of the Company, singly or alongwith spouse and dependent children.
3. Gross Remuneration :
   (a) For Managers on deputation from ITC, gross remuneration includes salary, performance bonus, allowances & other benefit / applicable perquisites except contributions to approved Pension Fund, as applicable.
   (b) For Managers on rolls of the company, gross remuneration includes salary, performance pay and allowances.
   (c) The term remuneration has the meaning assigned to it under the Companies Act, 2013.
4. Net Remuneration comprises cash income less :
   (a) income tax, surcharge (as applicable) & education cess deducted at source
   (b) Manager's own contribution towards provident fund and
   (c) professional tax and canteen deduction, as applicable
5. All appointments (except in case of employees on deputation) are contractual in accordance with terms and conditions as per Company rules.
6. Experience shown in Column H includes service with previous employers.

By order of the Board

NORTH EAST NUTRIENTS PRIVATE LIMITED

Dated: 21st April, 2017
Bengaluru

(M. GANESAN) CHAIRMAN

(D. ASHOK) DIRECTOR

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF NORTH EAST NUTRIENTS PRIVATE LIMITED

Report on the Ind AS Financial Statements

We have audited the accompanying Ind AS financial statements of North East Nutrients Private Limited ("the Company"), which comprise the Balance Sheet as at 31st March, 2017, and the Statement of Profit and Loss (including Other Comprehensive Income), the Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Ind AS Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these Ind AS financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, cash flows and changes in equity of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) prescribed under section 133 of the Act.

This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these Ind AS financial statements based on our audit.

In conducting our audit, we have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit of the Ind AS financial statements in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Ind AS financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the Ind AS financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Ind AS financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the Ind AS financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the Ind AS financial statements.

We believe that the audit evidence obtained by us is sufficient and appropriate to provide a basis for our audit opinion on the Ind AS financial statements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid Ind AS financial statements 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, of the state of affairs of the Company as at 31st March, 2017, and its loss, total comprehensive loss, its cash flows and the changes in equity for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. As required by Section 143(3) of the Act, based on our audit we report, to the extent applicable that:
   a) We have sought and 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 it appears from our examination of those books.
   c) The Balance Sheet, the Statement of Profit and Loss including Other Comprehensive Income, the Cash Flow Statement and Statement of Changes in Equity dealt with by this Report are in agreement with the books of account.
   d) In our opinion, the aforesaid Ind AS financial statements comply with the Indian Accounting Standards prescribed under Section 133 of the Act.
   e) On the basis of the written representations received from the directors as on 31st March, 2017 taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2017 from being appointed as a director in terms of Section 164(2) of the Act.
   f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure A". Our report expresses an unmodified opinion on the adequacy and operating effectiveness of the Company's internal financial controls over financial reporting.
   g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, as amended, in our opinion and to the best of our information and according to the explanations given to us:
      i. The Company does not have any pending litigations which would impact its financial position.
      ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.
      iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.
      iv. The Company did not have any holdings or dealings in Specified Bank Notes as defined in the Notification S.O. 3407(E) dated the 8th November, 2016 of the Ministry of Finance, during the period from 8th November, 2016 to 30th December, 2016.
2. As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government in terms of Section 143(11) of the Act, we give in "Annexure B" a statement on the matters specified in paragraphs 3 and 4 of the Order.

For **DELOITTE HASKINS & SELLS**
Chartered Accountants
(Firm's Registration No.302009E)

Ketan Vora
(Partner)
(Membership No. 100459)

MUMBAI, April 21, 2017

ANNEXURE "A" TO THE INDEPENDENT AUDITOR'S REPORT

(Referred to in paragraph 1 (f) under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

Report on the Internal Financial Controls Over Financial Reporting under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls over financial reporting of North East Nutrients Private Limited ("the Company") as of March 31, 2017 in conjunction with our audit of the Ind AS financial statements of the Company as of and for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting (the "Guidance Note") issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

Auditor's Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note issued by the Institute of Chartered Accountants of India and the Standards on Auditing prescribed under Section 143(10) of the Act, to the extent applicable to an audit of internal financial controls. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

Meaning of Internal Financial Controls over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, to the best of our information and according to the explanations given to us, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2017, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note issued by the Institute of Chartered Accountants of India.

For **DELOITTE HASKINS & SELLS**
Chartered Accountants
(Firm's Registration No.302009E)

Ketan Vora
(Partner)
(Membership No. 100459)

MUMBAI, April 21, 2017

ANNEXURE "B" TO THE INDEPENDENT AUDITOR'S REPORT

(Referred to in paragraph 2 under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

(i) In respect of Property, plant and equipment

(a) The Company has maintained proper records showing full particulars, including quantitative details and situation of Property, plant and equipment.

(b) The Property, plant and equipment were physically verified during the year by the Management in accordance with a regular programme of verification which, in our opinion, provides for physical verification of all the Property, plant and equipment at reasonable intervals. According to the information and explanation given to us, no material discrepancies were noticed on such verification.

(c) With respect to immovable properties of land and buildings that are freehold, according to the information and explanations given to us and the records examined by us and based on the examination of the registered sale deed provided to us, we report that, the title deeds of such immovable properties are held in the name of the Company as at the balance sheet date.

(ii) As explained to us, the inventories were physically verified during the year by the Management at reasonable intervals and no material discrepancies were noticed on physical verification.

(iii) The Company has not granted any loans, secured or unsecured, to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under Section 189 of the Companies Act, 2013.

(iv) The Company has not granted any loans, made investments or provided guarantees and hence reporting under clause (iv) of the Order is not applicable.

(v) According to the information and explanations given to us, the Company has not accepted any deposit and does not have any unclaimed deposits.

(vi) The maintenance of cost records has not been specified by the Central Government under Section 148(1) of the Companies Act, 2013.

(vii) According to the information and explanations given to us, in respect of statutory dues:

(a) The Company has been regular in depositing undisputed statutory dues, including Provident Fund, Employees State Insurance, Income-tax, Sales Tax, Service Tax, Customs Duty, Excise Duty, Value Added Tax, cess and other material statutory dues applicable to it to the appropriate authorities.

(b) There were no undisputed amounts payable in respect of Provident Fund, Employees State Insurance, Income-tax, Sales Tax, Service Tax, Custom Duty, Excise Duty, Value Added Tax, cess and other material statutory dues in arrears as at March 31, 2017 for a period of more than six months from the date they became payable.

(c) There are no dues of Income-tax, Sales Tax, Service Tax, Custom Duty, Excise Duty and Value Added Tax which have not been deposited as on March 31, 2017 on account of disputes.

(viii) In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of loans or borrowings to financial institutions.

The Company has not taken any loans or borrowings from banks, government and has not issued any debentures.

(ix) The Company has not raised moneys by way of initial public offer or further public offer (including debt instruments) or term loans and hence reporting under clause (ix) of the Order is not applicable.

(x) To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company and no material fraud on the Company by its officers or employees has been noticed or reported during the year.

(xi) In our opinion and according to the information and explanations given to us, the Company has paid / provided managerial remuneration in accordance with the requisite approvals mandated by the provisions of Section 197 read with Schedule V to the Companies Act, 2013.

(xii) The Company is not a Nidhi Company and hence reporting under clause (xii) of the CARO 2016 Order is not applicable.

(xiii) In our opinion and according to the information and explanations given to us, the Company is in compliance with Section 177 and 188 of the Companies Act, 2013, where applicable, for all transactions with the related parties and the details of related party transactions have been disclosed in the financial statements etc. as required by the applicable accounting standards.

(xiv) During the year the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures and hence reporting under clause (xiv) of the Order is not applicable.

(xv) In our opinion and according to the information and explanations given to us, during the year the Company has not entered into any non-cash transactions with its directors or directors of its holding, subsidiary or associate company or persons connected with them and hence provisions of Section 192 of the Companies Act, 2013 are not applicable.

(xvi) The Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934.

For **DELOITTE HASKINS & SELLS**
Chartered Accountants
(Firm's Registration No.302009E)

Ketan Vora
(Partner)
(Membership No. 100459)

MUMBAI, April 21, 2017

BALANCE SHEET AS AT 31ST MARCH, 2017

	Note		As at 31st March, 2017 (₹)		As at 31st March, 2016 (₹)		As at 1st April, 2015 (₹)
ASSETS							
Non-current assets							
(a) Property, Plant and Equipment	1A		1,223,658,858		1,198,612,909		39,734,710
(b) Capital work-in-progress	1B		728,561		80,710,365		475,092,541
(c) Other non-current assets	2		4,372,474		10,461,302		126,860,887
			1,228,759,893		1,289,784,576		641,688,138
Current assets							
(a) Inventories	3		87,334,661		49,429,559		–
(b) Financial assets							
(i) Trade receivables	4	47,875,981		38,110,007		–	
(ii) Cash and cash equivalents	5	3,851,130		25,595,891		48,563,581	
(iii) Other bank balances	6	–		–		500,000	
(iv) Other financial assets	7	–	51,727,111	77,469	63,783,367	4,742	49,068,323
(c) Other current assets	2		46,990,591		65,359,967		1,418,665
			186,052,363		178,572,893		50,486,988
Total assets			1,414,812,256		1,468,357,469		692,175,126
EQUITY AND LIABILITIES							
Equity							
(a) Share capital	8	730,000,000		730,000,000		633,333,330	
(b) Other equity		(142,783,730)	587,216,270	(124,491,103)	605,508,897	(4,728,378)	628,604,952
			587,216,270		605,508,897		628,604,952
Liabilities							
Non-current liabilities							
(a) Financial liabilities							
Borrowings	9		486,800,000		608,333,333		–
(b) Provisions	11		2,484,385		679,456		–
			489,284,385		609,012,789		–
Current liabilities							
(a) Financial Liabilities							
(i) Borrowings	12	180,000,000		50,000,000		–	
(ii) Trade payables		28,093,206		44,993,098		317,316	
(iii) Other financial liabilities	10	125,615,600	333,708,806	154,912,592	249,905,690	63,084,851	63,402,167
(b) Other current liabilities	13		4,602,795		3,930,093		168,007
			338,311,601		253,835,783		63,570,174
Total equity and liabilities			1,414,812,256		1,468,357,469		692,175,126

The accompanying notes 1 to 20 are an integral part of the Financial Statements.

In terms of our report attached
For **Deloitte Haskins & Sells**
Chartered Accountants

KETAN VORA
Partner

Mumbai, 21st April, 2017

For and on behalf of the Board of Directors

D. ASHOK
Director

M. GANESAN
Chairman

A. SENGUPTA
Chief Financial Officer

S. BAI
Manager & Company Secretary

Bengaluru, 21st April, 2017

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH, 2017

		Note	For the year ended 31st March, 2017 (₹)	For the year ended 31st March, 2016 (₹)
I	Revenue from operations	14	1,380,478,288	288,397,814
II	Other income	15	468,355	372,474
III	**Total Income (I+II)**		1,380,946,643	288,770,288
IV	**EXPENSES**			
	Cost of materials consumed		888,300,441	221,063,492
	Changes in inventories of finished goods		(6,480,022)	(16,285,966)
	Excise duty		24,768,870	385,167
	Employee benefits expense	16	54,607,457	24,224,683
	Finance costs	17	98,692,996	49,985,752
	Depreciation and amortization expense	1A & 1B	94,355,920	40,538,656
	Other expenses	18	244,838,853	88,621,229
	Total expenses (IV)		1,399,084,515	408,533,013
V	**Loss before tax (III- IV)**		(18,137,872)	(119,762,725)
VI	**Tax expense:**		–	–
VII	Loss for the year (V-VI)		(18,137,872)	(119,762,725)
	Other comprehensive income			
	Items that will not be reclassified to profit or loss:			
	- Remeasurements of defined benefit plans		(154,755)	–
VIII	**Total other comprehensive income**		(154,755)	–
IX	**Total comprehensive income for the year (VII+VIII)**		(18,292,627)	(119,762,725)
X	Earnings per equity share (Face Value ₹ 10 per share):			
	Basic and Diluted (in ₹)	19	(0.25)	(1.65)

The accompanying notes 1 to 20 are an integral part of the Financial Statements.

In terms of our report attached
For **Deloitte Haskins & Sells**
Chartered Accountants

KETAN VORA
Partner

Mumbai, 21st April, 2017

For and on behalf of the Board of Directors

D. ASHOK
Director

M. GANESAN
Chairman

A. SENGUPTA
Chief Financial Officer

S. BAI
Manager & Company Secretary

Bengaluru, 21st April, 2017

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2017

		For the year ended 31st March, 2017 (₹)		For the year ended 31st March, 2016 (₹)
A. Cash Flow From Operating Activities				
Net loss		(18,137,872)		(119,762,725)
Adjustments for:				
Depreciation and amortisation expenses	94,355,920		40,538,656	
Finance costs	98,692,996		49,985,752	
Interest income	(407,325)		(369,169)	
Operating profit/(loss) before working capital changes		174,503,719		(29,607,486)
Changes in working capital:				
Adjustment for (increase) / decrease in operating assets:				
Trade receivables, and other current assets	8,603,402		(105,860,796)	
Inventories	(37,905,102)		(49,429,559)	
Adjustment for increase / (decrease) in operating liabilities:				
Trade payables, other liabilities and provisions	(14,577,016)		48,693,771	
		(43,878,716)		(106,596,584)
Cash generated/(used) from operations		130,625,003		(136,204,070)
Net income tax (paid) / refunds		1,299,546		(1,280,605)
Net cash generated from/(used in) operating activities (A)		131,924,549		(137,484,675)
B. Cash flow from investing activities				
Capital expenditure on property, plant and equipments including capital advances	(43,190,204)		(733,631,279)	
Interest received on bank deposits	484,794		296,442	
Redemption/maturity in bank deposits (original maturity more than 3 months)	–		500,000	
		(42,705,410)		(732,834,837)
Net cash used in investing activities (B)		(42,705,410)		(732,834,837)
C. Cash flow from financing activities				
Proceeds from issue of share capital	–		96,666,670	
Proceeds from long term borrowings	–		730,000,000	
Proceeds from short term borrowings	310,000,000		50,000,000	
Repayment of short term borrowings	(180,000,000)		–	
Repayment of long term borrowings	(121,600,000)		–	
Interest paid	(119,363,900)		(29,314,848)	
		(110,963,900)		847,351,822
Net cash generated from/(used in) financing activities (C)		(110,963,900)		847,351,822
Net decrease in cash and cash equivalents (A+B+C)		(21,744,761)		(22,967,690)
Cash and cash equivalents at the beginning of the year (Refer note 5)		25,595,891		48,563,581
Cash and cash equivalents at the end of the year (Refer note 5)		3,851,130		25,595,891

Note:

The above Cash Flow Statement has been prepared under the "Indirect Method" (Ind AS 7)

The accompanying notes 1 to 20 are an integral part of the Financial Statements

In terms of our report attached
For **Deloitte Haskins & Sells**
Chartered Accountants

For and on behalf of the Board of Directors

D. ASHOK
Director

M. GANESAN
Chairman

KETAN VORA
Partner

A. SENGUPTA
Chief Financial Officer

S. BAI
Manager & Company Secretary

Mumbai, 21st April, 2017

Bengaluru, 21st April, 2017

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31ST MARCH, 2017

	Amount (₹)
A. Equity Share Capital (₹)	
As at 1st April, 2015	633,333,330
Changes in equity share capital	96,666,670
As at 31st March, 2016	730,000,000
Changes in equity share capital	–
As at 31st March, 2017	730,000,000

B. Other Equity (₹)	**Retained Earnings Amount (₹)**	Total Amount (₹)
Balance as at 1st April, 2015	(4,728,378)	(4,728,378)
Loss for the year	(119,762,725)	(119,762,725)
Other Comprehensive Income (net of tax)	–	–
Total Comprehensive Income	(119,762,725)	(119,762,725)
Balance as at 31st March, 2016	(124,491,103)	(124,491,103)
Loss for the year	(18,137,872)	(18,137,872)
Other Comprehensive Income (Net of Tax)	(154,755)	(154,755)
Total Comprehensive Income	(18,292,627)	(18,292,627)
Balance as at 31st March, 2017	(142,783,730)	(142,783,730)

In terms of our report attached
For **Deloitte Haskins & Sells**
Chartered Accountants

For and on behalf of the Board of Directors

D. ASHOK
Director

M. GANESAN
Chairman

KETAN VORA
Partner
Mumbai, 21st April, 2017

A. SENGUPTA
Chief Financial Officer

S. BAI
Manager & Company Secretary
Bengaluru, 21st April, 2017

NOTES TO THE FINANCIAL STATEMENTS

1. COMPANY OVERVIEW AND SIGNIFICANT ACCOUNTING POLICIES

A. COMPANY OVERVIEW

North East Nutrients Private Limited (the Company) is a Company incorporated on 5th August, 2013 with its registered office at Kolkata. The Company has a biscuits manufacturing facility at Mangaldai, Assam.The Company had commenced commercial production on 29th August, 2015.

B. STATEMENT OF COMPLIANCE

The financial statements have been prepared in accordance with Indian Accounting Standards notified under section 133 read with Rule 4A of the Companies (Indian Accounting Standards) Rules, 2015 and other relevant provisions of the Companies Act, 2013, (collectively "Ind AS") w.e.f. 1st April, 2016. The financial statements have also been prepared in accordance with the relevant presentation requirements of the Companies Act, 2013. The Company adopted Ind AS from 1st April, 2016. The date of transition to Ind AS is 01st April, 2015.

Upto the year ended 31st March 2016, the Company prepared its financial statements in accordance with the requirements of previous GAAP, which includes Standards notified under the Companies (Accounting Standards) Rules, 2006. These are the Company's first Ind AS financial statements.

C. FIRST TIME ADOPTION OF IND AS

The Company has prepared the opening balance sheet as per Ind AS as of 1st April, 2015 (the transition date) by recognising all assets and liabilities whose recognition is required by Ind AS, not recognising items of assets or liabilities which are not permitted by Ind AS, by reclassifying items from previous Generally Accepted Accounting Principles (GAAP) to Ind AS as required under Ind AS, and applying Ind AS in measurement of recognised assets and liabilities. There were no adjustments with respect to equity, assets and liabilities as on 1st April, 2015 (date of transition) and as on 31st March, 2016 (end of last period presented under previous GAAP), loss for the year ended 31st March, 2016, and cash flows for the said period.

D. BASIS OF PREPARATION

The financial statements are prepared in accordance with the historical cost convention, except for certain items that are measured at fair values, as explained in the accounting policies below.

Fair Value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the financial statements is determined on such a basis.

The preparation of financial statements in conformity with Ind AS requires management to make judgements, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period; they are recognised in the period of the revision and future periods if the revision affects both current and future periods.

E. PROPERTY, PLANT & EQUIPMENT AND DEPRECIATION

Property, plant & equipment are stated at cost of acquisition or construction less accumulated depreciation and impairment, if any. For this purpose, cost includes deemed cost which represents the carrying value of property, plant and equipment recognised as at 1st April, 2015 measured as per the previous GAAP.

Cost is 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 assets capitalised. Expenses capitalised also include applicable borrowing costs for qualifying assets, if any. Subsequent costs are included in the asset's carrying amount only when it is probable that future economic benefits associated with the item will be realized. All other repairs and maintenance are charged to the Statement of Profit and Loss.

Depreciation of these assets commences when the assets are ready for their intended use which is generally on commissioning. Items of Property, plant and equipment are depreciated in a manner that amortises the cost of the assets after commissioning (or other amount substituted for cost), less its residual value, over their useful lives as specified in Schedule II of the Companies Act, 2013 on a straight line basis. The useful life of Property, plant and equipment of the Company ranges from 3 years to 60 years. Freehold Land is not depreciated.

Property, plant and equipments' residual values and useful lives are reviewed, and are treated as changes in accounting estimates, at each balance sheet date.

F. IMPAIRMENT OF ASSETS

Impairment loss, if any, is provided, to the extent, the carrying amount of assets or cash generating units exceed their recoverable amount.

Recoverable amount is higher of an asset's net selling price and its value in use. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset or cash generating unit and from its disposal at the end of its useful life.

Impairment losses recognised in prior years are reversed when there is an indication that the impairment losses recognised no longer exist or have decreased. Such reversals are recognised as an increase in carrying amounts of assets to the extent that it does not exceed the carrying amounts that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised in previous years.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

G. INVENTORIES

Inventories are stated at lower of cost and net realisable value. The cost of inventories is calculated on weighted average method. Cost comprises expenditure incurred in the normal course of business in bringing such inventories to its present location and condition and includes, where applicable, appropriate overheads based on normal level of activity. Net realisable value is the estimated selling price less estimated costs for completion and sale.

Cost of purchased inventories are determined after deducting rebates and discounts.

Obsolete, slow moving and defective inventories are identified at the time of periodic physical verification of inventories and, where necessary, a markdown is made for such inventories.

H. FOREIGN CURRENCY TRANSACTIONS

The Company accounts for transactions in currencies other than the Company's functional currencies at the exchange rate prevailing on the date of transactions. Gains/Losses arising on settlement of such transactions as also the translation of monetary items at period ends due to fluctuations in the exchange rates are recognized in the Statement of Profit and Loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not reinstated.

I. REVENUE RECOGNITION

Revenue is recognised at the time of delivery of goods or transfer of significant risk and rewards, net of returns, trade discounts and similar allowances.

Revenue from the sale of goods includes excise duty but excludes amounts collected on behalf of third parties, such as sales tax and value added tax.

J. GOVERNMENT GRANT

Government grants are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Company will comply with all attached conditions.

Government grants are recognised in the Profit or Loss on a systematic basis over the periods in which the Company recognises the related costs for which the grants are intended to compensate. Government grants whose primary condition is that the Company should purchase, construct or otherwise acquire non – current assets are recognised as deferred revenue in the Balance Sheet and transferred to the profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs are recognised in the profit or loss in the period in which they become receivable.

K. EMPLOYEE BENEFITS

The Company makes contributions to both defined benefit and defined contribution schemes. Provident Fund contributions are in the nature of defined contribution scheme. They are deposited with the Government and recognised as expense.

The Company also makes contribution to defined benefit gratuity plan. The cost of providing benefits under the defined benefit obligation is calculated by independent actuary using the projected unit credit method. Service costs and net interest expense or income is reflected in the statement of profit and loss. Gain or Loss on account of re-measurements are recognised immediately through Other Comprehensive Income in the period in which they occur.

A liability recognised for benefits accruing to employee in respect of wages and salaries, annual leave and sick leave in the period, the related service is rendered at the undiscounted amount of the benefit expected to be paid in exchange for that service.

L. LEASES

Leases are recognised as a finance lease whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Rentals payable under operating leases are charged to the Statement of Profit and Loss on a straight-line basis over the term of the relevant lease unless the payments to the lessor are structured to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases.

M. OTHER INCOME

Other income primarily comprises of interest income. Interest income is recognised using effective interest rate method. Interest on income tax refunds are recognised on actual receipt basis.

N. BORROWING COSTS

Borrowing costs include interest, amortisation of ancillary costs incurred and exchange differences arising from foreign currency borrowings to the extent they are regarded as an adjustment to the interest cost. Costs in connection with the borrowing of funds to the extent not directly related to the acquisition of qualifying assets are charged to the Statement of Profit and Loss over the tenure of the loan. Borrowing costs, allocated to and utilised for qualifying assets, pertaining to the period from commencement of activities relating to construction / development of the qualifying asset upto the date of capitalisation of such asset are added to the cost of the assets.

O. TAXES ON INCOME

Taxes on income comprises of current taxes and deferred taxes. Current tax in the Statement of Profit and Loss is provided as the amount of tax payable in respect of taxable income for the period using tax rates enacted or substantively enacted during the period, together with any adjustment to tax payable in respect of previous years. Income tax, in so far as it relates to items disclosed under Other Comprehensive Income or Equity, are disclosed separately under Other Comprehensive Income or Equity, as applicable.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax assets are recognized for the future tax consequences to the extent it is probable that future taxable profits will be available against which the deductible temporary differences can be utilised.

P. OPERATING SEGMENTS

Operating Segments are reported in a manner consistent with internal reporting provided to the Chief Operating Decision Maker (CODM). The CODM who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors.

Segments are organized based on business which have similar economic characteristics as well as exhibit similarities in nature of products and services offered, the nature of production processes, the type and class of customer and distribution methods.

Q. PROVISIONS AND CONTINGENCIES

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

In respect of claims against the Company not acknowledged as debts, a careful evaluation of the facts and legal aspects of the matter involved is undertaken and appropriately disclosed.

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

All figures in (₹)

Particulars	Gross Block						
	As at 1st April, 2015	Additions	Withdrawals and adjustments	As at 31st March, 2016	Additions	Withdrawals and adjustments	As at 31st March, 2017
1A. Property, plant and equipment							
Land Freehold	39,734,710	–	–	39,734,710	–	–	39,734,710
Buildings - Freehold	–	502,199,493	–	502,199,493	54,565,851	–	556,765,344
Plant and Equipment	–	694,425,147	–	694,425,147	58,768,003	–	753,193,150
Furniture and Fixtures	–	824,808	–	824,808	4,258,901	–	5,083,709
Vehicles	–	1,967,407	–	1,967,407	1,544,959	–	3,512,366
Office Equipment	–	–	–	–	264,155	–	264,155
Total	39,734,710	1,199,416,855	–	1,239,151,565	119,401,869	–	1,358,553,434
1B. Capital work-in-progress	475,092,541	805,034,679	1,199,416,855	80,710,365	39,420,065	119,401,869	728,561
Total	514,827,251	2,004,451,534	1,199,416,855	1,319,861,930	158,821,934	119,401,869	1,359,281,995

Particulars	Depreciation and Amortisation					Net Book Value		
	As at 1st April, 2015	For the year	Upto 31st March, 2016	For the year	Upto 31st March, 2017	As at 31st March, 2017	As at 31st March, 2016	As at 1st April, 2015
1A. Property, plant and equipment								
Land Freehold	–	–	–	–	–	39,734,710	39,734,710	39,734,710
Buildings - Freehold	–	11,649,426	11,649,426	20,284,175	31,933,601	524,831,743	490,550,067	–
Plant and Equipment	–	28,704,603	28,704,603	73,550,990	102,255,593	650,937,557	665,720,544	–
Furniture and Fixtures	–	46,370	46,370	210,940	257,310	4,826,399	778,438	–
Vehicles	–	138,257	138,257	294,573	432,830	3,079,536	1,829,150	–
Office Equipment	–	–	–	15,242	15,242	248,913	–	–
Total	–	40,538,656	40,538,656	94,355,920	134,894,576	1,223,658,858	1,198,612,909	39,734,710
1B. Capital work-in-progress			–		–	728,561	80,710,365	475,092,541
Total	–	40,538,656	40,538,656	94,355,920	134,894,576	1,224,387,419	1,279,323,274	514,827,251

The entire additions to Property, plant and equipments in FY 2015-16 and FY 2016-17 is due to Capital work-in-progress capitalisation with respect to Projects.
The amount of expenditure recognised in the carrying amount of Property, plant and equipment in the course of construction during FY 2016-17 is Nil (FY 2015-16 - ₹ 1,61,49,663)

	As at 31st March, 2017 Amount (₹)		As at 31st March, 2016 Amount (₹)		As at 1st April, 2015 Amount (₹)	
	Current	Non-Current	Current	Non-Current	Current	Non-Current
2. Other Non-Current & Current Assets						
(A) Capital Advances	–	268,921	–	5,058,203	–	126,547,880
(B) Advances other than capital advances						
(i) Security Deposits						
1) With Statutory Authorities	–	3,489,949	–	3,489,949	–	237,262
2) With Others	–	556,800	–	556,800	–	–
(ii) Advance Tax (net of provisions)	–	56,804	–	1,356,350	–	75,745
(iii) Other Advances (including advances with statutory authorities, prepaid expenses, employee etc.)	46,990,591	–	65,359,967	–	1,418,665	–
TOTAL	46,990,591	4,372,474	65,359,967	10,461,302	1,418,665	126,860,887
3. Inventories						
(At lower of cost and net realisable value)						
Raw materials (including packing materials)	51,891,705	–	32,587,179	–	–	–
Finished goods (manufactured)	22,765,988	–	16,285,966	–	–	–
Stores and Spares	11,719,817	–	556,414	–	–	–
Fuel Stock	957,151	–	–	–	–	–
TOTAL	87,334,661	–	49,429,559	–	–	–
The above includes goods in transit as under:						
Raw materials (including packing materials)	2,386,942	–	–	–	–	–
TOTAL	2,386,942	–	–	–	–	–

	As at 31st March, 2017	As at 31st March, 2016
Cost of inventories recognised as expense in cost of sales during the year	1,23,36,37,774	26,96,94,065
TOTAL	1,23,36,37,774	26,96,94,065

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

	As at 31st March, 2017 Amount (₹)	As at 31st March, 2016 Amount (₹)	As at 1st April, 2015 Amount (₹)
4. Trade Receivables (Current)			
Unsecured, considered good			
Others	47,875,981	38,110,007	–
TOTAL	47,875,981	38,110,007	–
5. Cash and cash equivalents @			
Balances with Banks			
Current accounts	3,851,130	2,911,738	17,886,626
Deposit accounts	–	22,683,246	30,676,955
Cash on hand	–	907	–
TOTAL	3,851,130	25,595,891	48,563,581

@ Cash and cash equivalents include cash on hand, cash at bank and deposits with banks with original maturity of 3 months or less.

	As at 31st March, 2017 Amount (₹)	As at 31st March, 2016 Amount (₹)	As at 1st April, 2015 Amount (₹)
6. Other bank balances			
In deposit accounts *	–	–	500,000
TOTAL	–	–	500,000

* Represents deposits with original maturity of more than 3 months but remaining maturity of less than 12 months

	As at 31st March, 2017 Amount (₹)	As at 31st March, 2016 Amount (₹)	As at 1st April, 2015 Amount (₹)
7. Other financial assets			
Interest accrued on deposits	–	77,469	4,742
TOTAL	–	77,469	4,742

	As at 31st March, 2017 (No. of Shares)	As at 31st March, 2017 Amount (₹)	As at 31st March, 2016 (No. of Shares)	As at 31st March, 2016 Amount (₹)	As at 1st April, 2015 (No. of Shares)	As at 1st April, 2015 Amount (₹)
8. Share capital						
Authorised						
Equity Shares of ₹ 10.00 each	75,000,000	750,000,000	75,000,000	750,000,000	75,000,000	750,000,000
Redeemable Preference Shares of ₹ 100.00 each	2,000,000	200,000,000	–	–	–	–
Issued and Subscribed						
Equity Shares of ₹ 10.00 each, fully paid	73,000,000	730,000,000	73,000,000	730,000,000	63,333,333	633,333,330
A) Reconciliation of number of Equity Shares outstanding						
As at beginning of the year	73,000,000	730,000,000	63,333,333	633,333,330	15,000,000	150,000,000
Add: Issue of Shares	–	–	9,666,667	96,666,670	48,333,333	483,333,330
As at end of the year	73,000,000	730,000,000	73,000,000	730,000,000	63,333,333	633,333,330

B) Shareholders holding more than 5% of the Equity Shares in the Company

	As at 31st March, 2017 (No. of Shares)	As at 31st March, 2017 %	As at 31st March, 2016 (No. of Shares)	As at 31st March, 2016 %	As at 1st April, 2015 (No. of Shares)	As at 1st April, 2015 %
ITC Limited (Holding Company)	55,480,000	76.00	55,480,000	76.00	48,133,333	76.00
Mukul Chandra Deka	4,380,000	6.00	4,380,000	6.00	3,800,000	6.00
Rajib Kumar Deka	4,380,000	6.00	4,380,000	6.00	3,800,000	6.00
Anupam Deka	4,380,000	6.00	4,380,000	6.00	3,800,000	6.00
Samrat Deka	4,380,000	6.00	4,380,000	6.00	3,800,000	6.00

C) Rights, preferences and restrictions attached to the Equity Shares

The Equity Shares of the Company, having par value of ₹10.00 per share, *rank pari passu* in all respects including voting rights and entitlement to dividend.

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

	As at 31st March, 2017 Amount (₹)	As at 31st March, 2016 Amount (₹)	As at 1st April, 2015 Amount (₹)
9. Long-term borrowings			
Secured			
Term loans			
Loans from Related parties [Refer Note 20(vii)]	**486,800,000**	608,333,333	–
TOTAL	**486,800,000**	608,333,333	–

Nature of security and terms for secured long-term borrowings (including current maturities of long-term borrowings) are as under:

9.1 Term loan is secured by a first charge by way of hypothecation/equitable mortgage of entire property, plant and equipment, both present and future. Term loan is repayable in 24 quarterly instalments starting from 30th June, 2016 and carry an interest of 12.00% p.a.

The scheduled maturity of the Long-term borrowings are summarised as under:

Borrowings repayable			
In the first year (Note 10)	**121,600,000**	121,666,667	–
Current maturities of long-term debt	**121,600,000**	121,666,667	–
In the second year	**121,600,000**	121,666,667	–
In the third to fifth year	**365,200,000**	365,000,001	–
After five years	**–**	121,666,665	–
Long-term borrowings	**486,800,000**	608,333,333	–
10. Other Financial liabilities			
Current			
Current maturities of long-term debt (Note 9)	**121,600,000**	121,666,667	–
Interest accrued	**–**	20,670,904	–
Others - towards property, plant and equipment	**1,945,285**	12,575,021	63,084,851
- towards others	**2,070,315**	–	–
TOTAL	**125,615,600**	154,912,592	63,084,851
11. Provisions (Non Current)			
Provision for employee benefits [Refer Note 20(ii)(a)]			
Retirement benefits	**2,484,385**	679,456	–
TOTAL	**2,484,385**	679,456	–

31st March, 2016 numbers includes Leave Encashment provision ₹1,02,601/-

12. Short-term Borrowings			
Unsecured			
- From related party [Refer Note 20 (vii)]	**180,000,000**	–	–
Secured			
- From related party [Refer Note 20 (vii)]	**–**	50,000,000	–
TOTAL	**180,000,000**	50,000,000	–

Terms for short-term borrowings are as under:

Unsecured short-term borrowings carry an interest rate of 12.00% p.a.

Secured short term borrowings is secured by hypothecation by way of first charge on entire inventories and receivables, both present and future, of the Company and hypothecation by way of second charge on movable property, plant and equipment, both present and future. The short term borrowings carry an interest of 12.00% p.a.

13. Other current liabilities			
Statutory Liabilities	**4,553,681**	3,930,093	168,007
Advances received from customers	**49,114**	–	–
TOTAL	**4,602,795**	3,930,093	168,007

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

	For the year ended 31st March, 2017 Amount (₹)	For the year ended 31st March, 2016 Amount (₹)
14. Revenue from operations		
Sale of Products (including excise duty of ₹ 2,31,16,113 for the year ended 31st March, 2017; for the year ended 31st March, 2016 ₹ 3,04,108.)	1,241,281,320	253,587,712
Gross Revenue from sale of products and services	1,241,281,320	253,587,712
Other Operating Revenues		
Subsidies - VAT and CST benefit	130,053,423	29,384,562
Income from scrap sale	9,143,545	5,425,540
TOTAL	1,380,478,288	288,397,814
15. Other income		
Interest income from bank deposits measured at amortised cost	407,325	369,169
Interest on income tax refund	61,030	3,305
TOTAL	468,355	372,474
16. Employee benefits expense		
Salaries and wages	34,298,438	17,229,040
Reimbursement of remuneration of deputed managers	7,148,572	3,680,000
Contribution to Provident and other funds	2,525,169	998,290
Gratuity expenses	1,752,775	576,855
Staff welfare expenses	8,882,503	1,740,498
TOTAL	54,607,457	24,224,683
17. Finance costs		
Interest expense on borrowing measured at amortised cost	98,692,996	49,985,752
TOTAL	98,692,996	49,985,752
18. Other Expenses		
Power and fuel	77,737,303	30,488,976
Consumption of stores and spare parts	16,811,996	1,143,067
Rent [Refer Note 20 (iv)]	4,280,982	1,774,764
Rates and taxes	2,779,863	714,307
Insurance	1,741,451	980,051
Repairs		
- Machinery	7,117,393	1,096,953
- Building	3,478,101	–
- Others	2,744,928	801,801
Outward freight and handling charges	34,185,158	3,459,906
Contractual charges	58,992,644	29,322,861
Information technology services	5,488,151	5,030,601
Travelling and conveyance	1,967,663	837,897
Consultancy / Professional fees	19,274,619	9,142,010
Miscellaneous expenses	8,238,601	3,828,035
TOTAL	244,838,853	88,621,229
Miscellaneous expenses include :		
Auditors' remuneration and expenses *		
as statutory audit fees	550,000	200,000
as tax audit fees	50,000	–
as reimbursement of expenses	–	2,186
	600,000	202,186

* Excluding taxes.

19. Earnings per equity share has been computed as under:		
(a) Profit for the year (₹)	(18,137,872)	(119,762,725)
(b) Weighted average number of Equity shares outstanding	73,000,000	72,580,774
(c) Earnings per equity share on profit for the year (Face Value ₹ 10.00 per share)		
- Basic and Diluted [(a)/(b)]	(0.25)	(1.65)

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

20. Additional Notes to the Financial Statements

(i) Contingent liabilities and commitments :

(a) Contingent liabilities: Nil (2016 - Nil; 2015 - Nil)

(b) Commitments

- Estimated amount of contracts remaining to be executed on capital accounts (net of advances) and not provided for ₹ 29,73,026 (2016 - ₹ 1,21,60,298; 2015 - ₹ 32,69,42,620).

(ii) (a) Defined Benefit Plans - As per Actuarial Valuations as on March 31, 2017 and recognised in the financial statements in respect of gratuity:

Description of Plans

The liabilities arising in the defined benefit scheme of gratuity is determined in accordance with the advice of independent, professionally qualified actuaries, using the projected unit credit method.

Risk Management

The defined benefit plan of gratuity exposes the Company to actuarial deficit arising out of interest rate risk, salary cost inflation risk, longevity risk. These plans are not exposed to any unusual, entity specific or scheme specific risks but there are general risks. The Scheme's accounting liabilities are calculated using a discount rate set with reference to the Government security yields. A decrease in yields will increase the fund liabilities, leading to accounting deficit in the funds. Increase in salary due to adverse inflationary pressures might lead to higher liabilities. The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability.

			For the year ended 31st March, 2017 (₹)	For the year ended 31st March, 2016 (₹)
			Gratuity	Gratuity
			Unfunded	Unfunded
I	**Components of Employer Expense**			
	- Recognised in Profit or Loss			
	1	Current service cost	17,09,511	5,76,855
	2	Past service cost	–	–
	3	Net interest cost	43,264	–
	4	**Total expense recognised in the Statement of Profit and Loss**	17,52,775	5,76,855
	Re-measurements recognised in other comprehensive income			
	5	(Return) on plan assets (excluding amounts included in Net interest cost)	–	–
	6	Effect of changes in demographic assumptions	–	–
	7	Effect of changes in financial assumptions	1,38,520	–
	8	Changes in asset ceiling (excluding interest income)	–	–
	9	Effect of experience adjustments	16,235	–
	10	Total re-measurements included in OCI	1,54,755	–
	11	**Total defined benefit cost recognised in Profit and Loss and Other Comprehensive Income (4+10)**	19,07,530	5,76,855
II	**Actual returns**			
III	**Net Asset/(Liability) recognised in Balance Sheet**			
	1	Present value of Defined Benefit Obligation	24,84,385	5,76,855
	2	Fair value of plan assets	–	–
	3	Status [Surplus/(Deficit)]	(24,84,385)	(5,76,855)
	4	Restrictions on asset recognised	–	–

Net Asset/(Liability) recognised in Balance Sheet	As at 31st March, 2017		As at 31st March, 2016		As at 1st April, 2015	
	Current	Non-current	Current	Non-current	Current	Non-current
Gratuity	–	(24,84,385)	–	(5,76,855)	–	–

			For the year ended 31st March, 2017 (₹)	For the year ended 31st March, 2016 (₹)
			Gratuity	Gratuity
IV	**Change in Defined Benefit Obligation (DBO)**			
	1	Present value of DBO at the beginning of the year	5,76,855	–
	2	Current service cost	17,09,511	5,76,855
	3	Interest cost	43,264	–
	4	Remeasurement losses / (gains):	–	–
		Effect of changes in demographic assumptions	–	–
		Effect of changes in financial assumptions	1,38,520	–
		Changes in asset ceiling (excluding interest income)	–	–
		Effect of experience adjustments	16,235	–
	5	Curtailment cost / (credit)	–	–
	6	Settlement cost / (credits)	–	–
	7	Liabilities assumed in business combination	–	–
	8	Exchange difference on foreign plans	–	–
	9	Benefits paid	–	–
	10	Present Value of DBO at the end of the year	24,84,385	5,76,855

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

V	Actuarial Assumptions		As at 31st March, 2017	As at 31st March, 2016
			Discount Rate (%)	Discount Rate (%)
	1	Gratuity	6.75%	7.50%
	2	Weighted expected rate of salary increase	10.00%	10.00%
	3	Retirement age	60	60
	4	Attrition rate	4.00%	4.00%
	5	Mortality table	IALM 2006-08	IALM 2006-08
	The estimates of 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.			

Sensitivity analysis – DBO at end of 31st March, 2017

	Particulars	Amount
1	Discount rate +100 basis points	20,35,337
2	Discount rate -100 basis points	30,64,886
3	Salary Increase Rate +1%	30,26,023
4	Salary Increase Rate -1%	20,52,867
5	Attrition Rate +1%	22,82,139
6	Attrition Rate -1%	27,21,845

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognised in the balance sheet. There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior years.

Note: The Company has started its commercial operations from August 2015. Accordingly the cost towards defined benefit obligations have been recognized with effect from FY 2015-16.

(b) Provident Fund contributions are in the nature of defined contribution scheme. They are deposited with the Government and recognised as expense. Amounts towards Defined Contribution Plans have been recognised under "Contribution to Provident funds" in Note 17: ₹ 25,25,169 (2016 - ₹ 9,98,290).

(c) Leave is paid on a yearly basis and is not considered to be a long-term retirement benefit.

(iii) Micro, Small and Medium scale business entities:

Payable to Micro and Small Enterprises as at 31st March, 2017 is Nil (2016 - Nil; 2015 - Nil). The above amount comprise of Nil (2016 - Nil; 2015 - Nil) on account of trade payable and Nil (2016 - Nil; 2015 - Nil) on account of other current liabilities. There are no Micro, Small and Medium Enterprises, to whom the Company owes dues, which are outstanding for more than 45 days during the year and also as at 31st March, 2017. This information as required to be disclosed under the Micro, Small and Medium Enterprises Development Act, 2006 has been determined to the extent such parties have been identified on the basis of information available with the Company.

(iv) The Company has entered into cancellable operating lease arrangement for residential accommodation. The lease rental payable are charged as 'Rent' under Note 18.

(v) The Company operates in a single business segment of manufacturing biscuits and the principal geographical segment is India. The chief operating decision maker (CODM) is the Board of Directors. The entire sales of finished goods of the Company is to ITC Limited (Holding Company).

(vi) Deferred Tax

Considering that the Company has unabsorbed tax depreciation, carry forward losses and tax holiday under section 80IE of Income Tax Act, 1961, deferred tax asset as at 31st March, 2017 is not recognised.

(vii) Related Party Disclosures

1 The company has the following related parties

Holding Company

ITC Limited

Key Management Personnel

M. Ganesan	Non- Executive Chairman
P. Wali	Non- Executive Director
D. Ashok	Non- Executive Director
S. Deka	Non- Executive Director
R. Jacob	Non- Executive Director
K. Raghavaiah	Non- Executive Director

Members- Management Committee

A. Sengupta	Chief Financial Officer
M. Das	HR Head
S. Agarwal	Head of Operations
S. Bai	Manager & Company Secretary

2 **Related Parties with whom the Company had transactions**

ITC Limited	Holding Company
ITC Infotech India Limited	Fellow Subsidiary
Russell Credit Limited	Fellow Subsidiary
Greenacre Holdings Limited	Fellow Subsidiary
M/s Sunandaram Deka	Partnership firm in which one of the directors is a partner
M/s Repose	Partnership firm in which one of the directors is a partner
Russell Investments Limited	Associate of holding company

Key Management Personnel

S. Deka	Non-Executive Director
R. Jacob	Non- Executive Director
K. Raghavaiah	Non- Executive Director
M. Das	HR Head

(vii) Related Party Disclosures (contd.)

(Amount in ₹)

3. DISCLOSURE OF TRANSACTIONS BETWEEN THE COMPANY AND RELATED PARTIES AND THE STATUS OF OUTSTANDING BALANCES AS AT 31.03.2017

RELATED PARTY TRANSACTIONS SUMMARY		Holding Company		Fellow Subsidiaries						Associate		Firm in which Director is interested				KMP		Total	
		ITC Limited		ITC Infotech India Limited		Russell Credit Limited		Greenacre Holdings Limited		Russell Investments Limited		M/s Sunandaram Deka		M/s Repose					
		2017	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
1	Sale of goods (incl of VAT & CST Remission)	**1,382,112,915**	285,128,404	–	–	–	–	–	–	–	–	–	–	–	–	-	–	**1,382,112,915**	285,128,404
2	Purchase of goods/ services	**12,536,228**	–	–	–	–	–	–	–	–	–	–	–	**1,776,788**	–	-	–	**14,313,016**	–
3	Software expenses	–	–	**2,759,040**	2,749,710	–	–	–	–	–	–	–	–	–	–	-	–	**2,759,040**	2,749,710
4	Office management services	–	–	–	–	–	–	**50,000**	70,000	–	–	–	–	–	–	-	–	**50,000**	70,000
5	Management services	–	–	–	–	–	–	–	–	–	–	**12,300,000**	8,400,000	–	–	-	–	**12,300,000**	8,400,000
6	Labour contract services	–	–	–	–	–	–	–	–	–	–	**57,012,186**	27,591,897	–	–	-	–	**57,012,186**	27,591,897
7	Internal Audit fees	**390,368**	190,067	–	–	–	–	–	–	–	–	–	–	–	–	-	–	**390,368**	190,067
8	Equity share capital contribution	–	73,466,670	–	–	–	–	–	–	–	–	–	–	–	–	-	5,800,000	–	79,266,670
9	Interest expense on loan	–	–	–	–	**94,372,996**	61,278,904	–	–	**4,320,000**	–	–	–	–	–	-	–	**98,692,996**	61,278,904
10	Remuneration to Key Management Personnel																		
	- Directors	–	–	–	–	–	–	–	–	–	–	–	–	–	–	**205,000**	260,000	**205,000**	260,000
	- Others	–	–	–	–	–	–	–	–	–	–	–	–	–	–	**480,000**	460,000	**480,000**	460,000
11	Remuneration of managers on deputation reimbursed	**7,148,572**	3,680,000	–	–	–	–	–	–	–	–	–	–	–	–	-	–	**7,148,572**	3,680,000
12	Loans taken	–	–	–	–	**130,000,000**	780,000,000	–	–	**180,000,000**	–	–	–	–	–	-	–	**310,000,000**	780,000,000
13	Payment towards loan repayment	–	–	–	–	**301,600,000**	–	–	–	–	–	–	–	–	–	-	–	**301,600,000**	–

Compensation of key management personnel

The remuneration of directors and other members of key management personnel during the year was as follows *

	2017	**2016**
- R. Jacob (Sitting fees)	127,500	130,000
- K. Raghavaiah (Sitting fees)	77,500	130,000
- M. Das (Salary)	480,000	460,000

RELATED PARTY BALANCES		Holding Company			Fellow Subsidiaries									Associate			Firm in which Director is interested						KMP			Total		
		ITC Limited			ITC Infotech India Limited			Russell Credit Limited			Greenacre Holdings Limited			Russell Investments Limited			M/s Sunandaram Deka			M/s Repose								
		2017	2016	2015	**2017**	2016	2015	**2017**	2016	2015	**2017**	2016	2015	**2017**	2016	2015	**2017**	2016	2015	**2017**	2016	2015	**2017**	2016	2015	**2017**	2016	2015
Balances as at 31st March (unsecured unless otherwise stated)																												
1	Receivables	**47,875,981**	37,857,980	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	**47,875,981**	37,857,980	–
2	Loans Taken	–	–	–	–	–	–	** **60,84,00,000**	** 78,00,00,000	–	–	–	–	**180,000,000**	–	–	–	–	–	–	–	–	–	–	–	**788,400,000**	780,000,000	–
3	Payables	–	–	369,303	–	–	–	–	–	–	–	–	–	–	–	–	–	5,925,149	–	–	–	–	–	–	–	–	5,925,149	369,303
4	Interest accrued but not due	–	–	–	–	–	–	–	20,670,904	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	20,670,904	–

The amount outstanding will be settled in cash.

** Loan from Russell Credit Limited is secured by way of hypothecation/equitable mortgage.

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

(viii) Financial instruments and related disclosures

1. **Capital Management**

The Company funds its operations mainly through internal accruals. The Company aims to maintain adequate supply of funds towards future growth of its business as a going concern.

The capital structure of the Company consists of equity Rs. 73 Crores and debt of Rs. 78.84 Crores. The Company is not subject to any externally imposed capital requirement.

2. **Categories of Financial Instruments**

Particulars	Note	As at 31st March, 2017		As at 31st March, 2016		As at 1st April, 2015	
		Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value
A. Financial assets							
a) Measured at amortised cost							
i) Cash and Cash Equivalents	5	38,51,130	38,51,130	2,55,95,891	2,55,95,891	4,85,63,581	4,85,63,581
ii) Other Bank Balances	6	–	–	–	–	5,00,000	5,00,000
iii) Trade Receivables	4	4,78,75,981	4,78,75,981	3,81,10,007	3,81,10,007	–	–
iv) Other Financial assets	7	–	–	77,469	77,469	4,742	4,742
Total financial assets		**5,17,27,111**	**5,17,27,111**	**6,37,83,367**	**6,37,83,367**	**4,90,68,323**	**4,90,68,323**
B. Financial liabilities							
a) Measured at amortised cost							
i) Borrowings	9	66,68,00,000	66,68,00,000	65,83,33,333	65,83,33,333	–	–
ii) Trade Payables		2,80,93,206	2,80,93,206	4,49,93,098	4,49,93,098	3,17,316	3,17,316
iii) Other financial liabilities	10	12,56,15,600	12,56,15,600	15,49,12,592	15,49,12,592	6,30,84,851	6,30,84,851
Total financial liabilities		**82,05,08,806**	**82,05,08,806**	**85,82,39,023**	**85,82,39,023**	**6,34,02,167**	**6,34,02,167**

3. **Financial risk management objectives**

The Company's activities expose it to a variety of financial risks, including market risk, credit risk and liquidity risk. The Company is striving to develop a system-based approach to business risk management. The Company's financial risk management process seeks to enable the early identification, evaluation and effective management of key risks facing the business. Backed by strong internal control systems, the current Risk Management Framework rests on policies and procedures issued by appropriate authorities; process of regular reviews / audits to set appropriate risk limits and controls; monitoring of such risks and compliance confirmation for the same.

a) **Market risk**

The Company ensures optimisation of cash through fund planning. Commodity price risk arising out of movement of prices of raw materials, packing materials, consumables etc. are transferred to customers. Derivative transactions are not undertaken.

i. **Interest rate risk**

Interest rate risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As majority of the financial assets and liabilities of the Company are either non-interest bearing or fixed interest bearing instruments, the Company's net exposure to interest risk is negligible.

ii. **Commodity Price risk**

The Company's exposure to commodity price risk price is negligible due to the terms of arrangement with its single customer.

iii. **Price risk**

The Company has been in stabilisation phase since it has started commercial operations in August 2015. Hence it didn't have investible surplus funds during the year.

b) **Liquidity risk**

Liquidity risk is defined as the risk that the Company will not be able to settle or meet its obligations as they become due. The Company manages its liquidity risk by ensuring that it will always have sufficient liquidity to meet its liabilities when due.

The table below provides details regarding the remaining contractual maturities of significant financial liabilities at the reporting date.

Particulars	As at 31st March, 2017						
	Contractual Cash flows*						
	Carrying value	Less than 3 months	More than 3 months upto 6 months	More than 6 months upto 1 year	More than 1 year upto 3 years	Beyond 3 years	Total
Borrowings (interest bearing 12%)	66,68,00,000	–	–	18,00,00,000	24,32,00,000	24,36,00,000	66,68,00,000
Trade Payables	2,80,93,206	2,80,93,206	–	–	–	–	2,80,93,206
Other Financial Liabilities	12,56,15,600	10,88,914	6,11,00,000	6,34,26,686	–	–	12,56,15,600
	82,05,08,806	2,91,82,120	6,11,00,000	24,34,26,686	24,32,00,000	24,36,00,000	82,05,08,806

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

Particulars	As at 31st March, 2016						
	Contractual Cash flows*						
	Carrying value	Less than 3 months	More than 3 months upto 6 months	More than 6 months upto 1 year	More than 1 year upto 3 years	Beyond 3 years	Total
Borrowings (interest bearing 12%)	65,83,33,333	–	–	5,00,00,000	24,32,00,000	36,51,33,333	65,83,33,333
Trade Payables	4,49,93,098	4,49,93,098	–	–	–	–	4,49,93,098
Other Financial Liabilities	15,49,12,592	8,43,16,829	3,04,00,000	4,01,95,763	–	–	15,49,12,592
	85,82,39,023	**12,93,09,927**	**3,04,00,000**	**9,01,95,763**	**24,32,00,000**	**36,51,33,333**	**85,82,39,023**

Particulars	As at 1st April, 2015						
	Contractual Cash flows*						
	Carrying value	Less than 3 months	More than 3 months upto 6 months	More than 6 months upto 1 year	More than 1 year upto 3 years	Beyond 3 years	Total
Borrowings	–	–	–	–	–	–	–
Trade Payables	3,17,316	3,17,316	–	–	–	–	3,17,316
Other Financial Liabilities	6,30,84,851	6,30,84,851	–	–	–	–	6,30,84,851
	6,34,02,167	**6,34,02,167**	–	–	–	–	**6,34,02,167**

* The table has been drawn up based on undiscounted cash flows of financial liabilities based on the earliest date on which the Company is required to pay. The table includes principal cash flows.

c) Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument which may lead to a financial loss to the Company.

The Company has sales to a single customer which is also the holding company. Hence, there is no credit risk to the company.

4. Fair value measurement

The fair value of trade receivables and payables is considered to be equal to the carrying amounts of these items due to their short – term nature.

There has been no change in the valuation methodology for Level 3 inputs during the year. The Company has not classified any material financial instruments under Level 3 of the fair value hierarchy. There were no transfers between Level 1 and Level 2 during the year.

The following table presents the fair value hierarchy of assets and liabilities measured at fair value on a recurring basis.

Particulars	Fair Value Hierarchy (Level)	Fair Value		
		As at 31st March, 2017	As at 31st March, 2016	As at 1st April, 2015
Financial liabilities				
Measured at amortised cost				
Borrowings	2	**66,68,00,000**	65,83,33,333	–
Total financial liabilities		**66,68,00,000**	**65,83,33,333**	–

(ix) The Company did not have any holdings or dealings in “Specified Bank Notes”, as well as other denominations (as defined in notification no S.O. 3407 (E) dated November 08, 2016 of Ministry of Finance, (Govt. of India)), during the period from November 08, 2016 to December 30, 2016.

(x) Ministry of Corporate Affairs (MCA) has issued the Companies (Indian Accounting Standards) (Amendment) Rules, 2017 on 17th March, 2017 notifying the amendments to Ind AS 7, 'Statement of cash flows' . This amendment is applicable for annual periods beginning on or after 1st April, 2017. The Company expects that there will be no material impact on the financial statements resulting from the implementation of this standard.

(xi) The financial statements were approved for issue by the board of directors on April 21, 2017.

In terms of our report attached
For **Deloitte Haskins & Sells**
Chartered Accountants

KETAN VORA
Partner

Mumbai, 21st April, 2017

For and on behalf of the Board of Directors

D. ASHOK
Director

M. GANESAN
Chairman

A. SENGUPTA
Chief Financial Officer

S. BAI
Manager & Company Secretary

Bengaluru, 21st April, 2017

REPORT OF THE BOARD OF DIRECTORS

TO THE MEMBERS OF WIMCO LIMITED

1. Your Directors submit their Report for the financial year ended 31st March, 2017.

2. COMPANY PERFORMANCE

The Company's business activities comprise fabrication and assembly of machinery for tube filling, cartoning, wrapping, material handling and conveyor solutions for the FMCG and Pharmaceutical industry.

Your Company's order book was impacted during the year due to the sluggish demand conditions prevailing in the FMCG and Pharmaceutical industry. Your Company's Revenue from Operations for the year stood at ₹ 1,615.40 lakhs (previous year ₹ 1,485.25 lakhs), registering a modest growth of 8.76%. The Net Loss for the year was ₹ 6.75 lakhs as against Loss of ₹ 35.33 lakhs during the previous year and the Total Comprehensive Income was ₹ (8.97) lakhs [previous year (₹ 41.16 lakhs)].

Your Company is focusing on building a robust business model, widening its customer base and developing superior solutions towards addressing customer requirements.

3. DIVIDEND

In view of the losses incurred, your Directors are unable to recommend any dividend for the year under review.

4. DIRECTORS AND KEY MANAGERIAL PERSONNEL

(a) Changes in Directors and Key Managerial Personnel during the year

During the year, there was no change in the composition of the Board of Directors ('the Board') and Key Managerial Personnel of your Company.

(b) Declaration of Independence by the Independent Directors

The Independent Directors of your Company have confirmed that they meet the criteria of Independence as prescribed under Section 149(6) of the Companies Act, 2013 ('the Act') read with Rule 5 of the Companies (Appointment and Qualification of Directors) Rules, 2014.

(c) Attributes, qualifications and appointment of Directors

As reported in earlier years, the attributes and qualifications of the Independent Directors provided in Section 149 (6) of the Act read with Rule 5 of the Companies (Appointment and Qualification of Directors) Rules, 2014 were adopted by the Nomination and Remuneration Committee. The attributes and qualifications, as applicable, were also adopted in respect of the other Directors.

All the Directors of the Company are appointed by the Board based on the recommendation of the Nomination and Remuneration Committee; this Committee reviews the fit and proper status of the Directors. Two of the Non-Executive Directors, including the Chairman, are executives of ITC Limited, the Holding Company. All the Directors, other than the Independent Directors and the Managing Director, are liable to retire by rotation and one-third of them retire every year and are eligible for re-election.

In accordance with the provisions of Section 152(6) of the Act and Article 131of the Articles of Association of the Company, Mr. Dipak Kumar Dutta (DIN: 00078772), Director, will retire by rotation at the ensuing Annual General Meeting ('AGM') of the Company and, being eligible, offers himself for re-election. Your Board has recommended his re-election.

(d) Remuneration Policy

The Remuneration Policy of the Company for the Directors, Key Managerial Personnel and other employees, as approved by the Board, is enclosed as **Annexure 1** to this Report.

5. BOARD AND BOARD COMMITTEES

The Audit Committee of the Board presently comprises Mr. R. K. Singhi (Chairman), Mr. S. Banerjee and Mr. P. Chatterjee. The Nomination and Remuneration Committee of the Board comprises Mr. P. Chatterjee (Chairman), Mr. S. Banerjee and Mr. R. Tandon and the Securityholders Relationship Committee comprises Mr. R. K. Singhi (Chairman), Mr. D. Dutta, Mr. R. Senguttuvan and Mr. R. Tandon.

During the year ended 31st March, 2017, the following meetings of the Board and Board Committees were held:

Board / Board Committee	Number of meetings	Date(s) of meeting(s)
Board	5	3rd May, 2016 26th August, 2016 22nd September, 2016 28th December, 2016 22nd March, 2017
Audit Committee	3	3rd May, 2016 28th December, 2016 22nd March, 2017
Nomination and Remuneration Committee	1	3rd May, 2016
Securityholders Relationship Committee	2	26th August, 2016 28th December, 2016

The attendance of Directors of the Company at the Board and Board Committee meetings held during the year is given below:

Sl. No.	Name of the Director	Number of meetings attended			
		Board	Audit Committee	Nomination and Remuneration Committee	Securityholders Relationship Committee
1.	Mr. R. Tandon	5	N.A.	1	2
2.	Mr. S. Banerjee	4	3	1	N.A.
3.	Mr. P. Chatterjee	4	3	1	N.A.
4.	Mr. C. R. Dua	2	N.A.	N.A.	N.A.
5.	Mr. D. Dutta	4	N.A.	N.A.	N.A.[$]
7.	Mr. R. K. Singhi	5	3	N.A.	2
8.	Mr. R. Senguttuvan	4	N.A.	N.A.	1

[$] Appointed Member of the Securityholders Relationship Committee with effect from 22nd March, 2017.

6. DIRECTORS' RESPONSIBILITY STATEMENT

As required under Section 134(5) of the Act, your Directors confirm having:

i) followed in the preparation of the Annual Accounts, the applicable Accounting Standards with proper explanation relating to material departures, if any;

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 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 Act 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; and

v) devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems are adequate and operating effectively.

7. SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

The Company does not have any subsidiary, associate or joint venture.

8. EMPLOYEES

The relations between your Company and its employees continue to be cordial during the year under review. The details of top ten employees of the Company in terms of Rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 are provided in **Annexure 2** to this Report.

9. RISK MANAGEMENT

The Company's risk management framework, designed to bring robustness to the risk management processes in the Company, addresses risks intrinsic to operations, financials and compliances arising out of the overall strategy of the Company.

Management of risks vests with the executive management which is responsible for the day-to-day conduct of the affairs of the Company, within the overall framework approved by the Board. The Internal Auditor of the Company periodically carries out risk focused audits with the objective of identifying areas where risk management processes could be further strengthened. The Audit Committee annually reviews the effectiveness of the Company's risk management systems and policies.

10. INTERNAL FINANCIAL CONTROLS

Your Company has in place adequate internal financial controls with respect to the financial statements, commensurate with its size and scale of operations. The Internal Auditor of the Company periodically evaluates the adequacy and effectiveness of internal financial controls. The Audit Committee which provides guidance on internal controls, also reviews internal audit findings and implementation of internal audit recommendations.

During the year, the internal financial controls in the Company with respect to the financial statements were tested and no material weakness in the design or operation of such controls was observed. Nonetheless, your Company recognises that any internal financial control framework, no matter how well designed, has inherent limitations and accordingly, regular audit and review processes ensure that such systems are reinforced on an ongoing basis.

11. PARTICULARS OF LOANS, GUARANTEES AND INVESTMENTS

During the year ended 31stMarch, 2017, the Company has neither given any loan or guarantee nor has made any investment under Section 186 of the Act.

12. RELATED PARTY TRANSACTIONS

During the year ended 31st March, 2017, the Company has neither entered into any contract or arrangement with its related parties which is not at arm's length nor has the Company entered into any material contract or arrangement with them, under Section 188 of the Act.

13. SIGNIFICANT AND MATERIAL ORDERS PASSED BY THE REGULATORS / COURTS/ TRIBUNALS

During the year under review, no significant or material orders were passed by the Regulators / Courts / Tribunals impacting the going concern status of the Company and its future operations.

14. EXTRACT OF ANNUAL RETURN

The extract of Annual Return in the prescribed Form No. MGT-9 is enclosed as **Annexure 3** to this Report.

15. AUDITORS

The Company's Statutory Auditors, Messrs. Deloitte Haskins & Sells, Chartered Accountants ('DHS'), were appointed at the Ninety-First AGM to hold such office till the conclusion of the Ninety-Sixth AGM. On the recommendation of the Audit Committee and pursuant to Section 139 of the Act, your Board has recommended for the ratification of the Members, appointment of DHS from the conclusion of the ensuing AGM till the conclusion of the Ninety-Fifth AGM. On the recommendation of the Audit Committee and pursuant to Section 142 of the Act, the Board has also recommended for the approval of the Members, remuneration of DHS for the financial year 2017-18. Appropriate resolution in respect of the above is appearing in the Notice convening the ensuing AGM of the Company.

16. 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.

During the year under review, the Company earned foreign exchange of ₹88.83 lakhs, while the total outflow of foreign exchange was ₹5.39 lakhs.

17. ACKNOWLEDGEMENT

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

On behalf of the Board

	R. Tandon	**R. Senguttuvan**
Date: 8th May, 2017	Chairman	Managing Director

Annexure 1 to the Report of the Board of Directors for the financial year ended 31st March, 2017

Remuneration Policy

The Company's Remuneration Strategy is designed to attract and retain talent that gives its business a unique competitive advantage and enables the Company to achieve its objectives.

The Company's Remuneration Strategy, whilst focusing on remuneration and related aspects of performance management, is aligned with and reinforces the employee value proposition of a superior quality of work life, that includes an enabling work environment, an empowering and engaging work culture and opportunities to learn and grow.

The Compensation approach endeavours to align each employee with the Company's goals.

POLICY

It is the Company's policy:

1. To ensure that its Remuneration practices support and encourage meritocracy.
2. To ensure that Remuneration is market-led and takes into account the competitive context of the Company's business.
3. To leverage Remuneration as an effective instrument to enhance performance and therefore to link the remuneration to both individual and collective performance outcomes.
4. To adopt a comprehensive approach to Remuneration in order to support a superior quality of personal and work life, in a manner so as to judiciously balance short term with long term priorities.
5. To design Remuneration practices such that they reinforce the Company's values and culture and to implement them in a manner that complies with all relevant regulatory requirements.

Remuneration of Managing / Wholetime Directors, Key Managerial Personnel and Senior Management

1. Remuneration of Key Managerial Personnel and Senior Management is determined and recommended by the Nomination and Remuneration Committee and approved by the Board. Remuneration of Managing Director / Wholetime Director / Manager is also subject to the approval of the shareholders.
2. Remuneration is reviewed and revised periodically, when such a revision is warranted by the market.
3. Apart from fixed elements of remuneration and benefits, Key Managerial Personnel and Senior Management are also eligible for Variable Pay / Performance Bonus which is linked to their individual performance and the overall performance of the Company.
4. Remuneration of KMP on deputation from the Holding Company / subsidiary / fellow subsidiary / associate companies, is aligned to the Remuneration Policy of that company.

Remuneration of Non-Executive Directors

Non-Executive Directors are entitled to sitting fees for attending meetings of the Board and Board Committees, the quantum of which is determined by the Board, within the limits prescribed under the Companies Act, 2013 and the Rules thereunder. Non-Executive Directors are also entitled to reimbursement of expenses for attending meetings of the Board and Board Committees and General Meetings.

Remuneration of Management Staff

1. Remuneration of Management Staff is approved by the Board on the recommendation of the Executive Management Committee.
2. Remuneration is reviewed and revised periodically, when such a revision is warranted by the market. The quantum of revision is linked to market trends, the competitive context of the Company's business, as well as the track record of the individual employee.
3. Variable Pay cognises for the performance rating of the individual employee and the overall performance of the Company.

Remuneration of Non-Management Staff

1. Remuneration of non-management staff is market-led, leverages performance and is approved by the Executive Management Committee.
2. Remuneration of non-management unionised employees is determined through a process of negotiations with the recognised union/s or employee representatives, through a long-term agreement.
3. Remuneration, comprising fixed and variable components, is arrived at based on benchmarking with region-cum-industry practices and cognizing for market dynamics, competitiveness of the unit, overall performance of the Company's business, availability of skills, inflation/cost of living and the impact of cost escalation and productivity gains on present and future competitiveness.

Annexure 2 to the Report of the Board of Directors for the financial year ended 31st March, 2017

[Information pursuant to Rules 5(2) and 5(3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]

Names of employees	Age	Designation	Gross Remuneration (₹)	Net Remuneration (₹)	Qualifications	Experience (Years)	Date of commencement of employment / deputation	Previous Employment / Position held
1	2	3	4	5	6	7	8	9
S. Pal *	33	Chief Financial Officer	27,25,498/-	17,91,861/-	B. Com., A.C.A.	10	04.02.2015	Assistant Manager (Finance) - ITC Limited
S. V. Limaye	51	Vice President	23,65,170/-	14,30,546/-	B.E. (Prodn.), P.G.P.M.	24	04.01.2006	Deputy General Manager - Cosmo Films Pvt. Ltd.
P. P. Dakhole	42	Manager - Design	11,07,880/-	9,76,592/-	B.E. (Mechanical)	10	15.07.2016	Manager Design – ASB International Pvt. Ltd.
M. K. Singh	37	Manager - Sales	10,26,340/-	8,84,400/-	M.B.A. - Marketing & Finance, B.E. (Electronics)	8.5	02.01.2017	National Sales Manager -Technocraft Industries (India) Ltd.
R. S. Rane	39	Manager - Production	8,22,900/-	6,99,648/-	Diploma in Mechanical & Materials Management	17	13.09.2016	Project Manager – Siemens Limited
K. D. Sardesai	38	Purchase Manager	7,48,620/-	6,51,261/-	B.Tech (Mechanical)	16	07.01.2016	Manager Outsourcing –Kilburn Engineering Limited
V. S. Jadhav	43	Manager – Accounts	5,80,731/-	4,83,209/-	B. Com	21	05.02.2006	Accounts Assistant - Fudkor India Pvt Ltd
K. Kadam	30	Manager Production / Quality	5,75,040/-	5,06,280/-	L.M.E.	14	15.11.2016	Quality Control Asst. Manager - Furniture Kraft International Pvt. Ltd.
A. H. Mendon	53	Manager - IT	5,03,165/-	3,85,189/-	B.Sc., P.G.D.B.A	29	18.09.1995	System Analyst - Lateral Management Computer Consultants
A. Bhoware	34	Manager - Sales	4,63,516/-	4,05,440/-	M.B.A - Marketing	5.5	30.04.2015	Sales Assistant -Nederman India Pvt. Ltd.

* On deputation from ITC Limited, the Holding Company.

Notes:

(a) In respect of employee on deputation, gross remuneration disclosed as above is the deputation cost borne by the Company. For the other employees, gross remuneration includes salary, variable pay, allowances & other benefits / applicable perquisites except provisions for gratuity and leave encashment which are actuarially determined on an overall Company basis. The term 'remuneration' has the meaning assigned to it under the Companies Act, 2013.

(b) Certain employees of the Company (including the employee on deputation) have been granted Stock Options by ITC Limited, the Holding Company, under its Employee Stock Option Schemes at 'market price' [within the meaning of the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014]. Since such Options are not tradeable, no perquisite or benefit is immediately conferred upon them by such grant of Options, and accordingly the said grant has not been considered as remuneration.

(c) Net remuneration comprises cash income less income tax, education cess deducted at source and employee's own contribution to provident fund.

(d) All appointments (except in case of employee on deputation) are contractual in accordance with terms and conditions as per Company's rules.

(e) The aforesaid employees are neither relative of any Director / Manager of the Company nor hold any equity share in the Company.

On behalf of the Board

R. Tandon Chairman

Dated : 8th May, 2017 **R. Senguttuvan** Managing Director

Annexure 3 to the Report of the Board of Directors

FORM NO. MGT-9

EXTRACT OF ANNUAL RETURN

as on the financial year ended on 31st March, 2017

[Pursuant to Section 92(3) of the Companies Act, 2013 and Rule 12(1) of the Companies (Management and Administration) Rules, 2014]

I. REGISTRATION AND OTHER DETAILS

i)	CIN	:	U24291MH1923PLC001082
ii)	Registration Date	:	7th September, 1923
iii)	Name of the Company	:	Wimco Limited
iv)	Category / Sub-Category of the Company	:	Unlisted Public Company limited by shares
v)	Address of the Registered office and contact details	:	Indian Mercantile Chambers R. Kamani Marg, Ballard Estate Mumbai – 400001 Phone: 022- 4366 3333 Fax: 022- 2269 2228
vi)	Whether listed company	:	No
vii)	Name, Address and Contact details of Registrar and Transfer Agent, if any	:	N.A.

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

All the business activities contributing 10% or more of the total turnover of the Company shall be stated:

Sl. No.	Name and Description of main products / services	NIC Code of the product/ service	% to total turnover of the Company
1.	Fabrication / assembly of machinery, including tube filling machines, cartoning machines, wrapping machines, loading machines and conveyor solutions.	28199	100%

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES

Sl. No.	Name and Address of the company	CIN/GLN	Holding/ Subsidiary/ Associate	% of shares held in the Company	Applicable Section
1.	ITC Limited Virginia House, 37 Jawaharlal Nehru Road Kolkata – 700 071	L16005WB1910PLC001985	Holding company	98.21%	2(46)

IV. SHAREHOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity)

(i) Category-wise Shareholding:

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
A. Promoters									
(1) Indian									
a) Individual/HUF	–	–	–	–	–	–	–	–	N.A.
b) Central Govt.	–	–	–	–	–	–	–	–	N.A.
c) State Govt.(s)	–	–	–	–	–	–	–	–	N.A.
d) Bodies Corp.	18,50,81,193	–	18,50,81,193	98.21	18,50,81,193	–	18,50,81,193	98.21	Nil
e) Banks / FI	–	–	–	–	–	–	–	–	N.A.
f) Any Other	–	–	–	–	–	–	–	–	N.A.
Sub-total (A)(1)	**18,50,81,193**	**-**	**18,50,81,193**	**98.21**	**18,50,81,193**	**-**	**18,50,81,193**	**98.21**	**Nil**
(2) Foreign									
a) NRIs - Individuals	–	–	–	–	–	–	–	–	N.A.
b) Other – Individuals	–	–	–	–	–	–	–	–	N.A.
c) Bodies Corp.	–	–	–	–	–	–	–	–	N.A.
d) Banks / FI	–	–	–	–	–	–	–	–	N.A.
e) Any Other	–	–	–	–	–	–	–	–	N.A.
Sub-total (A)(2)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**N.A.**
Total shareholding of Promoter (A) = (A)(1)+(A)(2)	**18,50,81,193**	**–**	**18,50,81,193**	**98.21**	**18,50,81,193**	**–**	**18,50,81,193**	**98.21**	**Nil**

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
B. Public Shareholding									
1. Institutions									
a) Mutual Funds	–	4,844	4,844	0.00	–	4844	4844	0.00	Nil
b) Banks / FI	4,627	10,090	14,717	0.01	4,627	10,090	14,717	0.01	Nil
c) Central Govt.	–	–	–	–	–	–	–	–	N.A.
d) State Govt.(s)	–	–	–	–	–	–	–	–	N.A.
e) Venture Capital Funds	–	–	–	–	–	–	–	–	N.A.
f) Insurance Companies	–	–	–	–	–	–	–	–	N.A.
g) FIIs	–	1,550	1,550	0.00	–	1,550	1,550	0.00	Nil
h) Foreign Venture Capital Funds	–	–	–	–	–	–	–	–	N.A.
i) Others (specify)	–	–	–	–	–	–	–	–	N.A.
Sub-total (B)(1)	**4,627**	**16,484**	**21,111**	**0.01**	**4,627**	**16,484**	**21,111**	**0.01**	**Nil**
2. Non-Institutions									
a) Bodies Corp.									
i) Indian	65,452	22,731	88,183	0.05	66,452	22,731	89,183	0.05	0.00
ii) Overseas	–	–	–	–	–	–	–	–	N.A.
b) Individuals									
i) Individual shareholders holding nominal share capital upto ₹ 1 lakh	15,84,900	16,48,511	32,33,411	1.71	15,88,902	16,45,482	32,34,384	1.71	0.00
ii) Individual shareholders holding nominal share capital in excess of ₹ 1 lakh	–	–	–	–	–	–	–	–	N.A.
c) Others (specify)									
- Non Resident Indians	25,242	10,860	36,102	0.02	23,269	10,860	34,129	0.02	0.00
Sub-total (B)(2)	**16,75,594**	**16,82,102**	**33,57,696**	**1.78**	**16,78,623**	**16,79,073**	**33,57,696**	**1.78**	**Nil**
Total Public Shareholding (B)=(B)(1)+ (B)(2)	**16,80,221**	**16,98,586**	**33,78,807**	**1.79**	**16,83,250**	**16,95,557**	**33,78,807**	**1.79**	**Nil**
C. Shares held by Custodian for GDRs & ADRs	–	–	–	–	–	–	–	–	N.A.
Grand Total (A+B+C)	**18,67,61,414**	**16,98,586**	**18,84,60,000**	**100**	**18,67,64,443**	**16,95,557**	**18,84,60,000**	**100.00**	**Nil**

(ii) Shareholding of Promoters:

Sl. No.	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in shareholding during the year
		No. of Shares	% of total Shares of the Company	% of Shares pledged / encumbered to total Shares	No. of Shares	% of total Shares of the Company	% of Shares pledged / encumbered to total Shares	
1.	ITC Limited	18,50,81,193	98.21	Nil	18,50,81,193	98.21	Nil	Nil

(iii) Change in Promoters' Shareholding (please specify, if there is no change):

Sl. No.		Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of Shares	% of total Shares of the Company	No. of Shares	% of total Shares of the Company
	At the beginning of the year	No change during the year			
	Date wise Increase / Decrease in Promoters Shareholding during the year				
	At the end of the year				

(iv) Shareholding Pattern of top ten Shareholders (other than Directors, Promoters and Holders of GDRs and ADRs):

Sl. No.	For each of the Top ten Shareholders	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of Shares	% of total Shares of the Company	No. of Shares	% of total Shares of the Company
1.	**Rajdev Singh**				
	At the beginning of the year	30,100	0.02		
	Date wise Increase / Decrease in Shareholding during the year	–	N.A.	–	N.A.
	At the end of the year			30,100	0.02
2.	**Sardar Gur Bachan Singh**				
	At the beginning of the year	13,710	0.01		
	Date wise Increase / Decrease in Shareholding during the year	–	N.A.	–	N.A.
	At the end of the year			13,710	0.01

Sl. No.	For each of the Top ten Shareholders	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of Shares	% of total Shares of the Company	No. of Shares	% of total Shares of the Company
3.	**Biren Dolatrai Nayak**				
	At the beginning of the year	13,300	0.01		
	Date wise Increase / Decrease in Shareholding during the year	–	N.A.	–	N.A.
	At the end of the year			13,300	0.01
4.	**Prakash T. Tulsiani**				
	At the beginning of the year	12,000	0.01		
	Date wise Increase / Decrease in Shareholding during the year	–	N.A.	–	N.A.
	At the end of the year			12,000	0.01
5.	**MSPL Limited**				
	At the beginning of the year	12,000	0.01		
	Date wise Increase / Decrease in Shareholding during the year	–	N.A.	–-	N.A.
	At the end of the year			12,000	0.01
6.	**Mathura Nath Banerjee**				
	At the beginning of the year	11,250	0.01		
	Date wise Increase / Decrease in Shareholding during the year	–	N.A.	–	N.A.
	At the end of the year			11,250	0.01
7.	**Sardar Paramjit Singh**				
	At the beginning of the year	10,230	0.01		
	Date wise Increase / Decrease in Shareholding during the year	–	N.A.	–	N.A.
	At the end of the year			10,230	0.01
8.	**Cawas Mistry**				
	At the beginning of the year	10,000	0.01		
	Date wise Increase / Decrease in Shareholding during the year	–	N.A.	–	N.A.
	At the end of the year			10,000	0.01
9.	**S. Rajdev Singh**				
	At the beginning of the year	10,000	0.01		
	Date wise Increase / Decrease in Shareholding during the year	–	N.A.	–	N.A.
	At the end of the year			10,000	0.01
10.	**Rishra Investments Limited**				
	At the beginning of the year	10,000	0.01		
	Date wise Increase / Decrease in Shareholding during the year	–	N.A.	–	N.A.
	At the end of the year			10,000	0.01

(v) Shareholding of Directors and Key Managerial Personnel: None of the Directors and Key Managerial Personnel hold any share in the Company.

V. INDEBTEDNESS

Indebtedness of the Company including interest outstanding/accrued but not due for payment: NIL

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

A. Remuneration to Managing Director, Wholetime Directors and/or Manager: (Amount in ₹)

Sl. No.	Particulars of Remuneration	R. Senguttuvan (Managing Director) *(refer Note 1)*
1.	Gross salary	
	(a) Salary as per provisions contained in Section 17(1) of the Income-tax Act, 1961	–
	(b) Value of perquisites under Section 17(2) of the Income-tax Act, 1961	–
	(c) Profits in lieu of salary under Section 17(3) of the Income-tax Act, 1961	–
2.	Stock Option	–
3.	Sweat Equity	–
4.	Commission - as % of profit - others, specify	–
5.	Others, please specify	–
Total Amount (A)		–
Ceiling as per the Companies Act, 2013		₹ 60,00,000 per annum *(refer Note 2)*

Note 1: ITC Limited (ITC), the Holding Company, has deputed the services of Mr. R. Senguttuvan to the Company without levy of any charge. Accordingly, Mr. Senguttuvan's remuneration for the financial year ended 31st March, 2017 has been borne by ITC.

Note 2: Ceiling as per Part II of Schedule V to the Companies Act, 2013 has been disclosed, considering that the Company has not made profits during the financial year ended 31st March, 2017.

B. Remuneration to other Directors: (Amount in ₹)

Sl. No.	Name of the Directors	Particulars of Remuneration			Total Amount
		Fee for attending Board and Board Committee meetings	Commission	Independent Directors' Meeting Fee	
1.	**Independent Directors**				
	S. Banerjee	1,20,000	Nil	10,000	1,30,000
	P. Chatterjee	1,20,000		10,000	1,30,000
	Total Amount (B)(1)	**2,40,000**		**20,000**	**2,60,000**
2.	**Other Non-Executive Directors**				
	C. R. Dua	40,000	Nil	Nil	40,000
	D. Dutta	80,000			80,000
	R. K. Singhi	Nil			Nil
	R. Tandon	Nil			Nil
	Total Amount (B)(2)	**1,20,000**	**Nil**	**Nil**	**1,20,000**
Total Amount (B) = (B)(1) + (B)(2)					**3,80,000**
Total Managerial Remuneration (A + B)					**3,80,000**
Overall ceiling as per the Companies Act, 2013					₹ 60,00,000 per annum *(refer Note)*

Note: Ceiling as per Part II of Schedule V to the Companies Act, 2013 has been disclosed, considering that the Company has not made profits during the financial year ended 31st March, 2017.

C. Remuneration to Key Managerial Personnel other than MD / Manager / WTD: (Amount in ₹)

Sl. No.	Particulars of Remuneration	S. K. Sipani (Company Secretary) (refer Note 1)	S. Pal (Chief Financial Officer) (refer Note 2)
1.	Gross salary		
	(a) Salary as per provisions contained in Section 17(1) of the Income-tax Act, 1961	–	25,59,286
	(b) Value of perquisites under Section 17(2) of the Income-tax Act, 1961	–	6,58,101
	(c) Profits in lieu of salary under Section 17(3) of the Income-tax Act, 1961	–	–
2.	Stock Option	–	–
3.	Sweat Equity	–	–
4.	Commission - as % of profit - others, specify	–	–
5.	Others, please specify	–	–
Total Amount		–	**32,17,387**

Note 1: ITC Limited (ITC), the Holding Company, has deputed the services of Mr. S. K. Sipani to the Company without levy of any charge. Accordingly, Mr. Sipani's remuneration for the financial year ended 31st March, 2017 has been borne by ITC.

Note 2: Mr. S. Pal is on deputation from ITC and has been granted Stock Options by ITC under its Employee Stock Option Schemes at 'market price' [within the meaning of the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014]. Since such Options are not tradeable, no perquisite or benefit is immediately conferred upon him by such grant of Options, and accordingly the said grant has not been considered as remuneration.

VII. PENALTIES / PUNISHMENT / COMPOUNDING OF OFFENCES against the Company, Directors and other Officers in Default under the Companies Act, 2013 : None

On behalf of the Board

R. Tandon
Chairman

R. Senguttuvan
Managing Director

Date: 8th May, 2017

INDEPENDENT AUDITOR'S REPORT

To the Members of WIMCO Limited

Report on the Ind AS **Financial Statements**

We have audited the accompanying Ind AS financial statements of **WIMCO LIMITED** ("the Company"), which comprise the Balance Sheet as at 31st March, 2017, and the Statement of Profit and Loss (including Other Comprehensive Income), the Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Ind AS Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these Ind AS financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, cash flows and changes in equity of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) prescribed under section 133 of the Act.

This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these Ind AS financial statements based on our audit.

In conducting our audit, we have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit of the Ind AS financial statements in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Ind AS financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the Ind AS financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Ind AS financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the Ind AS financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the Ind AS financial statements.

We believe that the audit evidence obtained by us,is sufficient and appropriate to provide a basis for our audit opinion on the Ind AS financial statements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, Ind AS financial statements 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, of the state of affairs of the Company as at 31st March, 2017, and its loss, total comprehensive loss, its cash flows and the changes in equity for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. As required by Section 143(3) of the Act, based on our audit and on the consideration of the reports of the branch auditors and other auditors on the separate financial statements/ financial information of the branches and joint operations, referred to in the Other Matters paragraph above we report, to the extent applicable that:
   a) We have sought and 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 it appears from our examination of those books.
   c) The Balance Sheet, the Statement of Profit and Loss including Other Comprehensive Income, the Cash Flow Statement and Statement of Changes in Equity dealt with by this Report are in agreement with the relevant books of account.
   d) In our opinion, the aforesaid Ind AS financial statements comply with the Indian Accounting Standards prescribed under section 133 of the Act.
   e) On the basis of the written representations received from the directors as on 31st March, 2017 taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2017 from being appointed as a director in terms of Section 164(2) of the Act.
   f) With respect to the adequacy of the internal financial controls over financial reporting of the Company, refer to our separate Report in "Annexure A". Our report expresses an unmodified opinion on the adequacy and operating effectiveness of the Company's internal financial controls over financial reporting.
   g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, as amended, in our opinion and to the best of our information and according to the explanations given to us:
      i. The Company does not have any pending litigations which would impact its financial position.
      ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.
      iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.
      iv. The Company has provided requisite disclosures in the financial statements as regards its holding and dealings in Specified Bank Notes as defined in the Notification S.O. 3407(E) dated the 8th November, 2016 of the Ministry of Finance, during the period from 8th November 2016 to 30th December 2016; and such disclosures are in accordance with the books of accounts maintained by the Company.
2. As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government in terms of Section 143(11) of the Act, we give in "Annexure B" a statement on the matters specified in paragraphs 3 and 4 of the Order.

For **Deloitte Haskins & Sells**
Chartered Accountants
(Firm's Registration No. 302009E)
Ketan Vora
Partner
(Membership No. 100459)

Place: Kolkata
Date : 8th May, 2017

ANNEXURE "A" TO THE INDEPENDENT AUDITOR'S REPORT

(Referred to in paragraph 1(f) under 'Report on Other Legal and Regulatory Requirements' of our report of even date)

Report on the Internal Financial Controls Over Financial Reporting under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls over financial reporting of **WIMCO Limited** ("the Company") as of March 31, 2017 in conjunction with our audit of the Ind AS (retain as applicable) financial statements of the Company for the year ended on that date..

Management's Responsibility for Internal Financial Controls

The Company's management is responsible for establishing and maintaining internal financial controls based on "the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India". These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to respective company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditor's Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") issued by the Institute of Chartered Accountants of India and the Standards on Auditing prescribed under Section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained, is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

Meaning of Internal Financial Controls Over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, to the best of our information and according to the explanations given to us the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2017, based on "the internal control over financial reporting criteria established by the respective Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India".

For **Deloitte Haskins & Sells**
Chartered Accountants
(Firm's Registration No. 302009E)

Ketan Vora
Partner
(Membership No. 100459)

Place: Kolkata
Date : 8th May, 2017

ANNEXURE B TO THE INDEPENDENT AUDITOR'S REPORT

(Referred to in paragraph 2 under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

(i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

(b) The fixed assets were physically verified during the year by the Management in accordance with a regular programme of verification which, in our opinion, provides for physical verification of all the fixed assets at reasonable intervals. According to the information and explanation given to us, no material discrepancies were noticed on such verification.

(c) According to the information and explanations given to us and the records examined by and based on the examination of the registered sale deed provided to us, we report that, the title deeds, comprising all the immovable properties of land which are freehold, are held in the name of the Company as at the balance sheet date.

(ii) As explained to us, the inventories were physically verified during the year by the Management at reasonable intervals and no material discrepancies were noticed during physical verification.

(iii) The Company has not granted any loans, secured or unsecured, to companies, firms, limited liability partnership or other parties covered in the register maintained under section 189 of the Companies Act, 2013.

(iv) The Company has not granted any loans, made investments or provide guarantees and hence reporting under clause (iv) of the CARO 2016 is not applicable to the Company.

(v) According to the information and explanations given to us, the Company has not accepted any deposit during the year. There are no unclaimed deposits outstanding at any time during the year.

(vi) The maintenance of cost records has not been specified by the Central Government under section 148(1) of the Companies Act, 2013.

(vii) According to the information and explanations given to us, in respect of statutory dues:

(a) The Company has been regular in depositing undisputed statutory dues, including Provident Fund, Employees' State Insurance, Income-tax, Sales Tax, Service Tax, Customs Duty, Excise Duty, Value Added Tax, Cess and other material statutory dues applicable to it to the appropriate authorities.

(b) There were no undisputed amounts payable in respect of Provident Fund, Employees' State Insurance, Income-tax, Sales Tax, Service Tax, Customs Duty, Excise Duty, Value Added Tax, Cess and other material statutory dues in arrears as at March 31, 2017 for a period of more than six months from the date they became payable.

(viii) In our opinion and according to the information and explanations given to us, the Company has not taken any loans or borrowings to financial institutions, banks and government and dues to debenture holders. Hence reporting under clause (viii) of CARO 2016 is not applicable to the Company.

(ix) The Company has not raised moneys by way of initial public offer or further public offer (including debt instruments) or term loans and hence reporting under clause (ix) of the CARO 2016 is not applicable to the Company.

(x) To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company and no fraud on the Company by its officers or employees has been noticed or reported during the year.

(xi) In our opinion and according to the information and explanations given to us, the Company has not paid / provided managerial remuneration and hence reporting under clause (xi) of CARO 2016 is not applicable to the Company.

(xii) The Company is not a Nidhi Company and hence reporting under clause (xii) of the CARO 2016 Order is not applicable.

(xiii) In our opinion and according to the information and explanations given to us the Company is in compliance with Section 188 and 177 of the Companies Act, 2013, where applicable, for all transactions with the related parties and the details of related party transactions have been disclosed in the financial statements etc. as required by the applicable accounting standards.

(xiv) During the year the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures and hence reporting under clause (xiv) of CARO 2016 is not applicable to the Company.

(xv) In our opinion and according to the information and explanations given to us, during the year the Company has not entered into any non-cash transactions with its directors or persons connected with him and hence provisions of section 192 of the Companies Act, 2013 are not applicable.

(xvi) The Company is not required to be registered under section 45-I of the Reserve Bank of India Act, 1934.

For **Deloitte Haskins & Sells**
Chartered Accountants
(Firm's Registration No. 302009E)

Ketan Vora
Partner
(Membership No. 100459)

Place: Kolkata
Date : 8th May, 2017

BALANCE SHEET AS AT 31ST MARCH, 2017

	Note		As at 31st March, 2017 (₹ in Lakhs)		As at 31st March, 2016 (₹ in Lakhs)		As at 1st April, 2015 (₹ in Lakhs)
ASSETS							
Non-current assets							
(a) Property, Plant and Equipment	1A		71.98		69.19		75.61
(b) Intangible assets	1B		0.03		0.03		0.03
(c) Deferred Tax Assets (net)	2		–		–		–
(d) Other non-current assets	3		37.93		37.81		37.11
Current assets							
(a) Inventories	4		374.26		207.02		278.15
(b) Financial Assets							
(i) Trade receivables	5	215.51		286.76		192.08	
(ii) Cash and cash equivalents	6	25.54		58.78		86.97	
(iii) Others	7	-	241.05	0.10	345.64	0.10	279.15
(c) Other current assets	3		275.55		166.81		122.85
Total Assets			1,000.80		826.50		792.90
EQUITY AND LIABILITIES							
Equity							
(a) Equity Share capital	8	1,884.60		1,884.60		1,884.60	
(b) Other Equity		(1,643.48)	241.12	(1,657.14)	227.46	(1,636.46)	248.14
Liabilities							
Non-current liabilities							
(a) Provisions	9		14.72		11.35		6.17
Current liabilities							
(a) Financial Liabilities							
(i) Trade payables		571.08		426.61		411.60	
(ii) Other financial liabilities	10	17.27	588.35	29.80	456.41	13.19	424.79
(b) Other current liabilities	11		154.02		127.50		111.75
(c) Provisions	9		2.59		3.78		2.05
Total Equity and Liabilities			1,000.80		826.50		792.90

The accompanying notes 1 to 24 are an integral part of the Financial Statements.

In terms of our report attached

For Deloitte Haskins & Sells

Chartered Accountants

For and on behalf of the Board

KETAN VORA

Partner

RAJIV TANDON

Chairman

R SENGUTTUVAN

Managing Director

S K SIPANI

Company Secretary

SAURABH PAL

Chief Financial Officer

Place : Kolkata

Date : 8th May, 2017

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH, 2017

		Note	For the year ended March 31, 2017 (₹ in Lakhs)	For the year ended March 31, 2016 (₹ in Lakhs)
I	Revenue From Operations	12	1,615.40	1,485.25
II	Other Income	13	1.85	10.37
III	**Total Income (I+II)**		1,617.25	1,495.62
IV	**EXPENSES**			
	Cost of materials consumed		1,025.09	792.40
	Changes in inventories of finished goods, Stock-in -Trade and work-in-progress		(73.80)	138.19
	Excise duty on sale of goods		144.47	103.74
	Employee benefits expense	14	262.06	236.27
	Finance costs	15	1.00	2.27
	Depreciation and amortization expense	1	7.09	6.94
	Other expenses	16	258.09	251.14
	Total expenses (IV)		1,624.00	1,530.95
V	**Profit/ (Loss) before tax (III- IV)**		(6.75)	(35.33)
VI	Tax expense		–	–
VII	**Profit/(loss) for the year (V-VI)**		(6.75)	(35.33)
VIII	**Other Comprehensive Income**			
	A (i) Items that will not be reclassified to profit or loss:			
	- Remeasurements of defined benefit plans	14	(2.22)	(5.83)
	(ii) Income tax relating to items that will not be reclassified to profit or loss		–	–
IX	**Total Other Comprehensive Income**		(2.22)	(5.83)
X	**Total Comprehensive Income for the year (VII+VIII)**		(8.97)	(41.16)
XI	Earnings per equity share: Basic and Diluted (in ₹)	17	(0.00)	(0.02)
	Face Value (in ₹)		1.00	1.00

The accompanying notes 1 to 24 are an integral part of the Financial Statements.

In terms of our report attached
For Deloitte Haskins & Sells
Chartered Accountants

For and on behalf of the Board

KETAN VORA
Partner

RAJIV TANDON
Chairman

R SENGUTTUVAN
Managing Director

S K SIPANI
Company Secretary

SAURABH PAL
Chief Financial Officer

Place : Kolkata
Date : 8th May, 2017

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2017

	For the year ended March 31, 2017 (₹ in Lakhs)	For the year ended March 31, 2016 (₹ in Lakhs)
A. Cash flow from operating activities		
(Loss) / Profit before Tax	**(6.75)**	(35.33)
Adjustments for:		
Depreciation and amortisation Expense	**7.09**	6.94
Interest expenditure	**1.00**	2.27
Remeasurement of Defined Benefit Plans	**(2.22)**	(5.83)
Operating loss before working capital changes	**(0.88)**	(31.95)
Adjustments for:		
Trade receivables	**71.25**	(94.68)
Other Financial and Non Financial Assets	**(108.76)**	(44.66)
Inventories	**(167.24)**	71.13
Share Based Payments	**22.63**	20.48
Trade Payables, Other Financial Liabilities & Provisions	**160.65**	54.27
Cash (used in) / generated from operations before taxation	**(22.35)**	(25.41)
Income tax paid (net of refunds)	**–**	–
Net cash generated / (used in) from operations	**(22.35)**	(25.41)
B. Cash flow from investing activities		
Purchase of Property, Plant & Equipment	**(9.89)**	(0.51)
Net cash (used in) / generated from investing activities	**(9.89)**	(0.51)
C. Cash flow from financing activities		
Interest paid	**(1.00)**	(2.27)
Net cash used in financing activities	**(1.00)**	(2.27)
D. Net increase / (decrease) in cash and cash equivalents (A+B+C)	**(33.24)**	(28.19)
E. Reconciliation		
Cash and cash equivalents at the beginning of the year	**58.78**	86.97
Cash and cash equivalents at the end of the year	**25.54**	58.78
	(33.24)	(28.19)
Cash and cash equivalents comprise of		
Cash on hand	**0.46**	0.03
Balances with banks	**25.08**	58.75
	25.54	58.78

The accompanying notes 1 to 24 are an integral part of the Financial Statements

In terms of our report attached

For Deloitte Haskins & Sells

Chartered Accountants

For and on behalf of the Board

KETAN VORA
Partner

RAJIV TANDON
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R SENGUTTUVAN
Managing Director

S K SIPANI
Company Secretary

SAURABH PAL
Chief Financial Officer

Place : Kolkata
Date : 8th May, 2017

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31ST MARCH, 2017

A. Equity Share Capital (₹ in Lakhs)

Balance at 1st April, 2015	**1,884.60**
Issue of equity shares	–
Balance at 31st March, 2016	**1,884.60**
Issue of equity shares	–
Balance at 31st March, 2017	**1,884.60**

B. Other Equity (₹ in Lakhs)

	Reserves and Surplus			Total
	Subsidy Reserve *	Capital Contribution for Share Based Payments	Retained Earnings	
Balance as at 1st April, 2015	14.93	–	(1,651.39)	(1,636.46)
Profit for the year			(35.33)	(35.33)
Other Comprehensive Income (net of tax)			(5.83)	(5.83)
Total Comprehensive Income	–	–	(41.16)	(41.16)
Recognition of share based payment	–	20.48	–	20.48
Balance as at 31st March, 2016	14.93	20.48	(1,692.55)	(1,657.14)
Profit for the year	–	–	**(6.75)**	**(6.75)**
Other Comprehensive Income (Net of Tax)	–	–	(2.22)	(2.22)
Total Comprehensive Income	–	–	(8.97)	(8.97)
Recognition of share based payment	–	22.63	–	22.63
Balance as at 31st March, 2017	**14.93**	**43.11**	**(1,701.52)**	**(1,643.48)**

* Represents receipt of subsidy from government

The accompanying notes 1 to 24 are an integral part of the Financial Statements.

In terms of our report attached
For Deloitte Haskins & Sells
Chartered Accountants

KETAN VORA
Partner

For and on behalf of the Board

RAJIV TANDON
Chairman

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Company Secretary

SAURABH PAL
Chief Financial Officer

Place : Kolkata
Date : 8th May, 2017

NOTES TO THE FINANCIAL STATEMENTS

(₹ in Lakhs)

Particulars	Gross Block					Depreciation and Amortisation					Net Book Value		
	As at 1st April, 2015	Additions	As at 31st March, 2016	Additions	**As at 31st March, 2017**	Upto 1st April, 2015	For the year	Upto 31st March, 2016	For the year	**Upto 31st March, 2017**	**As at 31st March, 2017**	As at 31st March, 2016	As at 1st April, 2015
1A. Property, plant and equipment													
Land Freehold	47.92	–	47.92	–	**47.92**	–	–	–	–	**–**	**47.92**	47.92	47.92
Buildings	3.74	–	3.74	–	**3.74**	–	0.71	0.71	0.70	**1.41**	**2.33**	3.03	3.74
Plant and Equipment	6.19	–	6.19	–	**6.19**	–	0.56	0.56	0.56	**1.12**	**5.07**	5.63	6.19
Computers	7.89	0.19	8.08	9.70	**17.78**	–	3.25	3.25	3.55	**6.80**	**10.98**	4.83	7.89
Office Equipment	2.17	0.32	2.49	–	**2.49**	–	0.65	0.65	0.50	**1.15**	**1.34**	1.84	2.17
Furniture and Fixtures	3.19	–	3.19	0.19	**3.38**	–	0.94	0.94	0.95	**1.89**	**1.49**	2.25	3.19
Vehicles	4.51	–	4.51	–	**4.51**		0.83	0.83	0.83	**1.66**	**2.85**	3.68	4.51
Total	**75.61**	**0.51**	**76.12**	**9.89**	**86.01**	**–**	**6.94**	**6.94**	**7.09**	**14.03**	**71.98**	**69.19**	**75.61**
1B. Intangible Assets													
Computer Software	0.03	–	0.03	–	**0.03**	–	–	–	–	**–**	**0.03**	0.03	0.03
Total	**0.03**	**–**	**0.03**	**–**	**0.03**	**–**	**–**	**–**	**–**	**–**	**0.03**	**0.03**	**0.03**
Grand Total	**75.64**	**0.51**	**76.15**	**9.89**	**86.04**	**–**	**6.94**	**6.94**	**7.09**	**14.03**	**72.01**	**69.22**	**75.64**

	As at 31st March, 2017 (₹ in Lakhs)	As at 31st March, 2016 (₹ in Lakhs)	As at 1st April, 2015 (₹ in Lakhs)
2. Deferred tax Assets (Net)			
Deferred tax liabilities			
On difference between book balance and tax balance of Property, Plant & Equipment	**0.20**	0.51	1.28
Sub-Total	**0.20**	0.51	1.28
Deferred tax assets			
Unabsorbed depreciation carried forward	**55.27**	54.89	54.02
Disallowances under Section 40(a)(i), 43B of the Income Tax Act, 1961	**6.81**	6.14	4.02
Provision for doubtful debts / advances	**–**	–	20.20
Brought forward business losses	**139.28**	136.99	131.79
Sub-Total	**201.36**	198.02	210.03
Total	**–**	–	–

Deferred tax asset has been recognized only to the extent of the deferred tax liabilities as this amount is considered to be reasonably certain of realization.

The Company has tax losses of ₹ 421.24 Lakhs (2016 - ₹ 417.39 lakhs; 2015 - ₹ 403.34 lakhs) for which no deferred tax assets have been recognised. These losses will expire between financial year 2018-19 to 2024-25.

	As at 31st March, 2017 (₹ in Lakhs)		As at 31st March, 2016 (₹) in Lakhs		As at 1st April, 2015 (₹ in Lakhs)	
	Current	**Non-Current**	Current	Non-Current	Current	Non-Current
3. Other Assets						
Advances other than capital advances						
(i) Advance Tax (net of provisions)	**–**	**37.93**	–	37.81	–	37.11
(ii) Other Advances (including advances with statutory authorities, prepaid expenses, suppliers, employees etc.)						
Secured	**–**	**–**	–	–	–	–
Unsecured	**275.55**	**–**	166.81	–	122.85	–
TOTAL	**275.55**	**37.93**	166.81	37.81	122.85	37.11

	As at 31st March, 2017 (₹ in Lakhs)	As at 31st March, 2016 (₹ in Lakhs)	As at 1st April, 2015 (₹ in Lakhs)
4. Inventories			
(At lower of cost and net realisable value)			
Raw materials (including packing materials)	**250.23**	156.79	89.73
Work-in-progress	**124.03**	50.23	164.92
Finished goods (manufactured)	**–**	–	23.50
TOTAL	**374.26**	207.02	278.15

The cost of inventories recognised as an expense includes ₹ Nil (during 2015-2016: ₹96.91 lakhs) in respect of write-downs of inventory to net realisable value.

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

	As at 31st March, 2017 (₹ in Lakhs)	As at 31st March, 2016 (₹ in Lakhs)	As at 1st April, 2015 (₹ in Lakhs)
5. Trade Receivables (Current)			
Secured, considered good	–	–	–
Unsecured, considered good	215.51	286.76	192.08
Doubtful	–	–	54.36
Less: Expected credit loss allowance	–	–	54.36
TOTAL	215.51	286.76	192.08

See Note 19 for dues from Related Parties

	As at 31st March, 2017 (₹ in Lakhs)	As at 31st March, 2016 (₹ in Lakhs)	As at 1st April, 2015 (₹ in Lakhs)
6. Cash and cash equivalents			
Balances with Banks			
Cash Credit Accounts *	25.08	58.75	86.61
Cash on hand	0.46	0.03	0.36
TOTAL	25.54	58.78	86.97

*Secured by hypothecation of all stock in trade present and future of the Company including raw materials, finished goods, stock-in-process and present and future book debts, outstanding receivables.

	As at 31st March, 2017 (₹ in Lakhs)		As at 31st March, 2016 (₹ in Lakhs)		As at 1st April, 2015 (₹ in Lakhs)	
	Current	Non-Current	Current	Non-Current	Current	Non-Current
7. Other Financial assets						
Deposits	–	–	0.10	–	0.10	–
TOTAL	–	–	0.10	–	0.10	–

	As at 31st March, 2017 (No. of Shares)	As at 31st March, 2017 (₹ in Lakhs)	As at 31st March, 2016 (No. of Shares)	As at 31st March, 2016 (₹ in Lakhs)	As at 31st March, 2015 (No. of Shares)	As at 31st March, 2015 (₹ in Lakhs)
8. Share capital						
Authorised						
35,00,00,000 (2015: 35,00,00,000) Equity shares of ₹ 1 (2015: ₹ 1) each [see note (D)below]	350,000,000.00	3500.00	350,000,000.00	3500.00	350,000,000.00	3500.00
1,13,00,000 (2015: 1,13,00,000) Redeemable preference shares of ₹ 100 each	11,300,000.00	11300.00	11,300,000.00	11300.00	11,300,000.00	11300.00
Total	361,300,000.00	14800.00	361,300,000.00	14800.00	361,300,000.00	14800.00
Issued, Subscribed & Paid up						
18,84,60,000 (2015: 18,84,60,000) Equity shares of ₹ 1 (2015: ₹ 1) each [see note (D)below]	188,460,000	1884.60	188,460,000	1884.60	188,460,000	1884.60
A) Reconciliation of number of Ordinary Shares outstanding						
As at beginning of the year	188,460,000	1,885	188,460,000	1,884.60	188,460,000	1,884.60
Add: Issue of Shares	–	–	–	–	–	–
As at end of the year	188,460,000	1,885	188,460,000	1,884.60	188,460,000	1,884.60

B) Shareholders held by Holding Company

	As at 31st March, 2017 (No. of Shares)	As at 31st March, 2017 %	As at 31st March, 2016 (No. of Shares)	As at 31st March, 2016 %	As at 31st March, 2015 (No. of Shares)	As at 31st March, 2015 %
Equity Shares						
18,50,81,193 (2015: 18,50,81,193) Equity shares of ₹ 1 each fully paid up are held by ITC Limited (Holding Company)	185,081,193	98.21	185,081,193	98.21	185,081,193	98.21
C) Name of share holders holding more than 5% of the shares of the Company						
Equity Shares						
ITC Limited (Holding Company)	185,081,193	98.21	185,081,193	98.21	185,081,193	98.21

D) Rights, preferences and restrictions attached to the Shares

(a) The Ordinary Shares of the Company, having par value of ₹ 1/- per share, rank pari passu in all respects including entitlement to dividend. Repayment of capital in the event of winding up of the Company will inter alia be subject to the provisions of the Articles of Association of the Company and as may be determined by the Company in General Meeting prior to such winding up.

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

	As at 31st March, 2017 (₹ in Lakhs)		As at 31st March, 2016 (₹ in Lakhs)		As at 1st April, 2015 (₹ in Lakhs)	
	Current	Non-Current	Current	Non-Current	Current	Non-Current
9. Provisions						
Provision for employee benefits						
Retirement benefits	**2.59**	**14.72**	3.78	11.35	2.05	6.17
TOTAL	**2.59**	**14.72**	3.78	11.35	2.05	6.17

	As at 31st March, 2017 (₹ in Lakhs)	As at 31st March, 2016 (₹ in Lakhs)	As at 1st April, 2015 (₹ in Lakhs)
10. Other Financial liabilities			
Current			
Employee Benefits Payable	**15.36**	18.33	10.65
Payable to the Holding Company (see Note 19 for dues to related parties)	**1.91**	11.47	2.54
Other Financial liabilities	**17.27**	29.80	13.19
11. Other Liabilities			
Current			
Statutory Liabilities	**6.69**	4.95	16.68
Advances received from customers	**147.33**	122.55	95.07
TOTAL OTHER LIABILITIES	**154.02**	127.50	111.75

	For the year ended 31st March, 2017 (₹ in Lakhs)	For the year ended 31st March, 2016 (₹ in Lakhs)
12. Revenue from operations		
Sale of Products	**1,597.50**	1,468.21
Sale of Services	**16.21**	16.27
Gross Revenue from sale of products and services (including excise duty of ₹ 144.47 lakhs for the year ended 31st March, 2017; for the year ended 31st March, 2016 ₹ 103.74 lakhs)	**1,613.71**	1,484.48
Other Operating Revenues (Scrap Sales)	**1.69**	0.77
TOTAL	**1,615.40**	1,485.25
13. Other income		
Other non-operating income	**1.19**	9.36
Net Foreign Exchange Gains / (Loss)	**0.66**	1.01
TOTAL	**1.85**	10.37
14. Employee benefits expense		
Salaries and wages	**203.83**	185.00
Contribution to Provident and other funds	**16.08**	10.76
Share based payment	**22.63**	20.48
Staff welfare expenses	**19.52**	20.03
TOTAL	**262.06**	236.27
15. Finance costs		
Interest expense for financial liabilities not classified as FVTPL	**1.00**	2.27
TOTAL	**1.00**	2.27

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

	For the year ended 31st March, 2017 (₹ in Lakhs)	For the year ended 31st March, 2016 (₹ in Lakhs)
16. Others Expenses		
Consumption of stores and spare parts	1.68	3.23
Sub-Contracting Expenses	79.01	52.44
Power and fuel	18.44	33.54
Repairs and Maintenance		
- Buildings	2.07	1.58
- Machinery	0.37	0.68
- Others	2.65	4.26
Rates and taxes	3.00	3.70
Insurance	1.87	0.11
Maintenance and upkeep	14.25	13.87
Travelling and conveyance	62.91	64.23
Printing and stationery	6.55	7.13
Freight and forwarding	14.32	11.38
Advertising and sales promotion charges	4.85	3.68
Bank charges	0.51	0.37
Information technology services	1.93	10.51
Training and development	–	0.43
Professional fees	11.04	14.84
Postage and telephone charges	6.80	8.57
Directors' sitting fees	3.80	3.60
Miscellaneous expenses	22.04	12.99
TOTAL	258.09	251.14
Miscellaneous expenses include :		
(1) Auditors' remuneration and expenses		
Audit fees	1.73	1.44
Tax audit fees	1.15	1.15
17. Earnings per share		
Profit/ (Loss) after tax, attributable to equity shareholders (A)	(6.75)	(35.33)
Weighted average number of Equity Shares (B)	188,460,000	188,460,000
Earnings per share - Basic & Diluted (in ₹) (A / B)	(0.00)	(0.02)
Nominal value of an equity share (in ₹)	1.00	1.00

18. Segment Reporting

A. Information about primary business segments :

The company's operations comprise of only one segment i.e. Fabrication/Assembly of Machines and is consistent with the internal reporting provided to the Executive Committee, which is the Chief Operating Decision Maker. Hence, separate segmental information is not required to be given as per the requirements of Indian Accounting Standard 108.

B. Information about secondary business segments

	2017 (₹ in Lakhs)	2016 (₹ in Lakhs)	2015 (₹ in Lakhs)
1. Segment Revenue			
- Within India	1519.03	1293.93	
- Outside India	94.68	190.55	
Total	1613.71	1484.48	
2. Non-Current Assets			
- Within India	109.94	107.03	112.75
- Outside India	–	–	–
Total	109.94	107.03	112.75

NOTES : The Company is not reliant on revenues from transactions with any single external customer and does not receive 10% or more of its revenues from transactions with any single external customer.

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

19. Related Party Disclosures

1. PARTIES EXERCISING CONTROL OVER THE COMPANY

i) **Holding Company:**

a) ITC Limited

2. RELATED PARTIES WITH WHOM THE COMPANY HAD TRANSACTIONS

a) ITC Limited

b) Surya Nepal Pvt. Limited (SNPL)

ii) **Key Management Personnel:**

R. Tandon	Non-Executive Director
R.K. Singhi	Non-Executive Director
D. Dutta	Non-Executive Director
C.R. Dua	Non-Executive Director
S. Banerjee	Independent Director
P. Chatterjee	Independent Director
R. Senguttuvan *	Managing Director
S.K. Sipani *	Company Secretary
S. Pal	Chief Financial Officer

* No remuneration is paid by the Company to the Managing Director and Company Secretary in accordance with the terms of their appointment.

3. DISCLOSURE OF TRANSACTIONS BETWEEN THE COMPANY AND RELATED PARTIES AND THE STATUS OF OUTSTANDING BALANCES AS AT 31.03.2017

(₹ in Lakhs)

RELATED PARTY TRANSACTIONS SUMMARY	Holding Company ITC Limited			Fellow Subsidiary SNPL			Key Management Personnel			Total		
	2017	2016	2015	2017	2016	2015	2017	2016	2015	2017	2016	2015
1. Sale of Goods/ Services	**2.89**	3.95		–	24.76		–	–		**2.89**	28.71	
2. Purchase of Goods/ Services	**1.08**	–		–	–		–	–		**1.08**	–	
3. Expenses Reimbursed	**0.50**	9.64		–	–		–	–		**0.50**	9.64	
4. Expenses Recovered	**173.14**	162.71		–	–		–	–		**173.14**	162.71	
5. Capital Contribution for Share Based Payments	**22.63**	20.48		–	–		–	–		**22.63**	20.48	
6. Remuneration of Key Management Personnel on Deputation reimbursed *												
Short Term Benefits	–	–		–	–		–	–		–	–	
Other Long term benefits	–	–		–	–		–	–		–	–	
Other Remuneration	**27.25**	20.64		–	–		–	–		**27.25**	20.64	
Total	**27.25**	**20.64**		**–**	**–**					**27.25**	**20.64**	
7. Director's Sitting Fees	–	–	–	–	–	–	**3.80**	3.60	–	**3.80**	3.60	
8. Outstanding receivables	**2.77**	–	33.48	–	24.76	–	–	–	–	**2.77**	24.76	33.48
9. Outstanding payables	**1.91**	11.47	2.54	–	–	–	–	–	–	**1.91**	11.47	2.54

* Post employment benefits are actuarially determined on overall basis and hence not separately provided. Further, for share based payments, Refer Note 14

20. Financial Instruments and Related Disclosures

1. Capital Management

For the purpose of capital management, capital includes issued equity share capital and other equity reserves attributable to the equity shareholders of the company. The primary objective of the company's capital management strategy is to provide adequate capital for sustaining operational activities, meeting its growth plans and maximizing shareholder value. The Company funds its operations through efficient working capital management, internal accruals and capital contribution from holding company (as and when sought).

No changes were made in the objectives and processes for capital management during the years ended 31st March, 2017 and 31st March, 2016

2. Categories of Financial Instruments

		Particulars	Note	As at 31st March, 2017		As at 31st March, 2016		As at 1st April, 2015	
				Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value
A. Financial assets									
a)	**Measured at amortised cost**								
	i)	Cash and Cash Equivalents	6	**25.54**	**25.54**	58.78	58.78	86.97	86.97
	ii)	Trade Receivables	5	**215.51**	**215.51**	286.76	286.76	192.08	192.08
	iii)	Other Financial assets	7	**–**	**–**	0.10	0.10	0.10	0.10
		Total financial assets		**241.05**	**241.05**	345.64	345.64	279.15	279.15
B. Financial liabilities									
b)	**Measured at amortised cost**								
	iii)	Trade Payables		**571.08**	**571.08**	426.61	426.61	411.60	411.60
	iv)	Other financial liabilities	10	**17.27**	**17.27**	29.80	29.80	13.19	13.19
		Total financial liabilities		**588.35**	**588.35**	456.41	456.41	424.79	424.79

3. Financial risk management objectives

The Company's exposure to financial risks such as foreign currency risk, liquidity risk and credit risk is limited. The Company has designed its Risk Management System in line with the nature and scale of its operations to address risks intrinsic to operations, financials and compliances arising out of the overall strategy of the Company.

a) Foreign currency risk

The Company undertakes transactions denominated in foreign currency which results in exchange rate fluctuations. Such exchange rate risk primarily arises from transactions made in foreign exchange and reinstatement risks arising from recognised assets & liabilities. Such transactions are primarily

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

undertaken in US Dollar. Considering the insignificant value, foreign currency risks is assessed to be immaterial. As the transactions undertaken by the company are in smaller denominations, taking forward cover for each transaction is not economically feasible.

As there are no large exposures, sensitivity analysis has not been provided.

b) Liquidity risk

The Company manages its liquidity risk by ensuring that it will always have sufficient liquidity to meet its liabilities when due. The company maintains adequate committed credit lines with the banks.

The table below provides details regarding the remaining contractual maturities of significant financial liabilities at the reporting date.

Particulars	As at 31st March, 2017						
	Contractual Cashflows*						
	Carrying value	**Less than 3 months**	**More than 3 months upto 6 months**	**More than 6 months upto 1 year**	**More than 1 year upto 3 years**	**Beyond 3 years**	**Total**
Trade Payables	**571.08**	**474.67**	**43.73**	**52.68**	**–**	**–**	**571.08**
Other Financial Liabilities	**17.27**	**17.27**	**–**	**–**	**–**	**–**	**17.27**
	588.35	**491.94**	**43.73**	**52.68**	**–**	**–**	**588.35**
Particulars	As at 31st March, 2016						
	Contractual Cashflows*						
	Carrying value	Less than 3 months	More than 3 months upto 6 months	More than 6 months upto 1 year	More than 1 year upto 3 years	Beyond 3 years	Total
Trade Payables	426.61	317.63	72.96	36.02	–	–	426.61
Other Financial Liabilities	29.80	29.80	–	–	–	–	29.80
	456.41	347.43	72.96	36.02	–	–	456.41
Particulars	As at 1st April, 2015						
	Contractual Cashflows*						
	Carrying value	Less than 3 months	More than 3 months upto 6 months	More than 6 months upto 1 year	More than 1 year upto 3 years	Beyond 3 years	Total
Trade Payables	411.60	307.10	79.41	25.09	–	–	411.60
Other Financial Liabilities	13.19	13.19	–	–	–	–	13.19
	424.79	320.29	79.41	25.09	–	–	424.79

* The table has been drawn up based on undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay.

c) Credit risk

Credit risk is the risk that counterparty will not meet its obligations.

Trade receivables are initially recognized at fair value plus any directly attributable transaction costs. The net carrying value of trade receivables is not significantly different from their carrying values due to the short - term duration of trade receivables.

Generally, terms of trade are 75% to 90% advance and balance 10% to 25% is paid by customers post installation of machine. Wherever required credit terms for customers are determined based on individual businesses in accordance with the terms of the trade, market scenario, general economic scenario and industry practice, which can be for a specific credit requirement. Concentrations of credit risk with respect to trade receivables are limited to period end sales against post-dated cheques. Credit limits extended to trade receivables are monitored by the Executive Committee and protective action initiated to avoid a default.

Our historical experience of collecting receivables, supported by the level of default, is that credit risk is low and so trade receivables are considered to be a single class of financial assets.

All Customer balances which are overdue for more than 180 days are evaluated for provision and considered for impairment on an individual basis. The Company has used practical expedient in computing allowance for doubtful receivables based on the ageing of the customer's balances, specific credit circumstances and Company's historical bad receivable experience and forward looking information. Write offs are made with the approval of the Board of Directors.

4. Fair value measurement

Fair value hierarchy

The fair value of trade receivables and payables and other financial liabilities is considered to be equal to the carrying amounts of these items due to their short – term nature.

21. Additional Notes to the Financial Statements

(i) Micro, Small and Medium scale business entities:

There are no Micro, Small and Medium Enterprises, to whom the Company owes dues, which are outstanding for more than 45 days during the year and as at March 31, 2017 and March 31, 2016. This information as required to be disclosed under the Micro, Small and Medium Enterprise Development Act, 2006, has been determined to the extent such parties have been identified on the basis of information available with the Company.

(ii) The eligible employee(s) of the Company, including employee(s) deputed from ITC Limited, the Holding Company (ITC), have been granted stock options by ITC under the ITC Employee Stock Option Schemes (ITC ESOS). These options vest over a period of three years from the date of grant and are exercisable within a period of five years from the date of vesting. Each option entitles the holder thereof to apply for and be allotted ten Ordinary Shares of ITC of ₹ 1.00 each upon payment of exercise price.

These options have been granted at 'market price' within the meaning of the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014. The fair value of the options granted is determined by ITC, using the Black Scholes Option Pricing Model, for all the Optionees covered under the ITC ESOS as a whole.

The Company has recognized the cost of options granted, as stated above, as equity settled share based payment scheme in accordance with Ind AS 102 – Share Based Payment and the Company's share of the cost of fair value of such options has been accounted for based on the advice / on-charge by ITC. Accordingly, an amount of ₹ 22.63 Lakhs (2016 : ₹ 20.48 Lakhs) (Refer Note 14) which represents the on-charge from ITC has been recognized as employee benefits expense and has been considered as capital contribution, net of reimbursements, if any.

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

The summary of movement of such options granted by ITC and status of the outstanding options is as under:

Particulars	As at 31st March, 2017	As at 31st March, 2016
	No. of Options	No. of Options
Outstanding at the beginning of the year	7,864	5,114
Add: Corporate Action: Bonus Issue by ITC	3,932	–
Add: Granted during the year@	4,950	2,750
Less: Lapsed during the year	–	–
Add / (Less): Movement due to transfer of employees within group	–	–
Less: Exercised during the year	–	–
Outstanding at the end of the year	16,746	7,864
Options exercisable at the end of the year	7,258	2,450

Note : The weighted average exercise price of the options granted to all Optionees under the ITC ESOS is computed by ITC as a whole.

@Includes 2475 (2016 : Nil) options granted to the Chief Financial Officer of the Company

(iii) Cost of inventory recognized as expense during the year amount to ₹ 1007.45 Lakhs (2016 - ₹ 965.94 Lakhs).

(iv) Specified Bank Notes (SBN) held and transacted by the Company during the period 08/11/2016 to 30/12/2016 is as follows :

Particulars	SBNs	Other Denomination Notes	Total
Closing cash in hand as on 08.11.2016	38,000	2,585	40,585
(+) Permitted Receipts	–	172,659	172,659
(-) Permitted Payments	–	159,080	159,080
(-) Amount Deposited in Banks dtd. 24.11.2016	38,000	–	38,000
Closing cash in hand as on 30.12.2016	–	16,164	16,164

(v) Defined Benefit Plans / Long Term Compensated Absences - As per Actuarial Valuations as on March 31, 2017 and recognized in the financial statements in respect of Employee Benefit Schemes:

Description of Plans :

In respect of Gratuity, the Company makes contributions to defined benefit scheme for qualifying employees, in a group-cum-life assurance cash accumulation policy offered by LIC. The liabilities arising in the defined benefit scheme are determined in accordance with the advice of independent, professionally qualified actuaries, using the projected unit credit method. Additional funding requirements are based on actuarial measurement.

The employees of the Company are also entitled to compensated leave for which the Company records the liability based on actuarial valuation computed under projected unit credit method. These benefits are unfunded.

Risk Management :

The defined benefit plans expose the Company to actuarial deficit arising out of investment risk, interest rate risk, salary cost inflation risk. These plans are not exposed to any unusual, entity specific or scheme specific risks but there are general risks. The Scheme's accounting liabilities are calculated using a discount rate set with reference to the Government security yields. A decrease in yields will increase the fund liabilities, leading to accounting deficit in the funds. However, this may be partially offset by an increase in capital value of the Scheme assets that have similar characteristics. Increase in salary due to adverse inflationary pressures might lead to higher liabilities. To manage the risk, gratuity scheme has been funded by a policy offered by Life Insurance Corporation of India.

We understamd that LICs 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

(₹ in Lakhs)

			For the year ended 31st March, 2017		For the year ended 31st March, 2016	
			Gratuity	Leave Encashment	Gratuity	Leave Encashment
I	-	**Recognised in Profit or Loss**				
	1	Current Service Cost	3.27	1.96	2.66	2.06
	2	Past Service Cost	–	–	–	–
	3	Net Interest Cost	(1.71)	1.02	(1.19)	0.62
	4	**Total expense recognised in the Statement of Profit and Loss**	1.56	2.98	1.47	2.68
	-	**Re-measurements recognised in Other Comprehensive Income**				
	5	(Return) on plan assets (excluding amounts included in Net interest cost)	(1.42)	–	(0.04)	–
	6	Effect of changes in demographic assumptions	–	–	–	–
	7	Effect of changes in financial assumptions	2.77	0.52	–	–
	8	Changes in asset ceiling (excluding interest income)	–	–	–	–
	9	Effect of experience adjustments	1.21	1.70	(2.21)	5.83
	10	**Total re-measurements included in OCI**	2.56	2.22	(2.25)	5.83
	11	**Total defined benefit cost recognised in Profit and Loss and Other Comprehensive Income**	4.12	5.19	(0.78)	8.50

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

II	Net Asset/(Liability) recognised in Balance Sheet	For the year ended 31st March, 2017		For the year ended 31st March, 2016		For the year ended 1st April, 2015	
		Gratuity	Leave Encashment	Gratuity	Leave Encashment	Gratuity	Leave Encashment
1	Present Value of Defined Benefit Obligation	60.57	17.31	51.91	15.13	48.13	8.22
2	Fair Value of Plan Assets	87.42	–	82.88	–	52.77	–
3	Status [Surplus/(Deficit)] *	26.85	(17.31)	30.97	(15.13)	4.64	(8.22)
4	**Net Asset/(Liability) recognised in Balance Sheet**	As at 31st March, 2017		As at 31st March, 2016		As at 1st April, 2015	
		Current	Non-Current	Current	Non-current	Current	Non-current
	- Gratuity	–	–	–	–	–	–
	- Leave Encashment	2.59	14.72	3.78	11.35	2.05	6.17

* The excess of plan assets over present value of defined benefit obligation has not been recognized since the Company does not have an unconditional right of refund over the excess plan assets.

III		For the year ended 31st March, 2017		For the year ended 31st March, 2016	
		Gratuity	Leave Encashment	Gratuity	Leave Encashment
	Change in Defined Benefit Obligations (DBO)				
1	Present Value of DBO at the beginning of the year	51.91	15.13	48.13	8.22
2	Current Service Cost	3.27	1.96	2.66	2.06
3	Interest Cost	3.80	1.02	3.61	0.62
4	Remeasurement gains / (losses):				
	Effect of changes in demographic assumptions				
	Effect of changes in financial assumptions	2.77	0.52	–	–
	Changes in asset ceiling (excluding interest income)				
	Effect of experience adjustments	1.21	1.70	(2.20)	5.83
5	Curtailment Cost / (Credit)				
6	Settlement Cost / (Credits)				
7	Liabilities assumed in business combination				
8	Exchange difference on foreign plans				
9	Benefits Paid	(2.39)	(3.02)	(0.29)	(1.59)
10	**Present Value of DBO at the end of the year**	60.57	17.31	51.91	15.13

IV	Best Estimate of Employer's Expected Contribution for the next year	As at 31st March, 2017	As at 31st March, 2016
	- Gratuity	Nil	Nil
	- Leave Encashment	NA	NA

V		For the year ended 31st March, 2017		For the year ended 31st March, 2016	
		Gratuity	Leave Encashment	Gratuity	Leave Encashment
	Change in Fair Value of Assets				
1	Plan Assets at the beginning of the year	82.88	–	52.77	–
2	Asset acquired in Business Combination	–	–	–	–
3	Expected Return on Plan Assets	5.51	–	4.80	–
4	Re-measurement Gains/(Losses) on plan assets	1.43	–	25.59	–
5	Actual Company Contributions	–		–	–
6	Benefits Paid	(2.39)	–	(0.29)	–
	Others	–	–	–	–
7	**Plan Assets at the end of the year**	87.43	–	82.87	–

VI	Actuarial Assumptions	As at 31st March, 2017		As at 31st March, 2016	
		Expected Return on Plan Assets (%)	Discount Rate (%)	Expected Return on Plan Assets (%)	Discount Rate (%)
1	Gratuity	6.50	6.75	6.15	7.50
2	Leave Encashment	NA	6.75	NA	7.50
	The estimates of 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.				

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

VII	In the absence of detailed information regarding plan assets which is funded with Insurance Companies, the composition of each major category of plan assets, the percentage or amount for each category to the fair value of plan assets has not been disclosed.

22. Use of Estimates and Judgements

The key estimates and assumptions used in the preparation of financial statements are set out below:

- The determination of Company's liability towards defined benefit obligation to employees is made through independent actuarial valuation including determination of amounts to be recognized in the income statement and in other comprehensive income. Such valuation depend upon assumptions determined after taking into account inflation, seniority, promotion and other relevant factors such as supply and demand factors in the employment market.

23. First Time Adoption of Ind AS

(i) The Company has prepared the opening balance sheet as per Ind AS as of 1st April, 2015 (the transition date) by recognising all assets and liabilities whose recognition is required by Ind AS, not recognising items of assets or liabilities which are not permitted by Ind AS, by reclassifying items from previous Generally Accepted Accounting Principles (GAAP) to Ind AS as required under Ind AS, and applying Ind AS in measurement of recognised assets and liabilities.

(ii) A. Reconciliation of the standalone financial results of those reported under previous GAAP are summarized below:

		(₹ in Lakhs)
Particulars	Notes	Year ended 31/03/2016
Profit After Tax as reported under previous GAAP		**(20.68)**
Share based payments	14	(20.48)
Reclassification of actuarial gains / losses, arising in respect of employee benefit schemes, to Other Comprehensive Income (OCI)		5.83
Profit After Tax as reported under Ind AS		**(35.33)**
Other Comprehensive Income (net of tax)		**(5.83)**
Total Comprehensive Income as reported under Ind AS		**(41.16)**

B. There is no change in total equity as reported under previous GAAP and as reported under Ind AS.

(iii) Ind AS 101 allows first-time adopters exemptions from the retrospective application of certain requirements under Ind AS. The Company has applied the following exemptions and exceptions in standalone financial statements:

a. Property, Plant and Equipment and Intangible assets were carried in the statement of financial position prepared in accordance with previous GAAP on 1st April, 2015. The Company has elected to regard such carrying values as deemed cost at the date of transition.

b. Under previous GAAP, the cost of options granted to seconded employees under the ITC Employee Stock Option Scheme (ITC ESOS) [equity - settled] was recognised using the intrinsic value method. Under this method, no expenses were recognised in the statement of profit and loss as the fair value of the shares on the date of grant equalled the exercise price. Under Ind AS, the cost of options granted under ITC ESOS is recognised based on the fair value of the options as on the grant date. The cost of ITC ESOS has been recognized as employee benefit expenses and consequential liability, net of reimbursements, have been considered as capital contribution.

(iv) In addition to the above,the principal adjustments made by the Company in restating its previous GAAP financial statements, including the balance sheet as at 1st April, 2015 and the financial statements as at and for the year ended 31st March, 2016 are detailed below:

a. Under previous GAAP, actuarial gains and losses related to the defined benefit / contribution schemes for Gratuity and liabilities towards employee leave encashment were recognised in profit or loss. Under Ind AS, the actuarial gains and losses form part of remeasurement of the net defined benefit liability / asset which is recognised in OCI.

b. Under Ind AS, cash credit facilities which are repayable on demand and form an integral part of an entity's cash management system are included in cash and cash equivalents for the purpose of presentation of statement of cash flows. Whereas under previous GAAP, there was no similar guidance and hence, bank overdrafts were considered similar to other borrowings and the movements therein were reflected in cash flows from financing activities. However since the Company had a credit balance in its cash credit account as on 31st March, 2016 and 1st April, 2015, the same was already classified under cash and cash equivalents while preparing statement of cash flow under previous GAAP.

24. SIGNIFICANT ACCOUNTING POLICIES

1. Statement of Compliance

These financial statements have been prepared in accordance with Indian Accounting Standards (Ind AS) notified under section 133 of the Companies Act, 2013. The financial statements have also been prepared in accordance with the relevant presentation requirements of the Companies Act, 2013. The Company adopted Ind AS from 1st April, 2016.

Up to the year ended 31st March, 2016, the Company prepared its financial statements in accordance with the requirements of previous GAAP, which includes Standards notified under the Companies (Accounting Standards) Rules, 2006. These are the Company's first Ind AS financial statements. Details of the exceptions and optional exemptions availed by the Company and principal adjustments along with related reconciliations are detailed in Note 23 (First Time Adoption).

2. Basis of Preparation

The financial statements are prepared in accordance with the historical cost convention, except for certain items that are measured at fair values, as explained in the accounting policies below. The financial statements are presented in Indian Rupees (INR) which is also the Company's functional currency. The financial statements are presented in Rupees Lakhs.

Fair Value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

The preparation of financial statements in conformity with Ind AS requires management to make judgements, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period; they are recognised in the period of the revision and future periods if the revision affects both current and future periods.

All assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in the Schedule III to the Companies Act, 2013 based on the nature of products and the time between the acquisition of assets for processing and their realisation in cash and cash equivalents.

3. Going Concern Assumption

As at 31st March, 2017, the net worth of the Company has been substantially eroded due to accumulated losses / restructuring. The financial statements have been prepared on a going concern basis as the holding company is committed to provide financial support, as approved by the shareholders of the Company, as and when sought.

4. Property, Plant & Equipment and Intangible Assets

Property, plant & equipment are stated at cost of acquisition or construction less accumulated depreciation and impairment, if any.

Cost is inclusive of inward freight, duties and taxes and incidental expenses related to acquisition. Subsequent costs are included in the asset's carrying amount only when it is probable that future economic benefits associated with the item will be realized. The carrying amount of a replaced part is derecognized. All other repairs and maintenance are charged to the statement of Profit & Loss.

Software is capitalised where it is expected to provide future enduring economic benefits. Capitalisation costs include licence fees and costs of implementation/ system integration services. The costs are capitalised in the year in which the relevant software is implemented for use.

Depreciation or amortization of these assets commences when the assets are ready for their intended. Depreciation or amortisation is calculated in a manner that amortises the cost of the assets less its residual value, over their useful lives as specified in Schedule II of the Companies Act, 2013 on a straight line basis. Land is not depreciated.

Residual values and useful lives are reviewed, and are treated as changes in accounting estimates, at each balance sheet date.

5. Impairment of Assets

Impairment loss is provided, if any, to the extent, the carrying amount of assets exceed their recoverable amount.

Recoverable amount is higher of an asset's net selling price and its value in use. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

Impairment losses recognised in prior years are reversed when there is an indication that the impairment losses recognised no longer exist or have decreased. Such reversals are recognised as an increase in carrying amount of assets to the extent that it does not exceed the carrying amounts that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised in previous years.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

6. Inventories

Inventories including work-in-progress are stated at lower of cost and net realisable value. The cost is calculated on weighted average method. Cost comprises expenditure incurred in the normal course of business in bringing such inventories to its present location and condition and includes, where applicable, appropriate overheads based on normal level of activity. Net realisable value is the estimated selling price less estimated costs for completion and sale.

Cost of purchased inventories are determined after deducting rebates and discounts.

Obsolete, slow moving and defective inventories are identified at the time of periodic physical verification of inventories and, where necessary, a markdown is made for such inventories.

7. Foreign Currency Transactions

The Company account for transactions in foreign currency at the exchange rate prevailing on the date of transactions. Gains/Losses arising on settlement of such transactions as also the translation of monetary items at period ends due to fluctuations in the exchange rates are recognized in the Statement of Profit and Loss.

Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date are translated at the closing exchange rates on that date; the resultant exchange differences are recognized in the statement of profit and loss.

8. Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the relevant instrument. Financial assets are derecognized when the rights to receive benefits have expired or been transferred, and the Company has transferred substantially all risks and rewards of ownership of such financial asset. Financial liabilities are derecognized when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires. Purchase or sale of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date when the Company commits to purchase or sell the asset.

9. Trade Receivables

Trade receivables are initially measured at transaction value, which is the fair value and subsequently retained at cost less appropriate allowance for credit losses as all receivables of the Company are current in nature. Where significant, non – current receivables are accounted for at amortised cost using effective interest rate method less appropriate allowance for credit losses. Interest is accounted for on the basis of contractual terms, where applicable and is included in interest income. Impairment losses are recognized in the profit or loss where there is an objective evidence that the Company will not be able to collect all the due amounts.

10. Revenue from sale of products and services

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

Revenue from sales of goods is recognized at fair value of amounts received and receivable 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 as services are rendered, based on respective contractual terms.

11. Employee Benefits

The contributions in respect of defined benefit gratuity fund are made to Life Insurance Corporation (LIC) under its Group Gratuity Scheme. The accounting charge for benefits under the defined benefit obligation is calculated by independent actuary using the projected unit credit method. Service costs and net interest expense or income is reflected in the statement of profit and loss. Gain or Loss on account of re-measurements are recognized immediately through Other Comprehensive Income in the period in which they occur.

The employees of the Company are entitled to compensated leave for which the Company records the liability based on actuarial valuation computed under projected unit credit method. These benefits are unfunded. Service costs and net interest expense or income is reflected in the statement of profit and loss. Gain or Loss on account of re-measurements are recognized immediately through Other Comprehensive Income in the period in which they occur.

12. Employee Share Based Compensation

Equity-settled share-based payments pertaining to the employees/ deputed employees of ITC Limited with respect to Employees Stock Options of ITC Limited, the holding company, granted to the entitled employees are measured at the fair value of the equity instruments of the holding company at the grant date over vesting/service period on straight line basis. The fair value of equity-settled share-based payment transactions are recognised in the statement of profit and loss with a corresponding credit to equity, net of reimbursements, if any.

13. Earnings per Share (EPS)

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

14. Taxes on Income

To provide current tax in the statement of profit and loss as the amount of tax payable in respect of taxable income for the period using tax rates enacted or substantively enacted during the period, together with any adjustment to tax payable in respect of previous years. Income tax, in so far as it relates to items disclosed under Other Comprehensive Income are disclosed separately under Other Comprehensive Income.

Deferred tax is provided using the balance sheet approach, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

At each balance sheet date the Company re-assesses unrecognised deferred tax assets. It recognizes, unrecognised deferred tax assets to the extent that it has become reasonably certain, as the case may be, that sufficient future taxable income will be available against which such deferred tax assets can be realised.

For and on behalf of the Board

RAJIV TANDON
Chairman

R SENGUTTUVAN
Managing Director

Place: Kolkata
Date: 8th May, 2017

S. K. SIPANI
Company Secretary

SAURABH PAL
Chief Financial Officer

REPORT OF THE BOARD OF DIRECTORS FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2017

1. Your Directors submit their Report for the financial year ended 31st March, 2017.

2. **COMPANY PERFORMANCE**

   The operations of the Company continue to be adversely impacted pursuant to the Order of the Hon'ble High Court of Uttarakhand at Nainital in February, 2014 dismissing the writ petition filed by the Company against the Order of the District Magistrate authorising State authorities to take possession of the land leased to the Company. The appeal filed by the Company against the aforesaid Order was admitted in April, 2014 and the matter is pending before the Hon'ble High Court.

   During the year, the Company recorded Total Income of ₹ 5.11 lakhs (previous year ₹ 7.21 lakhs). The net loss of the Company was ₹ 6.28 lakhs (previous year ₹ 17.28 lakhs).

3. **DIVIDEND**

   In view of losses incurred, your Directors are unable to recommend any dividend for the year under review.

4. **DIRECTORS**

   During the year, there has been no change in the composition of the Board of Directors of your Company ('the Board'). In accordance with the provisions of Articles 100, 101 and 102 of the Articles of Association of the Company, Mr. Samir Vijay Limaye (DIN: 01757813), Director, will retire by rotation at the ensuing Annual General Meeting ('AGM') of the Company and being eligible, offers himself for re-election. Your Board has recommended his re-election.

5. **REDUCTION OF SHARE CAPITAL**

   During the year, with your approval at the Extraordinary General Meeting held on 15th June, 2016, the Issued, Subscribed and Paid-up Equity Share Capital of the Company was reduced from ₹ 12.80 Crores comprising 1,28,00,020 Equity Shares of ₹ 10/- each to ₹ 1.28 Crores comprising 1,28,00,020 Equity Shares of ₹ 1/- each. The aforesaid reduction of Share Capital was confirmed by the Hon'ble High Court of Judicature at Bombay vide Order dated 29th September, 2016, and the same became effective from 22nd November, 2016 consequent to registration of the said Order by the Registrar of Companies, Mumbai.

6. **BOARD MEETINGS**

   During the year ended 31st March, 2016, six meetings of the Board were held on 3rd May, 2016, 9th May, 2016, 6th June, 2016, 26th August, 2016, 20th December, 2016 and 20th March, 2017. The attendance of Directors of the Company at the said Board meetings is given below:

Sl. No.	Name of the Director	Number of Board meetings attended
1.	Dr. R. C. Dhiman	6
2.	Mr. S. K. Sipani	6
3.	Mr. S. V. Limaye	6

7. **DIRECTORS' RESPONSIBILITY STATEMENT**

   As required under Section 134(5) of the Companies Act, 2013 ('the Act'), your Directors confirm having:

   i) followed in the preparation of the Annual Accounts, the applicable Accounting Standards with proper explanation relating to material departures, if any;

   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 and of the 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 Act for safeguarding the assets of your Company and for preventing and detecting fraud and other irregularities;

   iv) prepared the Annual Accounts on a going concern basis; and

   v) devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems are adequate and operating effectively.

8. **SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES**

   The Company does not have any subsidiary, associate or joint venture.

9. **PARTICULARS OF EMPLOYEES**

   The requirements of Rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 are not applicable to the Company.

10. **RISK MANAGEMENT**

    The Company's risk management framework, designed to bring robustness to the risk management processes within the Company, addresses risks intrinsic to operations, financials and compliances arising out of the overall strategy of the Company.

    In terms of the Risk Management Policy of the Company approved by the Board, management of risks vests with the management responsible for the day-to-day conduct of affairs of the Company. Annual update is provided to the Board on the effectiveness of the Company's risk management systems and policies.

11. **INTERNAL FINANCIAL CONTROLS**

    Your Company has in place adequate internal financial controls with respect to the financial statements, commensurate with its size and scale of operations.

    During the year, the internal financial controls in the Company with respect to the financial statements were tested and no material weakness in the design or operation of such controls was observed. Nonetheless, your Company recognises that any internal financial control framework, no matter how well designed, has inherent limitations and accordingly, regular audit and review processes ensure that such systems are reinforced on an ongoing basis.

12. **PARTICULARS OF LOANS, GUARANTEES AND INVESTMENTS**

    During the year ended 31st March, 2017, the Company has neither given any loan or guarantee nor has made any investment under Section 186 of the Act.

13. **RELATED PARTY TRANSACTIONS**

    The details of material related party transaction of the Company in the prescribed Form No. AOC-2 is enclosed under **Annexure 1** to this Report.

14. **SIGNIFICANT AND MATERIAL ORDERS PASSED BY THE REGULATORS / COURTS / TRIBUNALS**

    During the financial year 2016-17, no significant or material orders were passed by the Regulators / Courts / Tribunals impacting the going concern status of the Company and its future operations.

15. **EXTRACT OF ANNUAL RETURN**

    The extract of Annual Return in the prescribed Form No. MGT-9 is enclosed as **Annexure 2** to this Report.

16. **AUDITORS**

    The Company's Statutory Auditors, Messrs. Deloitte Haskins & Sells, Chartered Accountants ('DHS'), were appointed at the Seventeenth AGM to hold such office till the conclusion of the Twenty-Second AGM. Pursuant to Section 139 of the Act, your Board has recommended for the ratification of the Members, appointment of DHS from the conclusion of the ensuing AGM till the conclusion of the Twenty-first AGM. Pursuant to Section 142 of the Act, the Board has also recommended for the approval of the Members, remuneration of DHS for the financial year 2017-18. Appropriate resolution in respect of the above is appearing in the Notice convening the ensuing AGM of the Company.

17. **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 outgo during the year under review.

18. **ACKNOWLEDGEMENT**

    The Board acknowledges the support of the Government, banks, customers, suppliers and business associates and the dedication and hard work of its employees.

Dated: 5th May, 2017

On behalf of the Board

R. C. Dhiman — Director

S. K. Sipani — Director

Annexure 1 to the Report of the Board of Directors for the financial year ended 31st March, 2017

FORM NO. AOC-2

[Pursuant to Section 134(3)(h) of the Companies Act, 2013 and Rule 8(2) of the Companies (Accounts) Rules, 2014]

Form for disclosure of particulars of contracts / arrangements entered into by the Company with related parties referred to in sub-section (1) of Section 188 of the Companies Act, 2013 including certain arm's length transactions under third proviso thereto

1. Details of contracts or arrangements or transactions not at arm's length basis

a)	Name(s) of the related party and nature of relationship	NIL
b)	Nature of contracts / arrangements / transactions	
c)	Duration of the contracts / arrangements / transactions	
d)	Salient terms of the contracts or arrangements or transactions including the value, if any	
e)	Justification for entering into such contracts or arrangements or transactions	
f)	Date(s) of approval by the Board	
g)	Amount paid as advances, if any	
h)	Date on which the special resolution was passed in general meeting as required under first proviso to Section 188	

2. Details of material contracts or arrangement or transactions at arm's length basis

a)	Name(s) of the related party and nature of relationship	ITC Limited (ITC), the Holding Company	
b)	Nature of contracts / arrangements / transactions	Purchase of goods	
c)	Duration of the contracts / arrangements / transactions	N.A.	
d)	Salient terms of the contracts or arrangements or transactions including the value, if any	Purchase of wood from ITC Value of the transaction during the year - ₹ 2.12 lakhs	
e)	Date(s) of approval by the Board, if any	18th March, 2016	
f)	Amount paid as advances, if any	Nil	

Dated : 5th May, 2017

On behalf of the Board
R. C. Dhiman Director
S. K. Sipani Director

Annexure 2 to the Report of the Board of Directors

FORM NO. MGT-9

EXTRACT OF ANNUAL RETURN

as on the financial year ended on 31st March, 2017

[Pursuant to Section 92(3) of the Companies Act, 2013 and Rule 12(1) of the Companies (Management and Administration) Rules, 2014]

I. REGISTRATION AND OTHER DETAILS

i)	CIN	U01100MH1997PLC128846
ii)	Registration Date	25th April, 1997
iii)	Name of the Company	Prag Agro Farm Limited
iv)	Category / Sub-Category of the Company	Unlisted Public Company limited by shares
v)	Address of the Registered office and contact details	Indian Mercantile Chambers R. Kamani Marg, Ballard Estate, Mumbai – 400 001 Phone: 022 4366 3333 Fax: 022 2269 2228 e-mail ID : surendra.sipani@itc.in
vi)	Whether listed company	No
vii)	Name, Address and Contact details of Registrar and Transfer Agent, if any	N.A.

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

All the business activities contributing 10% or more of the total turnover of the Company shall be stated:

Sl. No.	Name and Description of main products / services	NIC Code of the product / service	% to total turnover of the Company
1.	Sale of Wood	46209	100%

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES

Sl. No.	Name and address of the company	CIN / GLN	Holding / Subsidiary / Associate	% of shares held in the Company	Applicable Section
1.	ITC Limited Virginia House 37 Jawaharlal Nehru Road Kolkata – 700 071	L16005WB1910PLC001985	Holding company	100.00%	2(46)

IV. SHAREHOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity)

(i) **Category-wise Shareholding:**

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
A. Promoters									
(1) Indian									
a) Individual/HUF	-	-	-	-	-	-	-	-	N.A.
b) Central Govt.	-	-	-	-	-	-	-	-	N.A.
c) State Govt.(s)	-	-	-	-	-	-	-	-	N.A.
d) Bodies Corp.	-	1,28,00,020	1,28,00,020	100.00	-	1,28,00,020	1,28,00,020	100.00	NIL
e) Banks / FI	-	-	-	-	-	-	-	-	N.A.
f) Any Other	-	-	-	-	-	-	-	-	N.A.
Sub-total (A)(1)	-	**1,28,00,020**	**1,28,00,020**	**100.00**	-	**1,28,00,020**	**1,28,00,020**	**100.00**	**NIL**
(2) Foreign									
a) NRIs - Individuals	-	-	-	-	-	-	-	-	N.A.
b) Other – Individuals	-	-	-	-	-	-	-	-	N.A.
c) Bodies Corp.	-	-	-	-	-	-	-	-	N.A.
d) Banks / FI	-	-	-	-	-	-	-	-	N.A.
e) Any Other	-	-	-	-	-	-	-	-	N.A.
Sub-total (A)(2)	-	-	-	-	-	-	-	-	**N.A.**
Total shareholding of Promoter (A) = (A)(1)+(A)(2)	-	**1,28,00,020**	**1,28,00,020**	**100.00**	-	**128,00,020**	**128,00,020**	**100.00**	**NIL**
B. Public Shareholding									
1. Institutions									
a) Mutual Funds	-	-	-	-	-	-	-	-	N.A.
b) Banks / FI	-	-	-	-	-	-	-	-	N.A.
c) Central Govt.	-	-	-	-	-	-	-	-	N.A.
d) State Govt.(s)	-	-	-	-	-	-	-	-	N.A.
e) Venture Capital Funds	-	-	-	-	-	-	-	-	N.A.
f) Insurance Companies	-	-	-	-	-	-	-	-	N.A.
g) FIIs	-	-	-	-	-	-	-	-	N.A.
h) Foreign Venture Capital Funds	-	-	-	-	-	-	-	-	N.A.
i) Others (specify)	-	-	-	-	-	-	-	-	N.A.
Sub-total (B)(1)	-	-	-	-	-	-	-	-	**N.A.**
2. Non-Institutions									
a) Bodies Corp.									
i) Indian	-	-	-	-	-	-	-	-	N.A.
ii) Overseas	-	-	-	-	-	-	-	-	N.A.
b) Individuals i) Individual shareholders holding nominal share capital upto ₹ 1 lakh ii) Individual shareholders holding nominal share capital in excess of ₹ 1 lakh	-	-	-	-	-	-	-	-	N.A.
c) Others (specify)	-	-	-	-	-	-	-	-	N.A.
Sub-total (B)(2)	-	-	-	-	-	-	-	-	**N.A.**
Total Public Shareholding (B)=(B)(1)+ (B)(2)	-	-	-	-	-	-	-	-	**N.A.**
C. Shares held by Custodian for GDRs & ADRs	-	-	-	-	-	-	-	-	N.A.
Grand Total (A+B+C)	-	**1,28,00,020**	**1,28,00,020**	**100.00**	-	**1,28,00,020**	**1,28,00,020**	**100.00**	**NIL**

(ii) Shareholding of Promoters:

Sl. No.	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in shareholding during the year
		No. of Shares	% of total Shares of the Company	% of Shares pledged / encumbered to total Shares	No. of Shares	% of total Shares of the Company	% of Shares pledged / encumbered to total Shares	
1.	ITC Limited	1,28,00,020	100.00	Nil	1,28,00,020	100.00	Nil	Nil

(iii) Change in Promoters' Shareholding (please specify, if there is no change):

Sl. No.		Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of Shares	% of total Shares of the Company	No. of Shares	% of total Shares of the Company
	At the beginning of the year	No change during the year			
	Date wise Increase / Decrease in Promoter's Shareholding during the year				
	At the end of the year				

(iv) **Shareholding Pattern of top ten Shareholders (other than Directors, Promoters and Holders of GDRs and ADRs)**: NOT APPLICABLE

(v) **Shareholding of Directors and Key Managerial Personnel**: None of the Directors hold any share in the Company in their individual capacity.

V. INDEBTEDNESS

Indebtedness of the Company including interest outstanding / accrued but not due for payment: NIL

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

A. Remuneration to Managing Director, Wholetime Directors and / or Manager: NOT APPLICABLE

B. Remuneration to other Directors:

(Amount in ₹)

Sl. No.	Name of the Directors	Particulars of Remuneration			Total Amount
		Fee for attending Board and Board Committee meetings	Commission	Others, please specify	
1.	**Independent Directors**				
	Total Amount (B)(1)				**Nil**
2.	**Other Non-Executive Directors**				
	R. C. Dhiman	Nil	Nil	Nil	**Nil**
	S. K. Sipani				
	S. V. Limaye				
	Total Amount (B)(2)				**Nil**
Total Amount (B) = (B)(1) + (B)(2)					**Nil**
Total Managerial Remuneration (A + B)					**Nil**
Overall ceiling as per the Companies Act, 2013					60,00,000 per annum (refer Note)

Note: Ceiling as per Part II of Schedule V to the Companies Act, 2013 has been disclosed, considering that the Company has incurred losses during the financial year ended 31st March, 2017.

C. Remuneration to Key Managerial Personnel other than MD / Manager / WTD: NOT APPLICABLE

VII. PENALTIES / PUNISHMENT / COMPOUNDING OF OFFENCES against the Company, Directors and other Officers in Default under the Companies Act, 2013 : None

Dated: 5th May, 2017

On behalf of the Board

R. C. Dhiman Director

S.K. Sipani Director

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF PRAG AGRO FARM LIMITED

Report on the Financial Statements

We have audited the accompanying Ind AS financial statements of Prag Agro Farm Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2017, the Statement of Profit and Loss (including Other Comprehensive Income), the Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Ind AS Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these Ind AS financial statements that give a true and fair view of the financial position, financial performance including other comprehensive loss, cash flows and changes in equity of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) prescribed under section 133 of the Act.

This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgements and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these Ind AS financial statements based on our audit.

In conducting our audit, we have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit of the Ind AS financial statements in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Ind AS financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the Ind AS financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the Ind AS financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the Ind AS financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the Ind AS financial statements.

We believe that the audit evidence obtained by us, is sufficient and appropriate to provide a basis for our audit opinion on the Ind AS financial statements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid Ind AS financial statements 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, of the state of affairs of the Company as at March 31, 2017, and its loss, total comprehensive loss, its cash flows and the changes in equity for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. As required by Section 143(3) of the Act, we report, to the extent applicable, that:
   a) We have sought and 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 it appears from our examination of those books.
   c) The Balance Sheet, the Statement of Profit and Loss including Other Comprehensive Income, the Cash Flow Statement and Statement of Changes in Equity dealt with by this Report are in agreement with the relevant books of account.
   d) In our opinion, the aforesaid Ind AS financial statements comply with the Indian Accounting Standards prescribed under section 133 of the Act.
   e) On the basis of the written representations received from the directors as on March 31, 2017 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2017 from being appointed as a director in terms of Section 164(2) of the Act.
   f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure A". Our report expresses an unmodified opinion on the adequacy and operating effectiveness of the Company's internal financial controls over financial reporting.
   g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, as amended, in our opinion and to the best of our information and according to the explanations given to us:
      i. The Company has disclosed the impact of pending litigations on its financial position in its Ind AS financial statements;
      ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses;
      iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.
      iv. The Company has provided requisite disclosures in the Ind AS financial statements as regards its holding and dealings in Specified Bank Notes as defined in the Notification S.O. 3407(E) dated the November 8, 2016 of the Ministry of Finance, during the period from November 8, 2016 to December 30, 2016. Based on audit procedures performed and the representations provided to us by the management, we report that the disclosures are in accordance with the books of account maintained by the Company and as produced to us by the Management.
2. As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government in terms of Section 143(11) of the Act, we give in "Annexure B" a statement on the matters specified in paragraphs 3 and 4 of the Order.

For **Deloitte Haskins & Sells**
Chartered Accountants
(Firm's Registration No. 302009E)

Ketan Vora
Partner
(Membership No. 100459)

Mumbai
May 5, 2017

ANNEXURE A TO THE INDEPENDENT AUDITOR'S REPORT

(Referred to in paragraph 1 under 'Report on Other Legal and Regulatory Requirements' of our report of even date)

Report on the Internal Financial Controls Over Financial Reporting under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls over financial reporting of Prag Agro Farm Limited ("the Company") as of March 31, 2017 in conjunction with our audit of the Ind AS financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India (ICAI). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditor's Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") issued by the Institute of Chartered Accountants of India and the Standards on Auditing prescribed under Section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the Ind AS financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

Meaning of Internal Financial Controls over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of Ind AS financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of Ind AS financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the Ind AS financial statements.

Inherent Limitations of Internal Financial Controls over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, to the best of our information and according to the explanations given to us, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2017, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For **Deloitte Haskins & Sells**
Chartered Accountants
(Firm's Registration No. 302009E)

Ketan Vora
Partner
(Membership No. 100459)

Mumbai
May 5, 2017

ANNEXURE B TO THE INDEPENDENT AUDITORS' REPORT

(Referred to in paragraph 2 under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

(i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

(b) Having regard to our comments in paragraph (c) below, the fixed assets were physically verified during the year by the Management in accordance with a regular programme of verification which, in our opinion, provides for physical verification of all the fixed assets at reasonable intervals. According to the information and explanations given to us, no material discrepancies were noticed on such verification.

(c) According to the information and explanations given to us and the records examined by us, in respect of immovable property of land that has been taken on sub-lease, the physical possession of such land has been taken over by the State Authorities during the year 2013-14, pursuant to an Order by Hon'ble High Court of Uttarakhand (also refer Note 25 of the Ind AS financial statements). As a matter of prudence, the cost of such land has been fully provided for in the Ind AS financial statements.

(ii) As explained to us, the inventories comprise of work-in-progress agri produce and work-in-progress poplar trees on the leasehold land, the physical possession of which land has been taken over by the State Authorities during the year 2013-14 pursuant to an Order by Hon'ble High Court of Uttarakhand (also refer Note 25 of the Ind AS financial statements). As a matter of prudence, such inventories have been fully provided for in the Ind AS financial statements.

(iii) The Company has not granted any loans, secured or unsecured, to companies, firms, limited liability partnerships or other parties covered in the register maintained under Section 189 of the Companies Act, 2013.

(iv) The Company has not granted any loans, made investments or provided guarantees and hence reporting under clause (iv) of the Order is not applicable.

(v) According to the information and explanations given to us, the Company has not accepted any deposit during the year. There were no unclaimed deposits outstanding at the end of the year.

(vi) Having regard to the nature of the Company's business / activities, reporting under clause (vi) of the Order is not applicable.

(vii) According to the information and explanations given to us, in respect of statutory dues:

(a) The Company has been regular in depositing undisputed statutory dues, including Provident Fund, Employees' State Insurance, Income-tax, Sales Tax, Service Tax, Customs Duty, Excise Duty, Value Added Tax and other material statutory dues applicable to it with the appropriate authorities.

(b) There were no undisputed amounts payable in respect of Provident Fund, Employees' State Insurance, Income-tax, Sales Tax, Service Tax, Customs Duty, Excise Duty, Value Added Tax and other material statutory dues in arrears as at March 31, 2017 for a period of more than six months from the date they became payable.

(c) There were no dues with respect to Income-tax, Sales Tax, Service Tax, Customs Duty, Excise Duty and Value Added Tax as on March 31, 2017, on account of any disputes.

(viii) The Company has not taken any loans or borrowings from financial institutions, banks and government or has not issued any debentures. Hence reporting under clause (viii) of the Order is not applicable.

(ix) The Company has not raised moneys by way of initial public offer or further public offer (including debt instruments) or term loans and hence reporting under clause (ix) of the Order is not applicable.

(x) To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company and no fraud on the Company by its officers or employees has been noticed or reported during the year.

(xi) In our opinion and according to the information and explanations given to us, there is no managerial remuneration fixed for payment which require approvals mandated by the provisions of Section 197 read with Schedule V to the Companies Act, 2013 and hence reporting under clause (xi) of the Order is not applicable.

(xii) The Company is not a Nidhi Company and hence reporting under clause (xii) of the Order is not applicable.

(xiii) In our opinion and according to the information and explanations given to us, the Company is in compliance with Section 177 and Section 188 of the Companies Act, 2013, where applicable, for all transactions with the related parties and the details of related party transactions have been disclosed in the Ind AS financial statements etc. as required by the applicable accounting standards.

(xiv) During the year, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures and hence reporting under clause (xiv) of the Order is not applicable.

(xv) In our opinion and according to the information and explanations given to us, during the year, the Company has not entered into any non-cash transactions with its directors or persons connected with him and hence provisions of Section 192 of the Companies Act, 2013 are not applicable.

(xvi) The Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934.

For **Deloitte Haskins & Sells**
Chartered Accountants
(Firm's Registration No. 302009E)

Ketan Vora
Partner
(Membership No. 100459)

Mumbai
May 5, 2017

BALANCE SHEET AS AT 31ST MARCH, 2017

	Note	As at 31st March, 2017 (₹)	As at 31st March, 2016 (₹)	As at 1st April, 2015 (₹)
ASSETS				
Non-current Assets				
Property, Plant and Equipment	25	-	-	-
Advance Tax and TDS Receivables [Net of Provisions Rs. 432,867 (March 31, 2016: ₹ 373,314; April 1, 2015: ₹ 351,314)]		839,024	805,067	767,834
Financial Assets				
Investments	4	-	5,000	11,000
Total Non-current Assets		839,024	810,067	778,834
Current Assets				
Biological Assets other than Bearer Plants	5	-	-	-
Financial Assets				
Investments	4	5,000	14,000	8,000
Trade Receivables	6	-	734,437	-
Cash and Cash Equivalents	7	2,773,570	3,709,700	25,868
Other Financial Assets	8	140,125	6,038	4,962
Other Current Assets	9	7,138,660	7,116,641	7,115,206
Total Current Assets		10,057,355	11,580,816	7,154,036
Total Assets		10,896,379	12,390,883	7,932,870
EQUITY AND LIABILITIES				
Equity				
Equity Share Capital	10	12,800,020	128,000,200	38,000,200
Other Equity	11	(2,075,913)	(116,647,602)	(114,919,776)
Total Equity		10,724,107	11,352,598	(76,919,576)
Liabilities				
Current Liabilities				
Financial Liabilities				
Trade Payables	24	142,304	1,036,394	622,479
Other Financial Liabilities	12	-	-	83,979,967
Other Current Liabilities	13	29,968	1,891	250,000
Total Current Liabilities		172,272	1,038,285	84,852,446
Total Liabilities		172,272	1,038,285	84,852,446
Total Equity and Liabilities		10,896,379	12,390,883	7,932,870

See accompanying notes to the Financial Statements

In terms of our report attached
For Deloitte Haskins & Sells
Chartered Accountants
Ketan Vora
Partner
Place: Mumbai
Date: May 5, 2017

For and on behalf of the Board of Directors

S. K. Sipani
Director
Place: Rudrapur
Date: May 5, 2017

R. C. Dhiman
Director

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2017

		Note	For the year ended March 31,2017 (₹)	For the year ended March 31,2016 (₹)
I	Revenue from Operations	14	**238,433**	720,037
II	Other Income	15	**272,369**	1,076
II	**Total Income (I+II)**		**510,802**	721,113
IV	**Expenses:**			
	Purchases of Stock-in-Trade		**222,801**	551,597
	Finance Cost	16	-	61,151
	Other Expenses	17	**856,939**	1,814,191
	Total Expenses (IV)		**1,079,740**	2,426,939
V	**Loss Before Tax (III-IV)**		**(568,938)**	(1,705,826)
VI	**Tax Expense:**			
	Current Tax	18 (b)	**59,553**	22,000
VII	**Loss for the Year (V-VI)**		**(628,491)**	(1,727,826)
	Other Comprehensive Income:			
A	(i) Items that will not be reclassified to profit and loss		-	-
	(ii) Income tax relating to items that will not be reclassified to profit and loss		-	-
B	(i) Items that will be reclassified to profit and loss		-	-
	(ii) Income tax relating to items that will be reclassified to profit and loss		-	-
VIII	**Total Other Comprehensive Income [(A(i-ii) + B(i-ii))]**		-	-
IX	**Total Comprehensive Loss for the Year (VII+VIII)**		**(628,491)**	(1,727,826)
	Loss for the year attributable to:			
	- Owners of the Company		**(628,491)**	(1,727,826)
	Other Comprehensive Income for the year attributable to:			
	- Owners of the Company		-	-
	Total Comprehensive Loss for the year attributable to:			
	- Owners of the Company		**(628,491)**	(1,727,826)
	Earnings per Equity Share: Basic and Diluted (in ₹)	21	**(0.05)**	(0.44)
	Face Value ₹ 1 each (Year Ended March 31, 2016 - ₹ 10 each)			

See accompanying notes to the Financial Statements

In terms of our report attached
For Deloitte Haskins & Sells
Chartered Accountants
Ketan Vora
Partner
Place: Mumbai
Date: May 5, 2017

For and on behalf of the Board of Directors

S. K. Sipani
Director
Place: Rudrapur
Date: May 5, 2017

R. C. Dhiman
Director

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED MARCH 31, 2017

		Amount (₹)
A.	**Equity Share Capital:**	
	Balance at April 1, 2015	**38,000,200**
	Issue of shares by way of rights issue during the year 2015-16	90,000,000
	Balance at March 31, 2016	**128,000,200**
	Reduction of Share Capital during the year 2016-17 (Refer Note 19)	(115,200,180)
	Balance at March 31, 2017	**12,800,020**
B.	**Other Equity - Reserves & Surplus:**	
	Retained Earnings	
	Balance at April 1, 2015	**(114,919,776)**
	Loss for the year 2015-16	(1,727,826)
	Balance at March 31, 2016	**(116,647,602)**
	Reduction of Share Capital during the year 2016-17 (Refer Note 19)	115,200,180
	Loss for the year 2016-17	(628,491)
	Balance at March 31, 2017	**(2,075,913)**

See accompanying notes to the Financial Statements

In terms of our report attached
For Deloitte Haskins & Sells
Chartered Accountants
Ketan Vora
Partner
Place: Mumbai
Date: May 5, 2017

For and on behalf of the Board of Directors

S. K. Sipani
Director
Place: Rudrapur
Date: May 5, 2017

R. C. Dhiman
Director

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2017

	For the year ended March 31, 2017 (₹)	For the year ended March 31, 2016 (₹)
A. Cash Flow from Operating Activities		
Loss Before Tax	**(568,938)**	(1,705,826)
Adjustments for:		
Finance Costs	-	61,151
Interest Income	**(272,369)**	(1,076)
Operating Profit before Working Capital changes	**(841,307)**	(1,645,751)
Adjustments for:		
(Increase)/Decrease in Trade Receivables	**734,437**	(734,437)
Increase in Other Financial Assets and Current Assets	**(22,019)**	(1,435)
Increase/(Decrease) in Trade Payables	**(894,090)**	413,915
Increase/(Decrease) in Other Current Liabilities	**28,077**	(248,109)
Cash used in Operations	**(994,902)**	(2,215,817)
Income Taxes Paid (Net of Refunds)	**(93,510)**	(59,233)
Net Cash used in Operating Activities	**(1,088,412)**	(2,275,050)
B. Cash Flow from Investing Activities		
Redemption of Short-term Investments	**10,000**	-
Interest Received	**142,282**	-
Net Cash generated by Investing Activities	**152,282**	-
C. Cash Flow from Financing Activities		
Proceeds from Issue of Equity Shares	-	90,000,000
Repayment of Loan from Holding Company	-	(83,979,967)
Proceeds from Other Borrowings	-	2,000,000
Repayment of Other Borrowings	-	(2,000,000)
Interest Paid on Loan from Holding Company	-	(61,151)
Net Cash generated by Financing Activities	-	5,958,882
Net (Decrease)/Increase in Cash and Cash Equivalents	**(936,130)**	3,683,832
Cash and Cash Equivalents at the beginning of the year	**3,709,700**	25,868
Cash and Cash Equivalents at the end of the year	**2,773,570**	3,709,700

See accompanying notes to the Financial Statements

In terms of our report attached
For Deloitte Haskins & Sells
Chartered Accountants
Ketan Vora
Partner
Place: Mumbai
Date: May 5, 2017

For and on behalf of the Board of Directors

S. K. Sipani
Director
Place: Rudrapur
Date: May 5, 2017

R. C. Dhiman
Director

NOTES TO THE FINANCIAL STATEMENTS

1. Company Overview

The Company is in the business of agro forestry and other related activities, which consists of harvesting and selling of poplar wood, and is based in the states of Uttarakhand and Uttar Pradesh. The Company is presently exploring business opportunities in trading of agri produce. During the year, the Company has undertaken trading of poplar wood.

2. Standards issued but not yet effective

In March 2017, the Ministry of Corporate Affairs issued the Companies (Indian Accounting Standards) (Amendments) Rules, 2017, notifying amendment to Ind AS 7, 'Statement of Cash Flows'. This amendment is in accordance with the recent amendments made by International Accounting Standards Board (IASB) to IAS 7, 'Statement of Cash Flows'. This amendment is applicable to the Company from April 1, 2017.

The amendment to Ind AS 7 requires entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes, suggesting inclusion of a reconciliation between the opening and closing balances in the balance sheet for liabilities arising from financing activities, to meet the disclosure requirement.

The Company is evaluating the requirements of the amendment and the effect on the financial statements.

3. Significant Accounting Policies

3.1 Statement of Compliance

These financial statements have been prepared in accordance with Indian Accounting Standards (Ind AS) notified under section 133 of the Companies Act, 2013. The financial statements have also been prepared in accordance with the relevant presentation requirements of the Companies Act, 2013. The date of transition to Ind AS is April 1, 2015.

Till the year ended March 31, 2016, the Company prepared its financial statements in accordance with the requirements of previous GAAP, which includes Standards notified under the Companies (Accounting Standards) Rules, 2006. These are the Company's first Ind AS financial statements. Details of the exemptions availed by the Company and principal adjustments along with related reconciliations are detailed in Note 3.3 (First Time Adoption of Ind AS).

3.2 Basis of Preparation

The financial statements are prepared in accordance with Indian Accounting Standards (Ind AS) under the historical cost convention, except for certain items that are measured at fair values, as explained in the accounting policies below, and on accrual basis. The financial statements are presented in Indian Rupees (INR) which is also the Company's functional currency.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that a price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement or disclosure purposes in these financial statements is determined on such a basis, except for measurements that have some similarities to fair value but are not fair value, such as net realizable value in Ind AS 2 or value in use in Ind AS 36.

3.3 First Time Adoption of Ind AS

I. The Company has prepared the opening balance sheet as per Ind AS as at April 1, 2015 (the transition date) by recognising all assets and liabilities whose recognition is required by Ind AS, not recognising items of assets or liabilities which are not permitted by Ind AS, by reclassifying items from previous Generally Accepted Accounting Principles (GAAP) to Ind AS as required under Ind AS, and applying Ind AS in measurement of recognised assets and liabilities.

II. A. There is no change in the amount reported as loss of ₹ 1,727,826 in the previous Indian GAAP for the year ended March 31, 2016 to Ind AS.

B. There is no change in total equity of ₹ 11,352,598 and (₹ 76,919,576) as previously reported under Indian GAAP as at March 31, 2016 and April 1, 2015 respectively, to Ind AS.

3.4 Use of Estimates and Judgements

The preparation of financial statements in conformity with Ind AS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, disclosure of contingent liabilities and the reported amounts of income and expenses during the year. Actual results could differ from those estimates and the difference between the actual results and the estimates are recognised in the periods in which the results are known / materialise. The estimates and underlying assumptions are reviewed on an ongoing basis.

3.5 Biological Assets other than Bearer Plants

Biological assets other than bearer plants comprises of matured as well as growing poplar trees. These trees are felled for wood and are then sold to farmers, the usual production cycle ranging from 5 – 6 years. At any reporting period, these trees would be at various stages of growth. Since the trees have a growing period of 5-6 years, and there is no market for such trees in the initial 4-5 years of their growth, the fair value of the same cannot be established. Hence, such assets are measured at cost less any accumulated depreciation and any accumulated impairment losses on initial recognition and at the end of each reporting period. In determination of cost, 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 total cost. Cost includes all direct and indirect expenses in respect of the poplar plantation. Further, 75% of net standard realizable value of inter cropping, waste, etc. is reduced from the above cost because entire farm cost is first added to the cost of plantation.

Fair valuation is done for those trees which have attained a growth of 5 years and is ready for sale in the next one year, provided it is reasonably certain that the existing market prices are unlikely to show wide variability in the next one year. To determine the fair value, reference is made to the current market price of similar grade of wood less estimated costs to be incurred for making the sale.

Unharvested agricultural produce of inter-cropping traditional crops are valued at fair value less costs to sell.

3.6 Inventories

Agricultural produce after harvest i.e., felled wood from poplar trees and inter-cropping of traditional crops (viz., wheat and sugarcane) are measured at 75% of their net realizable value in accordance with well-established practice in the industry. In respect of traded items, inventories are valued at weighted average cost basis.

3.7 Cash Flow Statement

Cash flows are reported using the indirect method, whereby profit / (loss) is adjusted for the effects of transactions of non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from operating, investing and financing activities of the Company are segregated.

3.8 Property, Plant and Equipment – Recognition and Depreciation

Property, Plant and Equipment are stated at cost less accumulated depreciation and impairment, if any. The cost comprises its purchase price net of any trade discounts and rebates, any import duties and other taxes, any directly attributable expenditure on making the asset ready for its intended use, other incidental expenses related to acquisition.

Depreciable amount for assets is the cost of an asset, or other amount substituted for cost, less its estimated residual value. Depreciation is provided on the straight-line method as per the useful life prescribed in Schedule II to the Companies Act, 2013.

3.9 Revenue Recognition

(a) Sale of Products: Revenue is recognised at fair value of amounts received and receivable from third parties for products supplied (net off estimated returns and discounts), upon transfer of significant risks and rewards of ownership of the products to the buyer, the amount of revenue can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

(b) Interest Income on deposits with bank is accounted for on an accrual basis at the effective interest rate.

3.10 Earnings Per Share ('EPS')

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

3.11 Taxation

Income-tax expense comprises current tax and deferred tax charge or credit. Current 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 and tax laws 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 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.

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

3.12 Impairment of Assets

To provide for impairment loss, if any, to the extent, the carrying amount of assets exceed their recoverable amount. Recoverable amount is the higher of an asset's fair value less costs of disposal and its value in use. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit and loss.

3.13 Contingencies and Provisions

A provision is recognised when the Company has a present obligation (legal or constructive) as a result of past events and it is probable that an outflow of resources will be required to settle the obligation in respect of which a reliable estimate can be made. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settlement to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

3.14 Operating Cycle

Based on the nature of products / activities of the Company which consists of harvesting and selling of poplar wood on an annual basis from the existing trees which have attained maturity and the normal time between acquisition of assets and their realisation in cash or cash equivalents, the Company has determined its operating cycle as 12 months for the purpose of classification of its assets and liabilities as current and non-current. In the process of trading of agri produce also, the operating cycle has been determined as 12 months.

(Amount in ₹)

		As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
4.	**Investments**			
	Non-current (unquoted, at cost)			
	National Savings Certificates (Refer Note below)	-	5,000	10,000
	Kisan Vikas Patra	-	-	1,000
		-	5,000	11,000
	Current (unquoted, at cost)			
	National Savings Certificates (Refer Note below)	5,000	13,000	8,000
	Kisan Vikas Patra	-	1,000	-
		5,000	14,000	8,000

Note: The above investments in National Savings Certificates are held in the name of employees of the Holding Company and pledged with various Mandi Samitis

		As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
5.	**Biological Assets other than Bearer Plants**			
	Unharvested Agri-Produce (Inter-Cropping of Traditional Crops)	4,128,268	4,128,268	4,128,268
	Unharvested Poplar Trees (Standing Crops)	15,818,629	15,818,629	15,818,629
		19,946,897	19,946,897	19,946,897
	Less: Provision for Write Down (Refer Note 25)	(19,946,897)	(19,946,897)	(19,946,897)
		-	-	-

Note: Additional disclosures in terms of Schedule III and Ind AS 41 have not been given in view of the ongoing litigation (Refer Note 25).

		As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
6.	**Trade Receivables**			
	Current			
	Unsecured, Considered good	-	734,437	-
		-	734,437	-
7.	**Cash and Cash Equivalents**			
	Balances with Banks:			
	Current Account	15,611	3,698,240	25,407
	Deposit Accounts (Refer Note below)	2,750,000	5,000	-
	Cash on Hand	7,959	6,460	461
		2,773,570	3,709,700	25,868

Note: Deposits by the Company with banks comprise of time deposits, which can be withdrawn by the Company at any point without prior notice or penalty on the principal.

Details of Specified Bank Notes held and transacted during the period November 8, 2016 to December 30, 2016 is as under:

	Specified Bank Notes	Other Denomination Notes	Total
Closing Balance as at November 8, 2016	-	9	9
Add: Receipts for permitted transactions	-	5,000	5,000
Less: Payments for permitted transactions	-	300	300
Less: Deposited in Bank Accounts	-	-	-
Closing Balance as at December 30, 2016	-	4,709	4,709

Explanation: The term 'Specified Bank Notes' shall have the same meaning provided in the notification of the Government of India, in the Ministry of Finance, Department of Economic Affairs Number S.O. 3407(E) dated November 8, 2016.

(Amount in ₹)

		As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
8.	**Other Financial Assets**			
	Current			
	Interest Accrued on Bank Deposits	136,125	-	-
	Interest Accrued on Investments	-	6,038	4,962
	Others (Receivable on National Savings Certificate and Kisan Vikas Patra)	4,000	-	-
		140,125	6,038	4,962
9.	**Other Assets**			
	Current			
	Balances with Statutory Authorities	7,138,322	7,116,453	7,058,100
	Prepaid Expenses	338	188	57,106
		7,138,660	7,116,641	7,115,206
10.	**Equity Share Capital**			
	Authorised Share Capital:			
	13,000,000 Equity Shares of ₹ 1 each fully paid-up (As at March 31, 2016: ₹ 10 each, As at April 1, 2015: ₹ 10 each) (Refer Note 19)	130,000,000	130,000,000	40,000,000
	Issued, Subscribed and Paid-up Capital: 12,800,020 Equity Shares of ₹ 1 each fully paid-up (As at March 31, 2016: ₹ 10 each, As at April 1, 2015: ₹ 10 each) (Refer Notes below and Note 19)	12,800,020	128,000,200	38,000,200

Notes: (i) Change in Authorised Share Capital:

During the current year, pursuant to the Reduction of Share Capital approved by the Hon'ble High Court of Bombay, Authorised Share Capital has been changed to ₹ 130,000,000 comprising of 130,000,000 equity shares of ₹ 1 each (Refer Note 19).

During the previous year, pursuant to the approval of shareholders at the Extra-ordinary General Meeting held on March 19, 2016, the Authorised Share Capital of the Company was increased from ₹ 40,000,000 comprising of 4,000,000 Equity Shares of ₹ 10 each to ₹ 130,000,000 comprising of 13,000,000 equity shares of ₹ 10 each.

(ii) Rights Issue:

During the previous year, pursuant to the provisions of Section 62 of the Companies Act, 2013, the Company offered 9,000,000 Equity Shares of ₹ 10 each, to the existing shareholders of the Company on rights basis, in proportion to their existing holding, with fractions ignored. All the nominee shareholders renounced their entitlement in favour of ITC Limited (ITC), the Holding Company, and the entire 9,000,000 Equity Shares were subscribed and allotted to ITC on March 28, 2016. These Equity Shares rank pari passu in all respects with the existing Equity Share Capital of the Company.

A) **Reconciliation of number of Equity Shares outstanding:**

	Face Value	No. of Shares	Amount
Balance at April 1, 2015	10.00	3,800,020	38,000,200
Add: Issue of Shares by way of Rights Issue during the year 2015-16	10.00	9,000,000	90,000,000
Balance at March 31, 2016	10.00	12,800,020	128,000,200
Less: Reduction of Share Capital during the year 2016-17 (Refer Note 19)	-	-	115,200,180
Balance at March 31, 2017	1.00	12,800,020	12,800,020

B) **Shareholders holding more than 5% of the Equity Shares in the Company:**

	As at March 31, 2017		As at March 31, 2016		As at April 1, 2015	
	No. of Shares	%	No. of Shares	%	No. of Shares	%
ITC Limited and its Nominees (Refer Note 19)	12,800,020	100	12,800,020	100	3,800,020	100

C) **Rights, preferences and restrictions attached to the Ordinary Shares:**

The equity shares of the Company, having par value of ₹ 1 per share, rank pari passu in all respects including voting rights and entitlement to dividend.

D) **Ordinary Shares allotted as fully paid-up pursuant to contract(s) without payment being received in cash during the period of five years immediately preceding March 31, 2017:**

No shares were either issued otherwise than for payment being received in cash or bought back or allotted as fully paid-up bonus shares in the preceding five years from the date of this Balance Sheet.

		As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
11.	**Other Equity**			
	Reserves and Surplus:			
	Retained Earnings (Refer Note 19)	(2,075,913)	(116,647,602)	(114,919,776)
	Retained earnings comprise of the Company's prior years' undistributed earnings after taxes	(2,075,913)	(116,647,602)	(114,919,776)
12.	**Other Financial Liabilities**			
	Current			
	Loan from Holding Company	-	-	83,979,967
		-	-	83,979,967
13.	**Other Liabilities**			
	Current			
	Statutory Liabilities	29,968	1,891	-
	Advance from Customer	-	-	250,000
		29,968	1,891	250,000

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

(Amount in ₹)

	For the year ended 31 March 2017	For the year ended 31 March 2016
14. Revenue from Operations		
Sale of Products (Wood)	238,433	720,037
	238,433	720,037
15. Other Income		
Interest Income:		
Bank Deposits	217,261	1,076
Refund from Income Tax	55,108	-
	272,369	1,076
16. Finance Costs		
Interest Expense	-	61,151
	-	61,151
17. Other Expenses		
Rent	8,197	8,197
Rates and Taxes	3,342	948,009
Insurance	2,221	58,941
Repairs and Maintenance - Others	-	275
Security Charges	465,249	457,327
Legal Expenses	291,385	268,163
Miscellaneous Expenses	86,545	73,279
	856,939	1,814,191
Miscellaneous expenses include :		
Payment to Auditor's (Excluding Service Tax)		
- Statutory Audit	50,000	50,000
- Tax Audit	15,000	15,000
- Reimbursement of Expenses	-	6,180
	65,000	71,180

18. Income-tax

(a) The Company is in the business of Agro Forestry and related incomes and expenses are agricultural income, which are exempt u/s 10 of the Income-tax Act, 1961.

(b) Reconciliation of income tax provision to the amount computed by applying the Indian statutory income tax rate to the profit before tax is summarised below:

Loss before Income Tax	(568,938)	(1,705,826)
Enacted Tax Rates	29.87%	29.87%
Computed Expected Tax Expense	(169,942)	(509,530)
Tax on Income after excluding expenses for income exempt u/s 10	236,565	543,177
Unrecognised MAT Credit	(7,071)	(11,647)
Income Tax Expense	59,553	22,000

19. Reduction of Issued, Subscribed and Paid-Up Equity Share Capital:

The Shareholders of the Company at the Extra-Ordinary General Meeting held on June 15, 2016 approved reduction of Issued, Subscribed and Paid-up Equity Share Capital of the Company from ₹ 128,000,200 comprising 12,800,020 Equity Shares of ₹ 10 each to ₹ 12,800,020 comprising 12,800,020 Equity Shares of ₹ 1 each and such reduction be effected by cancelling the Issued, Subscribed and Paid-up Equity Share Capital of the Company to the extent of ₹ 9 per share. Such cancellation of Share Capital was to be adjusted against the debit balance in the Statement of Profit and Loss as at April 1, 2016. The aforesaid reduction of Share Capital was confirmed by the Hon'ble High Court at Bombay vide Order dated September 29, 2016, and became effective from November 22, 2016 consequent to registration of the said order by the Registrar of Companies, Mumbai.

Consequently, the Authorised Share Capital of the Company was amended to ₹ 130,000,000 comprising 130,000,000 Equity Shares of ₹ 1 each.

20. Contingent Liabilities

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
Claims against the Company not acknowledged as Debts:			
Revision of Land Lease Rent	6,700,000	6,700,000	6,700,000
	6,700,000	6,700,000	6,700,000

Finance Costs

21. Earnings Per Share

	For the year ended 31 March 2017	For the year ended 31 March 2016
Computation of earnings per share is set out below:		
Net Loss attributable to Equity Shareholders (A) (₹)	(628,491)	(1,727,826)
Weighted Average Number of Equity Shares outstanding during the year (B) (Nos.)	12,800,020	3,898,381
Face Value of Equity Share (₹)	1.00	10.00
Earnings Per Share (Basic and Diluted) (A/B) (₹)	(0.05)	(0.44)

22. Segment Information

The Board of the Company has been identified as the Chief Operating Decision Maker (CODM) as defined under Ind AS 108 Operating Segments. The Company's activities involve predominantly business of growing and 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 products sold primarily in India and hence there are no reportable geographical segments.

M/s. Trimurti Industries (P) Ltd. had a share of 93% in the total Revenue from Operations. During the previous year, M/s. Greenply Industries Ltd. had 100% share in the total Revenue from Operations.

23. Related Party Disclosures

a) **Details of Related Parties**

Name	Relationship
ITC Limited	Holding Company
WIMCO Limited	Fellow Subsidiary
Pavan Poplar Limited	Fellow Subsidiary

Key Management Personnel	Relationship
S. K. Sipani	Non-Executive Director
R.C. Dhiman	Non-Executive Director
S. Limaye	Non-Executive Director

(b) **Details of Related Party Transactions:**

(Amount in ₹)

	For the year ended 31 March 2017	For the year ended 31 March 2016
ITC Limited:		
Purchases	212,180	501,750
Issue of Equity Shares	-	90,000,000
Loan Taken	-	2,000,000
Repayment of Long-Term Borrowings	-	83,979,967
Repayment of Short-Term Borrowings	-	2,000,000
Interest Paid	-	61,151
Pavan Poplar Limited:		
Advance Repaid	-	250,000

(c) **Details of Related Party Balances:**

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
ITC Limited:			
Loan from Holding Company	-	-	83,979,967
Trade Payables	-	-	74,350
Pavan Poplar Limited:			
Advance from Customers	-	-	250,000

24. 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.

25. During the year 2013-14, the Hon'ble High Court of Uttarakhand at Nainital, passed an Order directing the State Authorities to take possession of the land leased to the Company. The Company filed an appeal against the said order, which had been admitted and the matter is pending in the Hon'ble High Court.

Consequent to the aforesaid Order, as a matter of prudence, cost of the land amounting to ₹ 71,009,678 (being the difference between the premium of ₹ 101,690,195 paid on acquisition of such leasehold land and amortised to the extent of ₹ 30,680,517) was fully impaired in 2013-14. On transition to Ind AS, deemed cost of such leasehold land as on April 1, 2015 is Nil. Further, as the Company does not have access to such land, biological assets (including agri-produce) thereon were fully provided for in 2013-14 and consequently, cost of such assets is Nil.

In the interim, the Company has been examining alternate business opportunities and basis its long experience of trading in poplar wood/saplings, proposes to engage in such trading in proximate markets.

In view of the above and taking into account that the Company's assets primarily include current assets, the Board has determined that it would be appropriate to prepare its financial statements on a going concern basis.

26. Financial Instruments and Related Disclosures

A. Capital Management

The Company's financial strategy aims to strengthen its financial position through optimum deployment of capital in the business of agro forestry and other related activities, which consists of harvesting and selling of poplar wood, and in trading of agri produce and nurture opportunities available in the markets. The Company aims at maintaining a strong capital base so as to maintain adequate supply of funds towards future growth of its businesses as a going concern.

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

B. Categories of Financial Instruments

(Amount in ₹)

	Note	As at March 31, 2017		As at March 31, 2016		As at April 1, 2015	
		Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets (Measured at amortised cost)							
i) Investments	4	5,000	5,000	19,000	19,000	19,000	19,000
ii) Trade Receivables	6	-	-	734,437	734,437	-	-
iii) Cash and Cash Equivalents	7	2,773,570	2,773,570	3,709,700	3,709,700	25,868	25,868
iv) Other Financial Assets	8	140,125	140,125	6,038	6,038	4,962	4,962
Total Financial Assets		2,918,695	2,918,695	4,469,175	4,469,175	49,830	49,830
Financial Liabilities (Measured at amortised cost)							
(i) Trade Payables		142,304	142,304	1,036,394	1,036,394	622,479	622,479
(ii) Other Financial Liabilities	12	-	-	-	-	83,979,967	83,979,967
Total Financial Liabilities		142,304	142,304	1,036,394	1,036,394	84,602,446	84,602,446

C. Financial Risk Management Objectives

The Company's activities expose it to primarily to interest rate risk arising out of bank deposits made. Exposure to credit risk is limited to the outstanding trade receivables at hand and resulting from default by the counterparty.

i) Interest Rate Risk

Interest rate risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Though the majority of the financial assets of the Company are fixed interest bearing instruments, the Company's net exposure to interest risk is negligible as such instruments are invested in fixed interest bearing instruments which are not subject to substantial movements in rates. The maximum exposure to interest rate risk as at March 31, 2017 is ₹ 2,750,000 Lakhs (As at March 31, 2016 - ₹ 5,000, As at April 1, 2015 - ₹ Nil) and is represented by carrying amount of Balance with Banks - Deposit Accounts (Note 7).

ii) Commodity Price Risk

The Company is exposed to commodity price risk which it manages through strategic procurement based on its past experience and monitoring of market dynamics, stock levels. Accordingly, the Company's net exposure to commodity price risk is negligible.

iii) Price Risk

The Company invests its surplus funds in bank deposits measured at amortized cost. Accordingly, these do not pose any significant price risk.

iv) Liquidity Risk

Liquidity risk is defined as the risk that the Company will not be able to settle or meet its obligations as they become due. The Company's investment decisions relating to deployment of surplus liquidity are guided by the tenets of safety, liquidity and return. The Company manages its liquidity risk by ensuring that it will always have sufficient liquidity to meet its liabilities when due. Investments are made with a range of maturities, generally matching the projected cash flows and spreading the same across wide range of counterparties.

The table below provides details regarding the remaining contractual maturities of financial liabilities:

	Less than 3 months	Total
Trade Payables:		
As at March 31, 2017	142,304	142,304
As at March 31, 2016	1,036,394	1,036,394
As at April 1, 2015	622,479	622,479
Other Financial Liabilities:		
As at March 31, 2017	-	-
As at March 31, 2016	-	-
As at April 1, 2015	83,979,967	83,979,967

v) Credit Risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument which may lead to a financial loss to the Company. Apart from its operating activities, wherein the Company deals with customers, the Company is also exposed to credit risk from its investing activities. The Company has policy of dealing on cash terms, to the extent practicable. Credit is extended only after due approvals and evaluation in terms of the Credit Policy applicable for such sale. In view of the short nature of its trade receivables, the Company makes provision for credit risk on an individual basis. Financial instruments that are subject to concentration of credit risk principally consist of deposits with bank. All counter parties with whom Company deals for investing and financing activities are approved after due evaluation of their creditworthiness based on the factors as mentioned above. Investments in deposits are made with bank, which are of investment grade and are managed by the Company through active monitoring of balances and pre-determined parameters. Write offs are made with the approval of the Chief Operating Decision Maker.

The following table gives details in respect of percentage of revenues generated from top customer and all other customers:

	For the year ended 31 March 2017	For the year ended 31 March 2016
Revenue from Top Customer	93%	100%
Revenue from Top 5 Customers	100%	100%

The Company's credit period generally ranges from 0-15 days.

D. Fair value measurement

As at March 31, 2017 the Company does not have any Non-current Financial Assets and Non-current Financial Liabilities. Fair value of Current Financial Assets and Current Financial Liabilities is equivalent to their carrying values.

On behalf of the Board of Directors

R.C. Dhiman — Director
S.K. Sipani — Director

Place: Rudrapur
Date: May 5, 2017

REPORT OF THE BOARD OF DIRECTORS FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2017

1. Your Directors submit their Report for the financial year ended 31st March, 2017.

2. **COMPANY PERFORMANCE**

The operations of the Company continue to be adversely impacted pursuant to the Order of the Hon'ble High Court of Uttarakhand at Nainital in February, 2014 dismissing the writ petition filed by the Company against the Order of the District Magistrate authorising State authorities to take possession of the land leased to the Company. The appeal filed by the Company against the aforesaid Order was admitted in April, 2014 and the matter is pending before the Hon'ble High Court.

During the year, the Company recorded Total Income of ₹ 19.91 lakhs (previous year ₹ 6.89 lakhs). The Loss of the Company was ₹ 32.42 lakhs (previous year ₹ 44.26 lakhs). The Total Comprehensive Loss for the said year was ₹ 34.03 lakhs (previous year ₹ 44.27 lakhs).

3. **DIVIDEND**

In view of losses incurred, your Directors are unable to recommend any dividend for the year under review.

4. **DIRECTORS AND KEY MANAGERIAL PERSONNEL**

During the year under review, there was no change in the composition of the Board of Directors of your Company ('the Board'). In accordance with the provisions of Articles 100, 101 and 102 of the Articles of Association of the Company, Mr. Samir Vijay Limaye (DIN: 01757813), Director, will retire by rotation at the ensuing Annual General Meeting ('AGM') of the Company, and being eligible, offers himself for re-election. Your Board has recommended his re-election.

5. **BOARD MEETINGS**

During the year ended 31st March, 2017, four meetings of the Board were held on 3rd May, 2016, 26th August, 2016, 20th December, 2016 and 20th March, 2017. The attendance of Directors of the Company at the said Board meetings is given below:

Sl. No.	Name of the Director	Number of Board
1.	Dr. R. C. Dhiman	4
2.	Mr. S. K. Sipani	4
3.	Mr. S. Limaye	4

6. **DIRECTORS' RESPONSIBILITY STATEMENT**

As required under Section 134(5) of the Companies Act, 2013 ('the Act'), your Directors confirm having:

i) followed in the preparation of the Annual Accounts, the applicable Accounting Standards with proper explanation relating to material departures, if any;

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 and of the 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 Act for safeguarding the assets of your Company and for preventing and detecting fraud and other irregularities;

iv) prepared the Annual Accounts on a going concern basis; and

v) devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems are adequate and operating effectively.

7. **SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES**

The Company does not have any subsidiary, associate or joint venture.

8. **PARTICULARS OF EMPLOYEES**

The details of top ten employees of the Company in terms of remuneration drawn, as required under Rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, are provided in **Annexure 1** to this Report.

9. **RISK MANAGEMENT**

The Company's risk management framework, designed to bring robustness to the risk management processes in the Company, addresses risks intrinsic to operations, financials and compliances arising out of the overall strategy of the Company.

In terms of the Risk Management Policy of the Company approved by the Board, management of risks vests with the management responsible for the day-to-day conduct of affairs of the Company. Annual update is provided to the Board on the effectiveness of the Company's risk management systems and policies.

10. **INTERNAL FINANCIAL CONTROLS**

Your Company has in place adequate internal financial controls with respect to the financial statements, commensurate with its size and scale of operations.

During the year, the internal financial controls in the Company with respect to the financial statements were tested and no material weakness in the design or operation of such controls was observed. Nonetheless, your Company recognises that any internal financial control framework, no matter how well designed, has inherent limitations and accordingly, regular audit and review processes ensure that such systems are reinforced on an ongoing basis.

11. **PARTICULARS OF LOANS, GUARANTEES AND INVESTMENTS**

During the year ended 31st March, 2017, the Company has neither given any loan or guarantee nor has made any investment under Section 186 of the Act.

12. **RELATED PARTY TRANSACTIONS**

The details of material related party transaction of the Company in the prescribed Form No. AOC-2 is enclosed under **Annexure 2** to this Report.

13. **SIGNIFICANT AND MATERIAL ORDERS PASSED BY THE REGULATORS / COURTS / TRIBUNALS**

During the year under review, no significant or material orders were passed by the Regulators / Courts / Tribunals impacting the going concern status of the Company and its future operations.

14. **EXTRACT OF ANNUAL RETURN**

The extract of Annual Return in the prescribed Form No. MGT-9 is enclosed as **Annexure 3** to this Report.

15. **AUDITORS**

The Company's Statutory Auditors, Messrs. Deloitte Haskins & Sells, Chartered Accountants ('DHS'), were appointed at the Nineteenth AGM to hold such office till the conclusion of the Twenty-Fourth AGM. Pursuant to Section 139 of the Act, your Board has recommended for the ratification of the Members, appointment of DHS from the conclusion of the ensuing AGM till the conclusion of the Twenty-Third AGM. Pursuant to Section 142 of the Act, the Board has also recommended for the approval of the Members, remuneration of DHS for the financial year 2017-18. Appropriate resolution in respect of the above is appearing in the Notice convening the ensuing AGM of the Company.

16. **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 outgo during the year under review.

17. **ACKNOWLEDGEMENT**

The Board acknowledges the support of the Government, banks, customers, suppliers and business associates and the dedication and hard work of its employees.

On behalf of the Board

R. C. Dhiman — Director

Dated: 5th May, 2017 — S. K. Sipani — Director

Annexure 1 to the Report of the Board of Directors for the financial year ended 31st March, 2017

[Information pursuant to Section 197 of the Companies Act, 2013 read with Rules 5(2) and 5(3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]

Names of Employees	Age	Designation	Gross Remuneration (₹)	Net Remuneration (₹)	Qualifications	Experience (Years)	Date of Commence-ment of Employment	Previous Employment / Position held
1	2	3	4	5	6	7	8	9
P. S. Rawat	48	Assistant Manager	2,70,106/-	2,58,086/-	B.A., M.A (Eco-nomics)	21	01.01.1996	-
K. C. Pandey	47	Assistant Manager	2,11,757/-	2,02,757/-	B.A., M.A. (Political Science)	21	01.01.1996	-
H. Singh	55	Supervisor	1,47,246/-	1,39,771/-	High School	20	01.05.1997	-
R. Bhandari	40	Supervisor	1,43,361/-	1,36,264/-	B.Com.	11	01.04.2006	-
R. S. Chauhan	57	Supervisor	1,43,110/-	1,35,852/-	Diploma in Agricultural Science	11	01.04.2006	-
M. R. Morya	50	Field Assistant	1,41,536/-	1,34,059/-	High School	21	01.01.1996	-
Usman	48	Driver	1,41,497/-	1,33,958/-	--	21	01.01.1996	-
R. Singh	44	Block Assistant	1,39,585/-	1,32,485/-	Higher Secondary	19	01.01.1998	-
S. Lal	51	Field Assistant	1,39,139/-	1,31,897/-	Higher Secondary	20	01.01.1997	-
N. Kishore	49	Field Assistant	1,38,151/-	1,31,191/-	Secondary	21	01.01.1996	-

Notes:

(a) Gross Remuneration includes salary, variable pay, allowances & other benefits / applicable perquisites except provisions for gratuity and leave encashment which are actuarially determined on an overall Company basis. The term 'remuneration' has the meaning assigned to it under the Companies Act, 2013.

(b) Net remuneration comprises cash income less income tax, education cess deducted at source and employee's own contribution to provident fund.

(c) All appointments are contractual in accordance with terms and conditions as per Company's rules.

(d) The aforesaid employees are neither relative of any Director / Manager of the Company nor hold any equity share in the Company.

Dated: 5th May, 2017

On behalf of the Board

R. C. Dhiman Director

S. K. Sipani Director

Annexure 2 to the Report of the Board of Directors for the financial year ended 31st March, 2017

FORM NO. AOC-2

[Pursuant to Section 134(3)(h) of the Companies Act, 2013 and
Rule 8(2) of the Companies (Accounts) Rules, 2014]

Form for disclosure of particulars of contracts / arrangements entered into by the Company with related parties referred to in sub-section (1) of Section 188 of the Companies Act, 2013 including certain arm's length transactions under third proviso thereto

1. Details of contracts or arrangements or transactions not at arm's length basis

a)	Name(s) of the related party and nature of relationship	NIL
b)	Nature of contracts / arrangements / transactions	
c)	Duration of the contracts / arrangements / transactions	
d)	Salient terms of the contracts or arrangements or transactions including the value, if any	
e)	Justification for entering into such contracts or arrangements or transactions	
f)	Date(s) of approval by the Board	
g)	Amount paid as advances, if any	
h)	Date on which the special resolution was passed in general meeting as required under first proviso to Section 188	

2. Details of material contracts or arrangement or transactions at arm's length basis

a)	Name(s) of the related party and nature of relationship	ITC Limited (ITC), the Holding Company
b)	Nature of contracts / arrangements / transactions	Purchase of goods
c)	Duration of the contracts / arrangements / transactions	N.A.
d)	Salient terms of the contracts or arrangements or transactions including the value, if any	Purchase of saplings from ITC Value of the transaction during year - ₹ 6.30 lakhs
e)	Date(s) of approval by the Board, if any	18th March 2016
f)	Amount paid as advances, if any	Nil

Dated: 5th May, 2017

On behalf of the Board

R. C. Dhiman Director

S. K. Sipani Director

Annexure 3 to the Report of the Board of Directors

FORM NO. MGT-9

EXTRACT OF ANNUAL RETURN
as on the financial year ended on 31st March, 2017

[Pursuant to Section 92(3) of the Companies Act, 2013 and Rule 12(1) of the Companies (Management and Administration) Rules, 2014]

I. REGISTRATION AND OTHER DETAILS

i)	CIN :	U01100MH1995PLC128849
ii)	Registration Date :	27th March, 1995
iii)	Name of the Company :	Pavan Poplar Limited
iv)	Category / Sub-Category of the Company :	Unlisted Public Company limited by shares
v)	Address of the Registered office and contact details :	Indian Mercantile Chambers R. Kamani Marg, Ballard Estate, Mumbai – 400 001 Phone: 022 4366 3333 Fax: 022 2269 2228 E-mail ID : surendra.sipani@itc.in
vi)	Whether listed company:	No
vii)	Name, Address and Contact details of : Registrar and Transfer Agent, if any	N.A.

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

All the business activities contributing 10% or more of the total turnover of the Company shall be stated :

Sl. No.	Name and Description of main products / services	NIC Code of the product / service	% to total turnover of the Company
1.	Sale of Saplings	46205	100%

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES

Sl. No.	Name and address of the company	CIN / GLN	Holding / Subsidiary / Associate	% of shares held in the Company	Applicable Section
1.	ITC Limited Virginia House 37 Jawaharlal Nehru Road Kolkata – 700 071	L16005WB1910PLC001985	Holding company	100.00%	2(46)

IV. SHAREHOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity)

(i) Category-wise Shareholding:

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
A. Promoters									
(1) Indian									
a) Individual/HUF	–	–	–	–	–	–	–	–	N.A.
b) Central Govt.	–	–	–	–	–	–	–	–	N.A.
c) State Govt.(s)	–	–	–	–	–	–	–	–	N.A.
d) Bodies Corp.	-	55,10,004	55,10,004	100.00	-	55,10,004	55,10,004	100.00	Nil
e) Banks / FI	–	–	–	–	–	–	–	–	N.A.
f) Any Other	–	–	–	–	–	–	–	–	N.A.
Sub-total (A)(1)	**-**	**55,10,004**	**55,10,004**	**100.00**	**-**	**55,10,004**	**55,10,004**	**100.00**	**Nil**
(2) Foreign									
a) NRIs - Individuals	–	–	–	–	–	–	–	–	N.A.
b) Other – Individuals	–	–	–	–	–	–	–	–	N.A.
c) Bodies Corp.	–	–	–	–	–	–	–	–	N.A.
d) Banks / FI	–	–	–	–	–	–	–	–	N.A.
e) Any Other	–	–	–	–	–	–	–	–	N.A.
Sub-total (A)(2)	–	–	–	–	–	–	–	–	N.A.
Total shareholding of Promoter (A) = (A)(1)+(A)(2)	**-**	**55,10,004**	**55,10,004**	**100.00**	**-**	**55,10,004**	**55,10,004**	**100.00**	**Nil**
B. Public Shareholding									
1. Institutions									
a) Mutual Funds	–	–	–	–	–	–	–	–	N.A.
b) Banks / FI	–	–	–	–	–	–	–	–	N.A.

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
c) Central Govt.	–	–	–	–	–	–	–	–	N.A.
d) State Govt.(s)	–	–	–	–	–	–	–	–	N.A.
e) Venture Capital Funds	–	–	–	–	–	–	–	–	N.A.
f) Insurance Companies	–	–	–	–	–	–	–	–	N.A.
g) FIIs	–	–	–	–	–	–	–	–	N.A.
h) Foreign Venture Capital Funds	–	–	–	–	–	–	–	–	N.A.
i) Others (specify)	–	–	–	–	–	–	–	–	N.A.
Sub-total (B)(1)	–	–	–	–	–	–	–	–	N.A.
2. Non-Institutions									
a) Bodies Corp.									
i) Indian	–	–	–	–	–	–	–	–	N.A.
ii) Overseas	–	–	–	–	–	–	–	–	N.A.
b) Individuals i) Individual shareholders holding nominal share capital upto ₹ 1 lakh									
ii) Individual shareholders holding nominal share capital in excess of ₹ 1 lakh	–	–	–	–	–	–	–	–	N.A.
c) Others (specify)	–	–	–	–	–	–	–	–	N.A.
Sub-total (B)(2)	–	–	–	–	–	–	–	–	N.A.
Total Public Shareholding (B)=(B)(1)+ (B)(2)	–	–	–	–	–	–	–	–	**N.A.**
C. Shares held by Custodian for GDRs & ADRs	–	–	–	–	–	–	–	–	N.A.
Grand Total (A+B+C)	**–**	**55,10,004**	**55,10,004**	**100.00**	**-**	**55,10,004**	**55,10,004**	**100.00**	**Nil**

(ii) Shareholding of Promoters:

Sl. No.	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in shareholding during the year
		No. of Shares	% of total Shares of the Company	% of Shares pledged / encumbered to total Shares	No. of Shares	% of total Shares of the Company	%of Shares pledged / encumbered to total Shares	
1.	ITC Limited	55,10,004	100.00	Nil	55,10,004	100.00	Nil	Nil

(iii) Change in Promoters' Shareholding (please specify, if there is no change):

Sl. No.		Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of Shares	% of total Shares of the Company	No. of Shares	% of total Shares of the Company
	At the beginning of the year	**No change during the year**			
	Date wise Increase / Decrease in Promoters Shareholding during the year				
	At the end of the year				

(iv) **Shareholding Pattern of top ten Shareholders (other than Directors, Promoters and Holders of GDRs and ADRs):** NOT APPLICABLE

(v) **Shareholding of Directors and Key Managerial Personnel:** None of the Directors and Key Managerial Personnel hold any share in the Company in their individual capacity.

V. INDEBTEDNESS

Indebtedness of the Company including interest outstanding / accrued but not due for payment: NIL

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

A. Remuneration to Managing Director, Wholetime Directors and / or Manager: NOT APPLICABLE

B. Remuneration to other Directors:

(Amount in ₹)

Sl. No.	Name of the Directors	Particulars of Remuneration			Total Amount
		Fee for attending Board and Board Committee meetings	Commission	Others, please specify	
1.	**Independent Directors**				
	Total Amount (B)(1)				**Nil**
2.	**Other Non-Executive Directors**				
	R. C. Dhiman	Nil	Nil	Nil	Nil
	S. K. Sipani				
	S. Limaye				
	Total Amount (B)(2)				**Nil**
Total Amount (B) = (B)(1) + (B)(2)					**Nil**
Total Managerial Remuneration (A + B)					**Nil**
Overall ceiling as per the Companies Act, 2013					60,00,000 per annum (refer Note)

Note: Ceiling as per Part II of Schedule V to the Companies Act, 2013 has been disclosed, considering that the Company has incurred losses during the financial year ended 31st March, 2017.

C. Remuneration to Key Managerial Personnel other than MD / Manager / WTD:

(Amount in ₹)

Sl. No.	Particulars of Remuneration	A. Chinnaiya (Company Secretary) (refer Note)
1.	Gross Salary	
	(a) Salary as per provisions contained in Section 17(1) of the Income-tax Act, 1961	–
	(b) Value of perquisites under Section 17(2) of the Income-tax Act, 1961	–
	(c) Profits in lieu of salary under Section 17(3) of the Income-tax Act, 1961	–
2.	Stock Option	–
3.	Sweat Equity	–
4.	Commission	–
	- as % of profit	
	- others, specify	
5.	Others, please specify	–

Note: Ms. A. Chinnaiya is an employee of ITC Limited, the Holding Company, and her services have been deputed by ITC to the Company without levy of any charge. Accordingly, Ms. Chinnaiya's remuneration for the financial year ended 31st March, 2017 has been borne by ITC.

VII. PENALTIES / PUNISHMENT / COMPOUNDING OF OFFENCES against the Company, Directors and other Officers in Default under the Companies Act, 2013 : None

On behalf of the Board

R. C. Dhiman Director
S.K. Sipani Director

Dated: 5th May, 2017

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF PAVAN POPLAR LIMITED

Report on the Ind AS Financial Statements

We have audited the accompanying Ind AS financial statements of Pavan Poplar Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2017, the Statement of Profit and Loss (including Other Comprehensive Income), the Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Ind AS Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these Ind AS financial statements that give a true and fair view of the financial position, financial performance including other comprehensive loss, cash flows and changes in equity of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) prescribed under section 133 of the Act.

This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these Ind AS financial statements based on our audit.

In conducting our audit, we have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit of the Ind AS financial statements in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Ind AS financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the Ind AS financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Ind AS financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the Ind AS financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the Ind AS financial statements.

We believe that the audit evidence obtained by us, is sufficient and appropriate to provide a basis for our audit opinion on the Ind AS financial statements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid Ind AS financial statements 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, of the state of affairs of the Company as at March 31, 2017, and its loss, total comprehensive loss, its cash flows and the changes in equity for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. As required by Section 143(3) of the Act, we report, to the extent applicable, that:
   a) We have sought and 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 it appears from our examination of those books.
   c) The Balance Sheet, the Statement of Profit and Loss including Other Comprehensive Income, the Cash Flow Statement and Statement of Changes in Equity dealt with by this Report are in agreement with the relevant books of account.
   d) In our opinion, the aforesaid Ind AS financial statements comply with the Indian Accounting Standards prescribed under section 133 of the Act.
   e) On the basis of the written representations received from the directors as on March 31, 2017 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2017 from being appointed as a director in terms of Section 164(2) of the Act.
   f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure A". Our report expresses an unmodified opinion on the adequacy and operating effectiveness of the Company's internal financial controls over financial reporting.
   g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, as amended, in our opinion and to the best of our information and according to the explanations given to us:
      i. The Company has disclosed the impact of pending litigations on its financial position in its Ind AS financial statements;
      ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses;
      iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.
      iv. The Company has provided requisite disclosures in the Ind AS financial statements as regards its holding and dealings in Specified Bank Notes as defined in the Notification S.O. 3407(E) dated the November 8, 2016 of the Ministry of Finance, during the period from November 8, 2016 to December 30, 2016. Based on audit procedures performed and the representations provided to us by the management, we report that the disclosures are in accordance with the books of account maintained by the Company and as produced to us by the Management.
2. As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government in terms of Section 143(11) of the Act, we give in "Annexure B" a statement on the matters specified in paragraphs 3 and 4 of the Order.

For **Deloitte Haskins & Sells**
Chartered Accountants
(Firm's Registration No. 302009E)

Ketan Vora
Partner
(Membership No. 100459)

Mumbai
May 5, 2017

ANNEXURE A TO THE INDEPENDENT AUDITOR'S REPORT

(Referred to in paragraph 1 under 'Report on Other Legal and Regulatory Requirements' of our report of even date)

Report on the Internal Financial Controls Over Financial Reporting under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls over financial reporting of Pavan Poplar Limited ("the Company") as of March 31, 2017 in conjunction with our audit of the Ind AS financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India (ICAI). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditor's Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") issued by the Institute of Chartered Accountants of India and the Standards on Auditing prescribed under Section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the Ind AS financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

Meaning of Internal Financial Controls over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of Ind AS financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of Ind AS financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the Ind AS financial statements.

Inherent Limitations of Internal Financial Controls over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, to the best of our information and according to the explanations given to us, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2017, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For **Deloitte Haskins & Sells**
Chartered Accountants
(Firm Registration No. 302009E)

Ketan Vora
Partner
(Membership No. 100459)

Mumbai
May 5, 2017

ANNEXURE B TO THE INDEPENDENT AUDITORS' REPORT

(Referred to in paragraph 2 under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

(i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

(b) Having regard to our comments in paragraph (c) below, the fixed assets were physically verified during the year by the Management in accordance with a regular programme of verification which, in our opinion, provides for physical verification of all the fixed assets at reasonable intervals. According to the information and explanations given to us, no material discrepancies were noticed on such verification.

(c) According to the information and explanations given to us and the records examined by us, in respect of immovable property of land that has been taken on sub-lease, the physical possession of such land has been taken over by the State Authorities during the year 2013-14, pursuant to an Order by Hon'ble High Court of Uttarakhand (also refer Note 24 of the Ind AS financial statements). As a matter of prudence, the cost of such land has been fully provided for in the Ind AS financial statements.

(ii) As explained to us, the inventories comprise of work-in-progress agri produce and work-in-progress poplar trees on the leasehold land, the physical possession of which land has been taken over by the State Authorities during the year 2013-14 pursuant to an Order by Hon'ble High Court of Uttarakhand (also refer Note 24 of the Ind AS financial statements). As a matter of prudence, such inventories have been fully provided for in the Ind AS financial statements.

(iii) The Company has not granted any loans, secured or unsecured, to companies, firms, limited liability partnerships or other parties covered in the register maintained under Section 189 of the Companies Act, 2013.

(iv) The Company has not granted any loans, made investments or provided guarantees and hence reporting under clause (iv) of the Order is not applicable.

(v) According to the information and explanations given to us, the Company has not accepted any deposit during the year. There were no unclaimed deposits outstanding at the end of the year.

(vi) Having regard to the nature of the Company's business / activities, reporting under clause (vi) of the Order is not applicable.

(vii) According to the information and explanations given to us, in respect of statutory dues:

(a) The Company has generally been regular in depositing undisputed statutory dues, including Provident Fund, Employees' State Insurance, Income-tax, Sales Tax, Service Tax, Customs Duty, Excise Duty, Value Added Tax and other material statutory dues applicable to it with the appropriate authorities.

(b) There were no undisputed amounts payable in respect of Provident Fund, Employees' State Insurance, Income-tax, Sales Tax, Service Tax, Customs Duty, Excise Duty, Value Added Tax and other material statutory dues in arrears as at March 31, 2017 for a period of more than six months from the date they became payable.

(c) There were no dues with respect to Income-tax, Sales Tax, Service Tax, Customs Duty, Excise Duty and Value Added Tax as on March 31, 2017, on account of any disputes.

(viii) The Company has not taken any loans or borrowings from financial institutions, banks and government or has not issued any debentures. Hence reporting under clause (viii) of the Order is not applicable.

(ix) The Company has not raised moneys by way of initial public offer or further public offer (including debt instruments) or term loans and hence reporting under clause (ix) of the Order is not applicable.

(x) To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company and no fraud on the Company by its officers or employees has been noticed or reported during the year.

(xi) In our opinion and according to the information and explanations given to us, there is no managerial remuneration fixed for payment which require approvals mandated by the provisions of Section 197 read with Schedule V to the Companies Act, 2013 and hence reporting under clause (xi) of the Order is not applicable.

(xii) The Company is not a Nidhi Company and hence reporting under clause (xii) of the Order is not applicable.

(xiii) In our opinion and according to the information and explanations given to us, the Company is in compliance with Section 177 and Section 188 of the Companies Act, 2013, where applicable, for all transactions with the related parties and the details of related party transactions have been disclosed in the Ind AS financial statements etc. as required by the applicable accounting standards.

(xiv) During the year, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures and hence reporting under clause (xiv) of the Order is not applicable.

(xv) In our opinion and according to the information and explanations given to us, during the year, the Company has not entered into any non-cash transactions with its directors or persons connected with him and hence provisions of Section 192 of the Companies Act, 2013 are not applicable.

(xvi) The Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934.

For **Deloitte Haskins & Sells**
Chartered Accountants
(Firm Registration No. 302009E)
Ketan Vora
Partner
(Membership No. 100459)

Mumbai
May 5, 2017

BALANCE SHEET AS AT 31ST MARCH, 2017

	Note	As at 31st March, 2017 (₹)	As at 31st March, 2016 (₹)	As at 1st April, 2015 (₹)
ASSETS				
Non-current assets				
Property, Plant and Equipment	24	-	-	-
Advance Tax and TDS Receivables [Net of Provisions ₹ 458,011 (March 31, 2016 - ₹ 95,317; April 1, 2015 - ₹ 86,817)]		11,786	10,608	9,838
Total Non-current Assets		11,786	10,608	9,838
Current Assets				
Biological Assets other than Bearer Plants	4	-	-	-
Financial Assets				
Trade Receivables	5	-	-	3,963,448
Cash and Cash Equivalents	6	15,546,010	19,717,427	77,562
Other Financial Assets	7	1,027,355	-	20,000,000
Other Current Assets	8	43,363	43,104	331,059
Total Current Assets		16,616,728	19,760,531	24,372,069
Total Assets		16,628,514	19,771,139	24,381,907
EQUITY AND LIABILITIES				
Equity				
Equity Share Capital	9	55,100,040	55,100,040	55,100,040
Other Equity	10	(41,786,412)	(38,383,808)	(33,957,061)
Total Equity		13,313,628	16,716,232	21,142,979
Liabilities				
Non-current Liabilities				
Provisions	11	1,147,061	878,287	860,030
Total Non-current Liabilities		1,147,061	878,287	860,030
Current Liabilities				
Financial Liabilities				
Trade Payables	23	278,468	120,060	187,301
Other Financial Liabilities	12	210,503	257,070	395,778
Other Current Liabilities	13	1,657,715	1,677,911	1,677,104
Provisions	11	21,139	121,579	118,715
Total Current Liabilities		2,167,825	2,176,620	2,378,898
Total Liabilities		3,314,886	3,054,907	3,238,928
Total Equity and Liabilities		16,628,514	19,771,139	24,381,907

See accompanying notes to the Financial Statements

In terms of our report attached
For **Deloitte Haskins & Sells**
Chartered Accountants
Ketan Vora
Partner

Place: Mumbai
Date: May 5, 2017

On behalf of the Board of Directors

S. K. Sipani
Director

R. C. Dhiman
Director

A. Chinnaiya
Company Secretary
Place: Rudrapur
Date: May 5, 2017

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2017

		Note	For the year ended March 31,2017 (₹)	For the year ended March 31,2016 (₹)
I	Revenue from Operations	14	698,984	689,455
II	Other Income	15	1,291,888	-
III	**Total Income (I+II)**		1,990,872	689,455
IV	**Expenses:**			
	Purchases of Stock-in-Trade		630,000	630,000
	Employee Benefits Expense	16	3,149,612	3,174,861
	Other Expenses	17	1,090,814	1,301,906
	Total Expenses (IV)		4,870,426	5,106,767
V	**Loss Before Tax (III-IV)**		(2,879,554)	(4,417,312)
VI	**Tax Expense:**			
	Current Tax	18(c)	362,694	8,500
VII	**Loss for the Year (V-VI)**		(3,242,248)	(4,425,812)
	Other Comprehensive Income:			
A	(i) Items that will not be reclassified to profit and loss			
	- Remeasurement of the defined benefit liability	25	(160,356)	(935)
	(ii) Income tax relating to items that will not be reclassified to profit and loss	18(b)	-	-
B	(i) Items that will be reclassified to profit and loss		-	-
	(ii) Income tax relating to items that will be reclassified to profit and loss		-	-
VIII	**Total Other Comprehensive Loss [A(i-ii) + B(i-ii)]**		(160,356)	(935)
IX	**Total Comprehensive Loss for the Year (VII+VIII)**		(3,402,604)	(4,426,747)
	Loss for the year attributable to:			
	- Owners of the Company		(3,242,248)	(4,425,812)
	Other Comprehensive Loss for the year attributable to:			
	- Owners of the Company		(160,356)	(935)
	Total Comprehensive Loss for the year attributable to:			
	- Owners of the Company		(3,402,604)	(4,426,747)
	Earnings per Equity Share: Basic and Diluted (Face value of ₹ 1 each)	20	(0.59)	(0.80)

See accompanying notes to the Financial Statements

In terms of our report attached
For **Deloitte Haskins & Sells**
Chartered Accountants

Ketan Vora
Partner

Place: Mumbai
Date: May 5, 2017

On behalf of the Board of Directors

S. K. Sipani
Director

R. C. Dhiman
Director

A. Chinnaiya
Company Secretary

Place: Rudrapur
Date: May 5, 2017

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED MARCH 31, 2017

(All amounts are in Rupees unless otherwise stated)

A. Equity Share Capital:

	Amount
Balance at April 1, 2015	**55,100,040**
Changes in Equity Share Capital during the year 2015-16	-
Balance at March 31, 2016	**55,100,040**
Changes in Equity Share Capital during the year 2016-17	-
Balance at March 31, 2017	**55,100,040**

B. Other Equity :

	Reserves and Surplus		Other items of Other Comprehensive Income	Total
	General Reserve	Retained Earnings		
Balance at April 1, 2015	500,000	(34,457,061)	-	(33,957,061)
Loss for the year 2015-16	-	(4,425,812)	-	(4,425,812)
Remeasurement of the Defined Benefit Liability [Refer Note 18(b)]	-	-	(935)	(935)
Balance at March 31, 2016	500,000	(38,882,873)	(935)	(38,383,808)
Loss for the year 2016-17	-	(3,242,248)	-	(3,242,248)
Remeasurement of the Defined Benefit Liability [Refer Note 18(b)]	-	-	(160,356)	(160,356)
Balance at March 31, 2017	**500,000**	**(42,125,121)**	**(161,291)**	**(41,786,412)**

See accompanying notes to the Financial Statements

In terms of our report attached
For **Deloitte Haskins & Sells**
Chartered Accountants
Ketan Vora
Partner
Place: Mumbai
Date: May 5, 2017

On behalf of the Board of Directors

S. K. Sipani
Director
Place: Rudrapur
Date: May 5, 2017

R. C. Dhiman
Director
A. Chinnaiya
Company Secretary

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2017

	For the year ended March 31, 2017 (₹)	For the year ended March 31, 2016 (₹)
A. Cash Flow from Operating Activities		
Loss Before Tax	(2,879,554)	(4,417,312)
Adjustment for:		
Interest Income	(1,291,888)	-
Operating Profit before Working Capital changes	(4,171,442)	(4,417,312)
Adjustments for:		
Decrease in Trade Receivables	-	3,963,448
(Increase)/Decrease in Other Financial Assets and Current Assets	(259)	287,955
Increase/(Decrease) in Trade Payables	158,408	(67,241)
Decrease in Other Current Liabilities, Other Financial Liabilities and Provisions	(58,785)	(117,715)
Cash used in Operations	(4,072,078)	(350,865)
Income Taxes Paid (Net of Refunds)	(363,872)	(9,270)
Net Cash used in Operating Activities	(4,435,950)	(360,135)
B. Cash Flow from Investing Activities		
Interest Received	264,533	-
Net Cash generated by Investing Activities	264,533	-
C. Cash Flow from Financing Activities		
Proceeds from Loan given to Holding Company	-	20,000,000
Net Cash generated by Financing Activities	-	20,000,000
Net (Decrease)/Increase in Cash and Cash Equivalents	(4,171,417)	19,639,865
Cash and Cash Equivalents at the beginning of the year	19,717,427	77,562
Cash and Cash Equivalents at the end of the year	15,546,010	19,717,427

See accompanying notes to the Financial Statements

In terms of our report attached
For **Deloitte Haskins & Sells**
Chartered Accountants
Ketan Vora
Partner

Place: Mumbai
Date: May 5, 2017

On behalf of the Board of Directors

S. K. Sipani
Director

R. C. Dhiman
Director

A. Chinnaiya
Company Secretary

Place: Rudrapur
Date: May 5, 2017

Notes forming part of the Financial Statements

1. Company Overview

The Company is in the business of agro forestry and other related activities, which consists of harvesting and selling of poplar wood, and is based in the states of Uttarakhand and Uttar Pradesh. The Company is presently exploring business opportunities in trading of agri produce. During the year, the Company has undertaken trading of poplar saplings.

2. Standards issued but not yet effective

In March 2017, the Ministry of Corporate Affairs issued the Companies (Indian Accounting Standards) (Amendments) Rules, 2017, notifying amendment to Ind AS 7, 'Statement of Cash Flows'. This amendment is in accordance with the recent amendments made by International Accounting Standards Board (IASB) to Ind AS 7, 'Statement of Cash Flows'. This amendment is applicable to the Company from April 1, 2017.

The amendment to Ind AS 7 requires entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes, suggesting inclusion of a reconciliation between the opening and closing balances in the balance sheet for liabilities arising from financing activities, to meet the disclosure requirement.

The Company is evaluating the requirements of the amendment and the effect on the financial statements.

3. Significant Accounting Policies

3.1 Statement of Compliance

These financial statements have been prepared in accordance with Indian Accounting Standards (Ind AS) notified under section 133 of the Companies Act, 2013. The financial statements have also been prepared in accordance with the relevant presentation requirements of the Companies Act, 2013. The date of transition to Ind AS is April 1, 2015.

Till the year ended March 31, 2016, the Company prepared its financial statements in accordance with the requirements of previous GAAP, which includes Standards notified under the Companies (Accounting Standards) Rules, 2006. These are the Company's first Ind AS financial statements. Details of the exemptions availed by the Company and principal adjustments along with related reconciliations are detailed in Note 3.3 (First Time Adoption of Ind AS).

3.2 Basis of Preparation

The financial statements are prepared in accordance with Indian Accounting Standards (Ind AS) under the historical cost convention, except for certain items that are measured at fair values, as explained in the accounting policies below, and on accrual basis. The financial statements are presented in Indian Rupees (INR) which is also the Company's functional currency.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that a price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement or disclosure purposes in these financial statements is determined on such a basis, except for measurements that have some similarities to fair value but are not fair value, such as net realizable value in Ind AS 2 or value in use in Ind AS 36.

3.3 First Time Adoption of Ind AS

I. The Company has prepared the opening balance sheet as per Ind AS as at April 1, 2015 (the transition date) by recognising all assets and liabilities whose recognition is required by Ind AS, not recognising items of assets or liabilities which are not permitted by Ind AS, by reclassifying items from previous Generally Accepted Accounting Principles (GAAP) to Ind AS as required under Ind AS, and applying Ind AS in measurement of recognised assets and liabilities.

II. A. Reconciliation of the financial results of those reported under previous GAAP are summarized below:

(Amount in ₹)

Particulars	Year ended March 31, 2016
Profit After Tax as reported under previous GAAP	**(4,426,747)**
Reclassification of actuarial losses, arising in respect of employee benefit scheme, to Other Comprehensive Income (OCI)	935
Tax Adjustments [Refer Note 18 (b)]	-
Profit After Tax as reported under Ind AS	**(4,425,812)**
Other Comprehensive Income (net of tax)	-
Total Comprehensive Income as reported under Ind AS	**(4,425,812)**

B. There is no change in total equity of ₹ 16,716,232 and ₹ 21,142,979 as previously reported under Indian GAAP as at March 31, 2016 and April 1, 2015 respectively, to Ind AS.

3.4 Use of Estimates and Judgements

The preparation of financial statements in conformity with Ind AS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, disclosure of contingent liabilities and the reported amounts of income and expenses during the year. Actual results could differ from those estimates and the difference between the actual results and the estimates are recognised in the periods in which the results are known / materialise. The estimates and underlying assumptions are reviewed on an ongoing basis.

3.5 Biological Assets other than Bearer Plants

Biological assets other than bearer plants comprises of matured as well as growing poplar trees. These trees are felled for wood and are then sold to farmers, the usual production cycle ranging from 5 – 6 years. At any reporting period, these trees would be at various stages of growth. Since the trees have a growing period of 5-6 years, and there is no market for such trees in the initial 4-5 years of their growth, the fair value of the same cannot be established. Hence, such assets are measured at cost less any accumulated depreciation and any accumulated impairment losses on initial recognition and at the end of each reporting period. In determination of cost, 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 total cost. Cost includes all direct and indirect expenses in respect of the poplar plantation. Further, 75% of net standard realizable value of inter cropping, waste, etc. is reduced from the above cost because entire farm cost is first added to the cost of plantation.

Fair valuation is done for those trees which have attained a growth of 5 years and is ready for sale in the next one year, provided it is reasonably certain that the existing market prices are unlikely to show wide variability in the next one year. To determine the fair value, reference is made to the current market price of similar grade of wood less estimated costs to be incurred for making the sale.

Unharvested agricultural produce of intercropping traditional crops are valued at fair value less costs to sell.

3.6 Inventories

Agricultural produce after harvest i.e., felled wood from poplar trees and inter-cropping of traditional crops (viz., wheat and sugarcane) are measured at 75% of their net realizable value in accordance with well-established practice in the industry.

In respect of traded items, inventories are valued at weighted average cost basis.

3.7 Cash Flow Statement

Cash flows are reported using the indirect method, whereby profit / (loss) is adjusted for the effects of transactions of non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from operating, investing and financing activities of the Company are segregated.

3.8 Property, Plant and Equipment – Recognition and Depreciation

Property, Plant and Equipment are stated at cost less accumulated depreciation and impairment, if any. The cost comprises its purchase price net of any trade discounts and rebates, any import duties and other taxes (other than those subsequently recoverable from the tax authorities), any directly attributable expenditure on making the asset ready for its intended use, other incidental expenses related to acquisition.

Depreciable amount for assets is the cost of an asset, or other amount substituted for cost, less its estimated residual value. Depreciation is provided on the straight-line method as per the useful life prescribed in Schedule II to the Companies Act, 2013.

3.9 Revenue Recognition

(a) Sale of Products: Revenue is recognised at fair value of amounts received and receivable from third parties for products supplied (net off estimated returns and discounts), upon transfer of significant risks and rewards of ownership of the products to the buyer, the amount of revenue can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

(b) Interest Income on deposits with bank is accounted for on an accrual basis at the effective interest rate.

3.10 Retirement Benefits

Defined Contribution Plans

The Company's contribution to provident fund and employees' state insurance scheme are considered as defined contribution plans and are charged as an expense based on the amount of contribution required to be made and when services are rendered by the employees.

Defined Benefit Plans

The Company's gratuity benefit scheme is a defined benefit plan which

Notes forming part of the Financial Statements (Contd.)

is not funded. The cost of providing benefits is determined using the Projected Unit Credit method, with actuarial valuations being carried out at each balance sheet date. Gain or Loss on account of remeasurements are recognised immediately through Other Comprehensive Income in the period in which they occur. Past service cost is recognised immediately to the extent that the benefits are already vested and otherwise is amortised on a straight-line basis over the average period until the benefits become vested. The retirement benefit obligation recognised in the Balance Sheet represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds.

Other Long-Term Employment Benefits

Compensated absences which are not expected to occur within twelve months after the end of the period in which the employee renders the related services are recognized as a liability at the present value of the defined benefit obligation at the balance sheet date.

3.11 Earnings Per Share ('EPS')

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

3.12 Taxation

Income-tax expense comprises current tax and deferred tax charge or credit. Current 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 and tax laws 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 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 currently engaged in trading of agricultural produce, such income is exempt from income tax. Accordingly, there are no deferred tax assets/liabilities arising therefrom.

3.13 Impairment of Assets

To provide for impairment loss, if any, to the extent, the carrying amount of assets exceed their recoverable amount. Recoverable amount is higher of an asset's net selling prices and its value in use. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit and loss.

3.14 Contingencies and Provisions

A provision is recognised when the Company has a present obligation (legal or constructive) as a result of past events and it is probable that an outflow of resources will be required to settle the obligation in respect of which a reliable estimate can be made. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

3.15 Operating Cycle

Based on the nature of products / activities of the Company which consists of harvesting and selling of wood on an annual basis from the existing trees which have attained maturity and the normal time between acquisition of assets and their realisation in cash or cash equivalents, the Company has determined its operating cycle as 12 months for the purpose of classification of its assets and liabilities as current and non-current.

(Amount in ₹)

		As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
4.	**Biological Assets other than Bearer Plants**			
	Unharvested Agri-Produce (Inter-Cropping of Traditional Crops)	4,327,032	4,327,032	4,327,032
	Unharvested Poplar Trees (Standing Crops)	20,986,175	20,986,175	20,986,175
		25,313,207	25,313,207	25,313,207
	Less: Provision for Write Down (Refer Note 24)	(25,313,207)	(25,313,207)	(25,313,207)
		-	-	-

Note: Additional disclosures in terms of Schedule III and Ind AS 41 have not been given in view of the ongoing litigation (Refer Note 24).

		As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
5.	**Trade Receivables**			
	Current			
	Unsecured, Considered good	-	-	3,963,448
	Doubtful	18,364	18,364	18,364
		18,364	18,364	3,981,812
	Less: Allowance for Doubtful Debts (Expected Credit Loss Allowance)	(18,364)	(18,364)	(18,364)
		-	-	3,963,448
6.	**Cash and Cash Equivalents**			
	Balances with Banks:			
	Current Account	142,511	19,716,478	71,313
	Deposit Accounts (Refer Note below)	15,400,000	-	-
	Cash on Hand	3,499	949	6,249
		15,546,010	19,717,427	77,562

Note: The Deposits by the Company with banks comprise of time deposits, which can be withdrawn by the Company at any point without prior notice or penalty on the principal.

Details of Specified Bank Notes held and transacted during the period November 8, 2016 to December 30, 2016 is as under:

	Specified Bank Notes	Other Denomination Notes	Total
Closing Balance as at November 8, 2016	1,500	536	2,036
Add: Receipts for permitted transactions	-	10,820	10,820
Less: Payments for permitted transactions	-	9,636	9,636
Less: Deposited in Bank Accounts	1,500	-	1,500
Closing Balance as at December 30, 2016	-	1,720	1,720

Explanation: The term 'Specified Bank Notes' shall have the same meaning provided in the notification of the Government of India, in the Ministry of Finance, Department of Economic Affairs Number S.O. 3407(E) dated November 8, 2016.

		As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
7.	**Other Financial Assets**			
	Current			
	Loan to Holding Company	-	-	20,000,000
	Interest Accrued on Bank Deposits	1,027,355	-	-
		1,027,355	-	20,000,000
8.	**Other Assets**			
	Current			
	Deposits with Statutory Authorities	42,340	42,340	42,340
	Prepaid Expenses	1,023	764	38,421
	Advance to Related Party	-	-	250,000
	Advance to Employee	-	-	298
		43,363	43,104	331,059
9.	**Equity Share Capital**			
	Authorised Share Capital:			
	10,000,000 fully paid up Equity Shares of ₹ 10 each	100,000,000	100,000,000	100,000,000
	Issued, Subscribed and Paid-up Capital:			
	5,510,004 fully paid up Equity Shares of ₹10 each	55,100,040	55,100,040	55,100,040

A) Reconciliation of number of Equity Shares outstanding:

	No. of Shares	Share Capital
Balance at April 1, 2015	5,510,004	55,100,040
Add: Issued during the year 2015-16	-	-
Balance at March 31, 2016	5,510,004	55,100,040
Add: Issued during the year 2016-17	-	-
Balance at March 31, 2017	5,510,004	55,100,040

B) Shareholders holding more than 5% of the Equity Shares in the Company:

	As at March 31, 2017 No. of Shares	%	As at March 31, 2016 No. of Shares	%	As at April 1, 2015 No. of Shares	%
ITC Limited and its nominees	5,510,004	100	5,510,004	100	5,510,004	100

C) Rights, preferences and restrictions attached to the Ordinary Shares:

The equity shares of the Company, having par value of Rs. 10 per share, rank pari passu in all respects including voting rights and entitlement to dividend.

D) Ordinary Shares allotted as fully paid-up pursuant to contract(s) without payment being received in cash during the period of five years immediately preceding March 31, 2017:

No shares were either issued otherwise than for payment being received in cash or bought back or allotted fully paid up bonus shares in the preceding five years from the date of this Balance Sheet.

Notes forming part of the Financial Statements (Contd.)

(Amount in ₹)

		As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
10.	**Other Equity**			
	Reserves and Surplus:			
	General Reserve			
	This represents appropriation of profit by the Company	500,000	500,000	500,000
	Retained Earnings			
	Retained earnings comprise of the Company's prior years' undistributed earnings after taxes	(42,125,121)	(38,882,873)	(34,457,061)
	Other items of Other Comprehensive Income:			
	Other items of other comprehensive income consist of remeasurement of net defined benefit liability/asset	(161,291)	(935)	-
		(41,786,412)	(38,383,808)	(33,957,061)
11.	**Provisions**			
	Employee Benefits:			
	Gratuity (Refer Note 25)	1,005,258	855,920	839,808
	Compensated Absences	162,942	143,946	138,937
		1,168,200	999,866	978,745
	Non-current :			
	Gratuity (Refer Note 25)	987,128	770,328	755,827
	Compensated Absences	159,933	107,959	104,203
		1,147,061	878,287	860,030
	Current :			
	Gratuity (Refer Note 25)	18,130	85,592	83,981
	Compensated Absences	3,009	35,987	34,734
		21,139	121,579	118,715
		1,168,200	999,866	978,745
12.	**Other Financial Liabilities**			
	Current :			
	Employee Dues Payable	210,503	257,070	395,778
		210,503	257,070	395,778
13.	**Other Liabilities**			
	Current :			
	Statutory Liabilities	1,657,715	1,677,911	1,677,104
		1,657,715	1,677,911	1,677,104

		For the year ended 31 March 2017	For the year ended 31 March 2016
14.	**Revenue from Operations**		
	Sale of Products (Saplings)	698,984	689,455
		698,984	689,455
15.	**Other Income**		
	Interest Income on:		
	- Bank Deposits	1,291,428	-
	- Refund of Income Tax	460	-
		1,291,888	-
16.	**Employee Benefits Expense**		
	Salaries and Wages	2,766,419	2,872,195
	Contribution to Provident and Other Funds	249,751	173,572
	Gratuity Expense (Refer Note 25)	112,357	109,694
	Staff Welfare Expenses	21,085	19,400
		3,149,612	3,174,861
17.	**Other Expenses**		
	Power and Fuel	149,634	200,525
	Rent	7,760	7,760
	Rates and Taxes	3,164	55,869
	Insurance	6,080	43,300
	Repairs and Maintenance - Others	4,520	5,887
	Security Charges	479,419	492,289
	Travelling and Conveyance	95,042	79,302
	Legal Expenses	265,709	335,196
	Miscellaneous Expenses	79,486	81,778
		1,090,814	1,301,906
	Miscellaneous Expenses include:		
	Payment to Auditors (Excluding Service Tax)		
	- Statutory Audit	50,000	50,000
	- Tax Audit	15,000	15,000
	- Reimbursement of Expenses	3,692	6,180
		68,692	71,180

18. **Income-tax**

(a) The Company is in the business of Agro Forestry and related incomes and expenses are agricultural income, which are exempt u/s 10 of the Income-tax Act, 1961.

(b) Remeasurement of actuarial losses relating to gratuity are related to agricultural activities of the Company. Hence, there is no tax impact on such remeasurement of actuarial losses.

(c) Reconciliation of income tax provision to the amount computed by applying the Indian statutory income tax rate to the profit before tax is summarised below:

(Amount in ₹)

	For the year ended 31 March 2017	For the year ended 31 March 2016
Loss before Income Tax	(2,879,554)	(4,417,312)
Enacted Tax Rates	29.87%	29.87%
Computed Expected Tax Expense	(860,123)	(1,319,451)
Tax on Income after excluding expenses for income exempt u/s 10	1,222,817	1,327,951
Income Tax Expense	362,694	8,500

		As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
19.	**Contingent Liabilities**			
	Claims against the Company not acknowledged as Debts:			
	Local Authority Taxes	664,524	664,524	664,524
	Revision of Land Lease Rent	10,700,000	10,700,000	10,700,000
	Other Matters	42,340	42,340	42,340
		11,406,864	11,406,864	11,406,864

		For the year ended 31 March 2017	For the year ended 31 March 2016
20.	**Earnings Per Share**		
	Computation of earnings per share is set out below:		
	Net Loss attributable to Equity Shareholders (A) (₹)	(3,242,248)	(4,425,812)
	Weighted Average Number of Equity Shares outstanding during the year (B) (Nos.)	5,510,004	5,510,004
	Face Value of Equity Share (₹)	10.00	10.00
	Earnings Per Share (Basic and Diluted) (A/B) (₹)	(0.59)	(0.80)

21. **Segment Information**

The Board of the Company has been identified as the Chief Operating Decision Maker (CODM) as defined under Ind AS 108 Operating Segments. The Company's activities involve predominantly business of growing and 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 products sold primarily in India and hence there are no reportable geographical segments.

None of the customers contributes to 10% or more to the total revenue of the Company during the year ended March 31, 2017 and March 31, 2016.

22. **Related Party Disclosures**

a) **Details of Related Parties**

Name	Relationship
ITC Limited	Holding Company
WIMCO Limited	Fellow Subsidiaries
Prag Agro Farm Limited	Fellow Subsidiaries

Key Management Personnel	Relationship
S. K. Sipani	Non-Executive Director
R.C. Dhiman	Non-Executive Director
S. Limaye	Non-Executive Director

(b) **Details of Related Party Transactions:**

	For the year ended 31 March 2017	For the year ended 31 March 2016
ITC Limited:		
Purchases	630,000	630,000
Receipts against Loan Repayment	-	20,000,000
Prag Agro Farm Limited:		
Receipts against Repayment of Advance	-	250,000

(c) **Details of Related Party Balances:**

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
ITC Limited:			
Trade Receivable	-	-	3,963,448
Loan to Holding Company	-	-	20,000,000
Prag Agro Farm Limited:			
Advance to Related Party	-	-	250,000

23. 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.

24. During the year 2013-14, the Hon'ble High Court of Uttarakhand at Nainital, passed an order directing the State Authorities to take possession of the land leased to the Company. The Company filed an appeal against the said Order, which had been admitted and the matter is pending in the Hon'ble High Court.

Consequent to the aforesaid Order, as a matter of prudence, cost of the land amounting to ₹ 23,410,906 (being the difference between the premium of ₹

Notes forming part of the Financial Statements (Contd.)

44,933,855 paid on acquisition of such leasehold land and amortised to the extent of ₹ 21,522,949) was fully impaired in 2013-14. On transition to Ind AS, deemed cost of such leasehold land as on April 1, 2015 is Nil. Further, as the Company does not have access to such land, biological assets (including agri-produce) thereon were fully provided for in 2013-14 and consequently, cost of such assets is Nil.

In the interim, the Company has been examining alternate business opportunities and basis its long experience of trading in poplar wood/saplings, proposes to engage in such trading in proximate markets.

In view of the above and taking into account that the Company's assets primarily include current assets (Cash and Cash Equivalents), the Board has determined that it would be appropriate to prepare its financial statements on a going concern basis.

25. **Employee Benefits**

Description of Plans

The Company makes contribution to defined contribution scheme (Provident Fund) for qualifying employees. The Company makes a monthly contribution as a percentage of eligible salary to Provident Fund.

The liabilities arising in the defined benefit schemes are determined in accordance with the actuarial valuation. Gratuity and Compensated Absences benefits are unfunded.

Risk Management

The defined benefit plans expose the Company to actuarial deficit arising out of interest rate risk, longevity risk and salary cost inflation risk. These plans are not exposed to any unusual, entity specific or scheme specific risks but there are general risks. The Scheme's accounting liabilities are calculated using a discount rate set with reference to the Government security yields. A decrease in yields will increase the fund liabilities, leading to accounting deficit in the funds. Increase in salary due to adverse inflationary pressures might lead to higher liabilities.

Gratuity:

The following tables set out the amount recognised in the Financial Statements as of March 31, 2017 and March 31, 2016:

(Amount in ₹)

	For the year ended 31 March 2017	For the year ended 31 March 2016
Change in Benefit Obligation		
Benefit Obligation at the beginning	855,920	839,808
Current Service Cost	52,790	46,708
Interest Expense	59,567	62,986
Remeasurements - Actuarial Losses	160,356	935
Benefits Paid	(123,375)	(94,517)
Benefit Obligation at the end	1,005,258	855,920

Amount for the year ended March 31, 2017 and March 31, 2016 recognised in the Statement of Profit and Loss under Employee Benefit Expense:

Current Service Cost	52,790	46,708
Interest Expense	59,567	62,986
Gratuity Expense	112,357	109,694

Amount recognised in the Statement of Other Comprehensive Income:

(Amount in ₹)

Remeasurements of the Defined Benefit Liabilities		
Effect of changes in Financial Assumptions	58,666	-
Effect of Experience Adjustments	101,690	935
Cost recognised in the Statement of Other Comprehensive Income	160,356	935

Liability recognised in the Balance Sheet:

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
Present Value of Defined Benefit Obligation	1,005,258	855,920	839,808
Liability recognised in Balance Sheet			
- Current	18,130	85,592	83,981
- Non-Current	987,128	770,328	755,827
Liability recognised in Balance Sheet	1,005,258	855,920	839,808

The principal assumptions used for the purpose of the actuarial valuation were as follows:

Discount Rates	6.75%	7.50%	7.50%
Expected rates of salary increase	5.00%	5.00%	5.00%
Mortality Table	Indian Assured Lives Mortality Ultimate (2006-08)	Indian Assured Lives Mortality Ultimate (2006-08)	Indian Assured Lives Mortality Ultimate (2006-08)
Retirement Age	58 Years	58 Years	58 Years

The Company assesses these assumptions with its projected long-term plans of growth and prevalent industry standards. The discount rate is based on the government securities yield.

As at March 31, 2017, every percentage point increase / decrease in discount rate will affect the Company's gratuity benefit obligation by approximately ₹ 10 Lakhs.

As at March 31, 2017, every percentage point increase / decrease in compensation levels will affect the Company's gratuity benefit obligation by approximately ₹ 10 Lakhs.

26. **Financial Instruments and Related Disclosures**

A. Capital Management

The Company's financial strategy aims to strengthen its financial position through optimum deployment of capital in the business of agro forestry and other related activities, which consists of harvesting and selling of poplar wood, and in trading of agri produce and nurture opportunities available in the markets. The Company aims at maintaining a strong capital base so as to maintain adequate supply of funds towards future growth of its businesses as a going concern.

B. Categories of Financial Instruments

	Note	As at March 31, 2017		As at March 31, 2016		As at April 1, 2015	
		Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets (Measured at amortised cost)							
i) Trade Receivables	5	-	-	-	-	3,963,448	3,963,448
ii) Cash and Cash Equivalents	6	15,546,010	15,546,010	19,717,427	19,717,427	77,562	77,562
iii) Other Financial Assets	7	1,027,355	1,027,355	-	-	20,000,000	20,000,000
Total Financial Assets		16,573,365	16,573,365	19,717,427	19,717,427	24,041,010	24,041,010
Financial Liabilities (Measured at amortised cost)							
(i) Trade Payables		278,468	278,468	120,060	120,060	187,301	187,301
(ii) Other Financial Liabilities	12	210,503	210,503	257,070	257,070	395,778	395,778
Total Financial Liabilities		488,971	488,971	377,130	377,130	583,079	583,079

C. Financial Risk Management Objectives

The Company's activities expose it to primarily to interest rate risk arising out of bank deposits made. Exposure to credit risk is limited to the outstanding trade receivables at hand and resulting from default by the counterparty.

i) **Interest Rate Risk**

Interest rate risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Though the majority of the financial assets of the Company are fixed interest bearing instruments, the Company's net exposure to interest risk is negligible as such instruments are invested in fixed interest bearing instruments which are not subject to substantial movements in rates. The maximum exposure to interest rate risk as at March 31, 2017 is ₹ 15,400,000 (As at March 31, 2016 - ₹ Nil, As at April 1, 2015 - ₹ Nil) and is represented by carrying amount of Balance with Banks - Deposit Accounts (Refer Note 6).

ii) **Commodity Price Risk**

The Company is exposed to commodity price risk which it manages through strategic procurement based on its past experience and monitoring of market dynamics, stock levels. Accordingly, the Company's net exposure to commodity price risk is negligible.

iii) **Price Risk**

The Company invests its surplus funds in bank deposits measured at amortized cost. Accordingly, these do not pose any significant price risk.

Notes forming part of the Financial Statements (Contd.)

iv) **Liquidity Risk**

Liquidity risk is defined as the risk that the Company will not be able to settle or meet its obligations as they become due. The Company's investment decisions relating to deployment of surplus liquidity are guided by the tenets of safety, liquidity and return. The Company manages its liquidity risk by ensuring that it will always have sufficient liquidity to meet its liabilities when due. Investments are made with a range of maturities, generally matching the projected cash flows and spreading the same across wide range of counterparties.

The table below provides details regarding the remaining contractual maturities of financial liabilities:

(Amount in ₹)

	Less than 3 months	3-6 months	Total
Trade Payables:			
As at March 31, 2017	278,468	-	278,468
As at March 31, 2016	120,060	-	120,060
As at April 1, 2015	187,301	-	187,301
Other Financial Liabilities:			
As at March 31, 2017	-	210,503	210,503
As at March 31, 2016	-	257,070	257,070
As at April 1, 2015	-	395,778	395,778

v) **Credit risk**

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument which may lead to a financial loss to the Company. Apart from its operating activities, wherein the Company deals with customers, the Company is also exposed to credit risk from its investing activities. The Company has policy of dealing on cash terms, to the extent practicable. Credit is extended only after due approvals and evaluation in terms of the Credit Policy applicable for such sale. In view of the short nature of its trade receivables, the Company makes provision for credit risk on an individual basis. Financial instruments that are subject to concentration of credit risk principally consist of deposits with bank. All counter parties with whom Company deals for investing and financing activities are approved after due evaluation of their creditworthiness based on the factors as mentioned above. Investments in deposits are made with bank, which are of investment grade and are managed by the Company through active monitoring of balances and pre-determined parameters. Write offs are made with the approval of the Chief Operating Decision Maker.

The following table gives details in respect of percentage of revenues generated from top customer and top 5 customers

	For the year ended 31 March 2017	For the year ended 31 March 2016
Revenue from top customer	6.58%	4.79%
Revenue from top 5 customers	26.71%	19.89%

The Company's credit period generally ranges from 0-15 days

The movement of the expected loss provision made by the Company is as under:

(Amount in ₹)

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
Opening Balance	(18,364)	(18,364)	(18,364)
Add: Provisions made (Net)	-	-	-
Less: Utilisation	-	-	-
Closing Balance	(18,364)	(18,364)	(18,364)

D. Fair value measurement

The Company does not have any Non-current Financial Assets and Non-current Financial Liabilities. Fair value of Current Financial Assets and Current Financial Liabilities is equivalent to their carrying values.

On behalf of the Board of Directors

R.C. Dhiman Director

S.K. Sipani Director

A. Chinnaiya Company Sectratry

Place: Rudrapur

Date: May 5, 2017

ITC: Transforming Lives and Landscapes

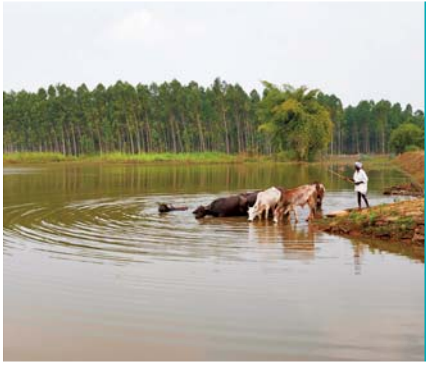
Enduring Value

ITC's e-Choupal

Empowering 4 million farmers

ITC's Afforestation Programme

Greening more than 6,20,000 acres



ITC's Watershed Development Programme

Providing Soil & Moisture conservation to over 7,76,000 acres of drylands

ITC's Livestock Development Initiative

Providing animal husbandry services for 15,00,000 milch animals

ITC's Women Empowerment Initiative

Creating nearly 55,000 sustainable livelihoods for women

ITC's Primary Education Initiative

Benefitting over 5,00,000 children

ITC's Skilling & Vocational Training Initiative

Nearly 44,000 youth trained

ITC's Health & Sanitation Programme

Nearly 24,000 low-cost sanitary units constructed

ITC is the only enterprise in the world of comparable dimensions to be Carbon Positive, Water Positive and Solid Waste Recycling Positive.
ITC's businesses and value chains support around 6 million sustainable livelihoods